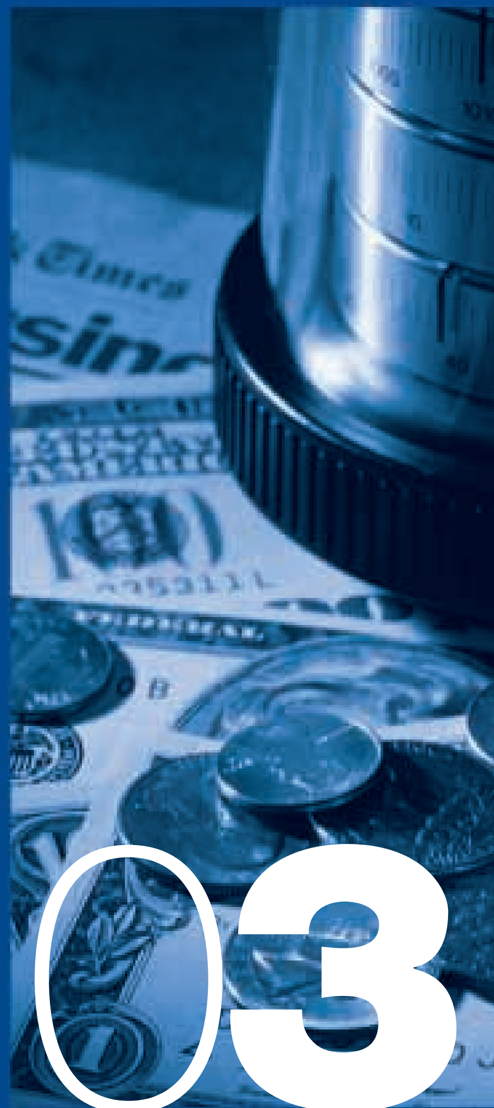
Annual Report 2003




abcmultiactive

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.**

# Contents

# Corporate Information

## Directors

### Executive Directors

Mr. Terence Chi Yan HUI
Mr. Joseph Chi Ho HUI
Mr. Billy Kin Wah CHAN (resigned on 20 August 2003)

### Non-executive Director

Mr. Kau Mo HUI

### Independent Non-executive Directors

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

## Qualified Accountant

Mr. Siu Leong CHEUNG

## Company Secretary

Mr. Siu Leong CHEUNG

## Compliance Officer

Mr. Terence Chi Yan HUI

## Authorised Representatives

Mr. Terence Chi Yan HUI
Mr. Billy Kin Wah CHAN (resigned on 20 August 2003)
Mr. Siu Leong CHEUNG (appointed on 20 August 2003)

## 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

## Auditors

HLB Hodgson Impey Cheng
*Chartered Accountants*
*Certified Public Accountants*

## Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## Head Office And Principal Place Of Business

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

## 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
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

## Principal Bankers

Hang Seng Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

## Stock Code

8131

## Website

http://www.abcmultiactive.com

# Chairman's Statement

I am pleased to report that the Company achieved significant improvement in its results for fiscal 2003. Our execution on a number of strategic initiatives during the year resulted in a profit from operating activities as compared to a loss from operating activities in the previous year.

During the second half of the year, the stock market in Hong Kong rebounded to its highest levels in the last two years and we saw strong IPO reception and active stock trading. As a result, the stock brokerage community has shown renewed willingness in investing in its IT infrastructures. In 2004, I foresee that demand for our e-Finance products will continue to follow this upward trend. Our objectives in 2004 will be to reinforce our leading position in the securities solutions industry by focusing on our product delivery and future strategic development of our e-Finance products. This approach will increase the competitiveness and range of our products, already demonstrated by some major contract wins providing us with additional on-going revenue streams from maintenance and customisation projects. The Company's OCTO STP product can now handle the full spectrum of financial products and services – our OCTO STP trading solution now facilities cross border trading in 51 markets, derivatives trading, program trading, as well as real-time risk management and margin controls.

Customer relationship management ("CRM") remains an emerging field in the Asia Pacific region that lags the US market and will require further cultivation. To position ourselves for growth when this market matures, we continued to focus on growing our reseller business partner channel by adding key management expertise and implementing focused marketing programs. These sound alliances with our resellers and business partners have reinforced our position as a leading provider of advanced CRM solutions and contributed to our profitability for this division during the year. With the rebound of the Hong Kong economy, China's entry into the WTO, and the advent of CEPA, expansion of our primary markets to China will be one of our major objectives in 2004 to capitalise on these growth opportunities.

I would like to thank our board of directors, shareholders, customers, and industry partners for their continued support and our employees for contributing their energy and skills this past year. With our leadership position in the securities solutions sector coupled with the successful launch of a reseller model for our award winning CRM products, I look forward to a productive year in 2004.

**Terence Chi Yan Hui**
*Chairman*

Hong Kong, 24 February 2004

# Management Discussion and Analysis

## Financial Review

The Group recorded a turnover of approximately HK$22,567,000 for the year ended 30 November 2003, a 12% decrease from approximately HK$25,668,000 for the same period of the previous year. Of the total turnover amount, HK$5,588,000 or 25% was generated from maintenance services. As at 30 November 2003, the Group had approximately HK$3,880,000 worth of contracts that were in progress. The profit attributable to shareholders for the year ended 30 November 2003 was HK$7,788,000, whereas the Group recorded a loss of approximately HK$38,281,000 for the same period of the previous year. The turnaround was mainly attributed to an unrealised exchange gain of approximately HK$8,240,000 from the appreciation of the Australian currency during the current period combined with the restructuring activities undertaken by the Group in the previous year.

Operating expenditures amounted to HK$17,694,000 for the year ended 30 November 2003, a 37% decrease from HK$27,968,000 for the same period of the previous year. The decrease was mainly attributed to restructuring activities implemented by the Group in the previous year, which included the transfer of operations in Sydney and Hong Kong to smaller locations, headcount and salary reductions, and other cost control measures.

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 to smaller office locations in Sydney and Hong Kong, depreciation expenses decreased from approximately HK$3,239,000 for the year ended 30 November 2002 to approximately HK$1,661,000 in the current period.

During the current period, the Group invested approximately HK$3,598,000 in developing new modules for its Octo Straight Through Processing ("STP") system. In view of the recent industry trend for banks to invest in enhancing customer relationship services, the Group furthered the development of its wealth management module to facilitate portfolio management, tracking, and customer relationship management.

The Group did not have any amortisation expenses for the year ended 30 November 2003 as compared to HK$7,883,000 for the same period in previous year. The decrease was principally attributed to the write-off of the remaining amounts of goodwill and intellectual property rights at the end of fiscal year 2002.

At 30 November 2003, a provision of approximately HK$128,000 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.

Total staff costs (including director's remuneration) amounted to approximately HK$17,138,000 for the year ended 30 November 2003, a 27% decrease from approximately HK$23,445,000 for the same period of the previous year. The decrease was mainly attributed to headcount reductions and salary decreases during the 2003.

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 and share options.

## Financial Review *(Continued)*

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

At 30 November 2003, the Group had outstanding borrowings of approximately HK$5,174,000 representing a current account with Maximizer Software Inc., the ultimate holding company, which was unsecured and carried interest of 1.5% per month (Maximizer Software Inc. has confirmed that it will not demand repayment of the current account within twelve months from 30 November 2003); 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 22 May 2005; and approximately HK$4,634,000 representing a loan from Wickham Group Limited, a party connected to a non-executive director of the Company, which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 21 February 2005.

During the fiscal year, Multiactive Software Pty. Limited ("abc Australia") placed itself under voluntary administration and appointed administrators on 28 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 25 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 payments from the date of execution of the deed of company arrangement. As a result, a charge of A$350,000 (HK$1,768,000) was created over the assets of abc Australia in respect of the deed of company arrangement in August 2002. The final payment under the deed of company arrangement was completed in September 2003. Upon abc Australia making all payments, abc Australia recognised a gain of A$547,000 (HK$2,717,000) as a result.

The Group did not have any mortgage or charge at 30 November 2003.

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars, Canadian dollars, or Australian dollars. Except for the current account between the Company and its Australian subsidiaries which is denominated in Hong Kong dollars, it is the Group's policy for each operating entity to borrow in local currencies where necessary in order to minimise currency risk.

The Group expresses its gearing ratio as a percentage of long term debts over total assets. At 30 November 2003, the Group's gearing ratio was 2.31.

At 30 November 2003, 15 employees had completed the required number the years of service under the Employment Ordinance (the "Ordinance") to be eligible for long services payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. At 30 November 2003, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK$988,000.

The Group has not held any significant investment for the year ended 30 November 2003 and made no material acquisitions or disposals during the current period. At 30 November 2003, the Group had no material capital commitments and no future plans for material investments or capital assets.

# Management Discussion and Analysis

## Operation Review

For the year ended 30 November 2003, e-Finance turnover excluding sales of hardware amounted to HK$14,793,000, an increase of 4% when compared to HK$14,283,000 for the same period of the previous year. During the year, the Group continued to enhance the features of its OCTO STP system and worked on new marketing schemes to drive sales. These marketing schemes focused on the Group's ability to help securities firms generate revenue and accelerate cost savings by eliminating manual processes through integration, automation, rental, or outsourcing with the Group's STP solutions. During the first quarter of 2003, the Group continued to invest in technology to introduce complementary products for its OCTO trading system and completed the development OCTO Synch, a real time synchronisation module for the front and back office system to facilitate risk management capability and enhance credit control. In the second quarter 2003, the Group continued to further the development of OCTO Trader, a trading module to enable simultaneous tracking and execution of complex trading strategies. The Group is currently in discussions with a number of securities firms for purchase of this module. In view of the recent investment by banks and the growing trend for consumer demand for enhanced customer relationship services, the Group focused on the development of a wealth management module during the third and fourth quarter. In addition to portfolio management and tracking, the wealth management module provides customer relationship management facilities specifically adapted for the investment and banking sector. The Group expects the development of the wealth management module to be completed in the first quarter 2004.

For the year ended 30 November 2003, e-Business sales amounted to HK$7,751,000, a 16% decrease compared to HK$9,185,000 for the same period of the previous year. Despite the lower turnover, the Group was able to restore operational profitability for its e-Business operations due to improved operational efficiencies from the Group's restructuring activities in the previous year. During the period, the Group continued to add management expertise and make significant investments in building its reseller channel. As a result of these efforts, the Group was able to expand its distribution network by appointing resellers in Taiwan and Cambodia. The Group is also in active negotiations with companies in India, Malaysia, Singapore, and China for the distribution rights of the Company's e-Business products in these regions. To prepare for the release of a localised version of its e-Business products in 2004, the Group has also commenced negotiations with various resellers in China to discuss bundling, training, and marketing opportunities.

## Prospects

The Group expects to capitalise on the current market rebound with its modular e-Finance solution which can provide securities firms with real time trading capability to invest in B shares and other regional markets as investment capital shifts to areas of growth. The Group's OCTO Straight Through Processing solution is a modular system that provide operational efficiency and flexibility to readily accommodate growth and specialised functionality as required. During the year, the Group had continued to invest in building complementary modules for its OCTO trading solution in anticipation of a market turnaround. As investor sentiment continues to improve, the Group's mission-critical trading solutions will enable banks and securities firms to expand their services.

The Group aims to capitalise on strong growth opportunities in China by leveraging on its worldwide brand recognition for its e-Business products. Accordingly, the Group is diligently working towards finalising the details of the marketing and distribution strategy of its e-Business products for the China market. In addition to increasing marketing activities in the next fiscal year, the Group will continue to source for strategic bundling opportunities with complementary products and services to accelerate brand awareness for its e-Business products in the region.

# Biographical Details of Directors and Senior Management

## Executive Directors

**Mr. Terence Chi Yan HUI**, aged 40, 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"), 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 33, 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 Maximizer line of products. Mr. Hui is the brother of Mr. Terence Chi Yan Hui.

## Non-executive Director

**Mr. Kau Mo HUI**, aged 71, 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 54, 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 37, is a corporate lawyer practising in Hong Kong. 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.

# Biographical Details of Directors and Senior Management

## Senior Management

**Mr. Frank Hing Fat HUNG**, aged 43, 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' insfrastructure, operations and combined services and solutions.

**Mr. Samson Chi Yang HUI**, aged 32, 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 32, is the Controller of the Group. Prior to joining the Group in February 2000, he worked at an investment firm in Canada for 5 years in the corporate finance field. In addition to his responsibilities as Controller, Mr. Yuen is responsible for developing the Group's distribution network in Hong Kong and North Asia. Mr. Yuen holds a Bachelor Degree in Finance from the University of British Columbia in Canada.

**Mr. Siu Leong CHEUNG**, aged 31, joined the Company in August 2003. Mr. Cheung is the qualified accountant, company secretary, authorised representative, and authorised representative for the acceptance of process in Hong Kong. Mr. Cheung is an associated member of both the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He is responsible for the day-to-day accounting and related matters of the Company. Prior to joining the Company, Mr. Cheung had worked in the auditing, accounting, and financial field for more than seven years.

The directors have pleasure in submitting their report together with the audited financial statements of abc Multiactive Limited (hereinafter referred to as the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 30 November 2003.

## Principal Activities

The principal activity of the Company is investment holding. The activities of its subsidiaries are set out in Note 16 to the financial statements. There was no significant change in its activities during the year.

## Segment Information

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the financial statements.

## Financial Statements

The results of the Group for the year are set out in the consolidated income statement on Page 21.

The states of affairs of the Group and of the Company as at 30 November 2003 are set out in the balance sheets on pages 22 and 23, respectively.

The cashflows of the Group are set out in the statement on Page 25.

## Dividends

The directors do not recommend a payment of dividend nor transfer of any amount to reserves for the year (2002: Nil).

## Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in Note 14 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company are set out in Note 22 to the financial statements.

## Distributable Reserves

As at 30 November 2003, the Company has no distributable reserve calculated under the Companies Act 1981 of Bermuda (as amended) and the Company's bye-laws.

## 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 (2002: Nil).

# Report of the Directors

## Share Options

Details of the share option scheme and outstanding share options of the Company as at 30 November 2003 are set out in Note 13 to the financial statements.

## Directors

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

### Executive Directors

Mr. Terence Chi Yan Hui
Mr. Joseph Chi Ho Hui
Mr. Billy Kin Wah Chan (resigned on 20 August 2003)

### 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, Mr. Clifford Sau Man Ng retires by rotation and, being eligible, offers himself 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' Services 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

The directors' interests in contracts are set out in Note 25 to financial statements. Apart from the foregoing, no other contracts of significance in relation to the Group's business to which the Company, its holding companies or its subsidiaries 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.

## Connected Transactions

The related party transactions, disclosed in Note 25 to the financial statements, 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 22 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. Other than a repayment of HK$500,000 that had been made in fiscal 2002, no repayment has been made during the year. The promissory note is unsecured, bears interest at Hong Kong prime rate per annum and is repayable on 22 May 2005. The shareholder has agreed to extend the maturity of the promissory note by twelve months from 22nd May 2004 to 22nd May 2005. During the year, interest payable in relation to the promissory note amounted to approximately HK$526,000.

   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 requirement.

2. During the year, the Group purchased software merchandise in the amount of approximately HK$997,000 from MSI for re-sale. The directors are of the opinion that the transactions were carried out in the normal course of business of the Group.

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

3. During the year, the Group incurred royalty fee payable to MSI in the amount of approximately HK$871,000 for selling new customer relationship management software developed by MSI that is not covered by the software assignment agreement entered into between MSI and the Group on 22 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.

## Connected Transactions *(Continued)*

4. On 21 February 2003, Wickham Group Limited, a company wholly owned by Mr. Kau Mo Hui, a non-executive director of the Company, advanced HK$5,134,000 to the Company. In consideration of the advance, the Company issued a promissory note to Wickham Group Limited on the same day. 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 21 February 2005. The shareholder has agreed to extend the maturity of the promissory note by twelve months from 21st February 2004 to 21st February 2005. During the year, interest payable in relation to the promissory note amounted to approximately HK$191,000.

   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 requirement.

5. During the year, the Group incurred interest expenses payable to MSI in amount of approximately HK$319,000 for the intercompany balance outstanding. The intercompany balance was unsecured and carried interest of 1.5% per month. 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' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

At 30 November 2003, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the GEM Listing Rules were as follows:

### Long positions in shares

(a) The Company:

| | Number of ordinary shares | | | | Percentage |
|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests | Corporate interests | Total | of issued share capital |
| Mr. Kau Mo Hui | – | 86,667,096[(1)] | – | 86,667,096 | 5.40% |

## Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures *(Continued)*

### Long positions in shares *(Continued)*

(a) The Company: *(Continued)*

*Note:*

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

(b) Associated Corporation:

| | Number of common shares in Maximizer Software Inc.[3] | | | | Percentage |
|---|---|---|---|---|---|
| Name of directors | Personal interests | Family interests | Corporate interests | Total | of issued share capital |
| Mr. Terence Chi Yan Hui | 2,237,153 | – | – | 2,237,153 | 3.62% |
| Mr. Joseph Chi Ho Hui | 17,295 | 10,000[1] | – | 27,295 | 0.04% |
| Mr. Kau Mo Hui | 70,000 | 40,949,625[2] | – | 41,019,625 | 66.35% |

*Notes:*

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

2. These shares are held by The City Place Trust and Multiactive Technologies Partnership.

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

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

3. Upon completion of the arrangement by Multiactive Software Inc. ("Multiactive") on 11 December 2002, the directors' interest in common shares or Multiactive had been replaced by common shares of Maximizer Software Inc..

## Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures *(Continued)*

### Long positions in underlying shares

(a) The Company:

**Options in the Company**
(Unlisted and physically settled equity derivatives)

| Name of director | Date of grant | Exercise price | Exercisable period | Number of options: At 1 December 2002 | Granted | At 30 November 2003 |
|---|---|---|---|---|---|---|
| Mr. Terence Chi Yan Hui | 17 April 2001 | HK$0.3625 | 17 April 2002 to 16 April 2011 | 4,800,000 | – | 4,800,000 |
| | 28 May 2001 | HK$0.4675 | 28 May 2002 to 27 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 of the options granted exercisable on each anniversary date from the date of grant.

No further options can be granted under the Company's share option scheme adopted on 22 January 2003 until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

(b) Associated Corporation:

**Options in Maximizer Software Inc.**
(Unlisted and physically settled equity derivatives)

| Name of directors | Date of grant | Exercise price | Exercisable period | Number of options: At 1 December 2002 | Granted | At 30 November 2003 |
|---|---|---|---|---|---|---|
| Mr. Terence Chi Yan Hui | 11 December 2002 | CAN$0.80 | 7 May 1999 to 6 May 2006 | 100,000 *(note)* | – | 100,000 |
| | 11 December 2002 | CAN$0.80 | 23 June 2000 to 22 June 2007 | 250,000 *(note)* | – | 250,000 |
| Mr. Joseph Chi Ho Hui | 11 December 2002 | CAN$0.80 | 7 May 1999 to 6 May 2006 | 75,000 *(note)* | – | 75,000 |
| | 11 December 2002 | CAN$0.14 | 18 March 2002 to 17 March 2009 | 25,000 *(note)* | – | 25,000 |

*Note:* Upon completion of the arrangement by Multiactive Software Inc. ("Multiactive") on 11 December 2002, the directors' interests in options in Multiactive had been replaced by options in Maximizer Software Inc..

## Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures *(Continued)*

### Long positions in underlying shares *(Continued)*

(b) Associated Corporation: *(Continued)*

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

### Long positions in debentures

No long positions of directors and chief executives in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### Short positions in shares

No short positions of directors and chief executives in the shares of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### Short positions in underlying shares

No short positions of directors and chief executives in the underlying shares of the equity derivatives of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

### Short positions in debentures

No short positions of directors and chief executives in the debentures of the Company and its associated corporations were recorded in the register.

## Interests Disclosable Under the SFO and Substantial Shareholder

At 30 November 2003, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long positions in shares

| Name | Capacity | Nature of interest | Number of ordinary shares | Percentage of issued share capital |
|---|---|---|---|---|
| Maximizer International Limited *(note 1)* | Beneficial owner | Corporate | 905,344,000 | 56.38% |
| Maximizer Software Inc. *(note 1)* | Interest of a controlled corporation | Corporate | 905,344,000 | 56.38% |
| The City Place Trust *(note 2)* | Trustee | Corporate | 992,011,096 | 61.78% |
| UBS AG | Beneficial owner | Corporate | 109,852,000 | 6.84% |
| Pacific East Limited | Beneficial owner | Corporate | 86,667,096 | 5.40% |

*Notes:*

1. Maximizer International Limited is a wholly owned subsidiary of Maximizer Software Inc.

2. The City Place Trust holds 36,475,319 shares of Maximizer Software Inc. representing approximately 59% of the issued share capital of Maximizer Software Inc.. The City Place Trust also wholly owns Pacific East Limited, which directly holds 86,667,096 shares of the Company.

### Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

### Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

### Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

## 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 25% 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 | 95% |
| – 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 22 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 30 November 2003 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.

## Subsequent Event

Subsequent to 30 November 2003, pursuant to a resolution in writing of the shareholders every ten of the authorised issued and unissued ordinary shares of HK$0.01 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 10,000,000,000 ordinary shares of HK$0.10 each and the issued share capital of the Company was HK$16,059,097 consisting of 160,590,967 ordinary shares of HK$0.10 each.

# Report of the Directors

## 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 Maximizer 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 30 November 2003, 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 22 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 22 January 2001 to 30 November 2003.

## Change of Auditors

Messrs PricewaterhouseCoopers resigned as auditors of the Company and its subsidiaries with effect from 25 November 2003 as a consensus could not be arrived with the Company regarding the audit fees for the year ended 30 November 2003. Messrs PricewaterhouseCoopers have confirmed that there were no circumstances connected with their resignation which they considered ought to be bought to the attention of the members or creditors of the Company and its subsidiaries. Prior to its resignation, Messrs PricewaterhouseCoopers did not engage in any audit work in respect of the accounts of the Company and its subsidiaries for the year ended 30 November 2003. In accordance with the bye-laws of the Company, the Board convened a special general meeting to fill the vacancy following the resignation of Messrs PricewaterhouseCoopers as the Company's auditors. On 5 January 2004, an ordinary resolution was passed approving the change of auditors to Messrs HLB Hodgson Impey Cheng as its auditors for the year ended 30 November 2003.

## Auditors

Messrs. HLB Hodgson Impey Cheng having been appointed by the Board of Directors on 5 January 2004 to act as auditors of the Company to fill the casual vacancy arising from the resignation of Messrs. PricewaterhouseCoopers, retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. HLB Hodgson Impey Cheng as auditors of the Company.

On Behalf of the Board
**Terence Chi Yan Hui**
*Executive Director*

Hong Kong, 24 February 2004

# Auditors' Report

國衛會計師事務所
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

6/F, Wheelock House
20 Pedder Street
Central
Hong Kong

**AUDITORS' REPORT TO THE MEMBERS OF**
**abc MULTIACTIVE LIMITED**
*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 21 to 49 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## Respective Responsibilities of Directors and Auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report.

## Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 November 2003 and of the profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**HLB Hodgson Impey Cheng**
*Chartered Accountants*
*Certified Public Accountants*

Hong Kong, 24 February 2004

# Consolidated Income Statement

For the year ended 30 November 2003

| | Notes | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|---|
| **Turnover** | *4* | **22,567** | 25,668 |
| **Cost of Sales** | | **(6,571)** | (11,929) |
| **Gross Profit** | | **15,996** | 13,739 |
| **Other Revenues** | *4* | **2,849** | 82 |
| **Other Income** | *4* | **8,438** | – |
| **Software Research and Development Expenses** | | **(3,598)** | (3,963) |
| **Royalty Expenses** | | **(1,033)** | (1,131) |
| **Selling and Marketing Expenses** | | **(3,825)** | (5,218) |
| **Administrative Expenses** | | **(10,271)** | (18,787) |
| **Amortisation of Intangible Assets** | | **–** | (7,883) |
| **Impairment of Intangible Assets** | | **–** | (14,058) |
| **Profit/(Loss) from Operating Activities** | *6* | **8,556** | (37,219) |
| **Finance Costs** | *7* | **(1,042)** | (634) |
| **Profit/(Loss) before Taxation** | | **7,514** | (37,853) |
| **Taxation** | *8* | **274** | (428) |
| **Profit/(Loss) for the Year** | | **7,788** | (38,281) |
| **Profit/(Loss) per Share** | | | |
| Basic | *10* | **HK0.48 cents** | HK(2.38) cents |
| **Dividends** | *11* | **–** | – |

All of the Company's operations are classed as continuing.

The accompanying notes form an integral part of these financial statements.

# Consolidated Balance Sheet

At 30 November 2003

| | Notes | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Fixed assets | *14* | **1,016** | 2,601 |
| **Current Assets** | | | |
| Inventories | *17* | **42** | 108 |
| Work in progress | | **334** | 241 |
| Trade and other receivables | *18* | **2,818** | 3,152 |
| Pledged bank deposit | | **–** | 218 |
| Cash and bank balances | | **4,162** | 1,263 |
| | | **7,356** | 4,982 |
| ***Less:* Current Liabilities** | | | |
| Trade and other payables | *19* | **8,566** | 15,047 |
| Deferred revenue | | **2,939** | 2,276 |
| | | **11,505** | 17,323 |
| **Net Current Liabilities** | | **(4,149)** | (12,341) |
| **Total Assets Less Current Liabilities** | | **(3,133)** | (9,740) |
| **Non-Current Liabilities** | | | |
| Promissory note payable to a shareholder | *20* | **9,500** | 9,500 |
| Promissory note payable to a related company | *20* | **4,634** | – |
| Amount due to the ultimate holding company | *21* | **5,174** | 2,225 |
| | | **19,308** | 11,725 |
| **Net Liabilities** | | **(22,441)** | (21,465) |
| *Represented by:* | | | |
| **Share Capital** | *22* | **16,059** | 16,059 |
| **Reserves** | *23* | **(38,500)** | (37,524) |
| **Shareholders' Deficits** | | **(22,441)** | (21,465) |

Approved by the Board of Directors on 24 February 2004 and signed on its behalf by:

**Terence Chi Yan Hui**
*Executive Director*

**Joseph Chi Ho Hui**
*Executive Director*

The accompanying notes form an integral part of these financial statements.

# Balance Sheet

At 30 November 2003

| | Notes | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|---|
| **Current Assets** | | | |
| Trade and other receivables | *18* | **140** | 11 |
| Pledged bank deposit | | **–** | 218 |
| Bank balances | | **3,008** | 7 |
| | | **3,148** | 236 |
| ***Less:* Current Liabilities** | | | |
| Other payables, accrued charges | *19* | **1,845** | 1,137 |
| **Net Current Assets/(Liabilities)** | | **1,303** | (901) |
| **Non-Current Liabilities** | | | |
| Promissory note payable to a shareholder | *20* | **9,500** | 9,500 |
| Promissory note payable to a related company | *20* | **4,634** | – |
| | | **14,134** | 9,500 |
| **Net Liabilities** | | **(12,831)** | (10,401) |
| *Represented by:* | | | |
| **Share Capital** | *22* | **16,059** | 16,059 |
| **Reserves** | *23* | **(28,890)** | (26,460) |
| **Shareholders' Deficits** | | **(12,831)** | (10,401) |

Approved by the Board of Directors on 24 February 2004 and signed on its behalf by:

**Terence Chi Yan Hui**
*Executive Director*

**Joseph Chi Ho Hui**
*Executive Director*

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 November 2003

| | *Notes* | **2003** **HK$'000** | 2002 HK$'000 |
|---|---|---|---|
| **Total equity as at 1 December 2002/2001** | | **(21,465)** | 19,760 |
| Exchange differences arising on translation of the financial statements of foreign subsidiaries | *23* | **(8,764)** | (2,944) |
| Net profit/(loss) for the year | *23* | **7,788** | (38,281) |
| **Total equity as at 30 November 2003/2002** | | **(22,441)** | (21,465) |

The accompanying notes form an integral part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 30 November 2003

| | 2003<br>HK$'000 | 2002<br>HK$'000<br>(Restated) |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) before taxation | **7,514** | (37,853) |
| *Adjustment for:* | | |
| Interest income | **(49)** | (82) |
| Interest expenses | **1,042** | 634 |
| Depreciation | **1,661** | 3,239 |
| Amortisation of intangible assets | **–** | 7,883 |
| Impairment of intangible assets | **–** | 14,058 |
| Loss on disposals of fixed assets | **24** | 2,320 |
| Exchange difference on non-cash items | **(8,590)** | – |
| Operating profit/(loss) before working capital changes | **1,602** | (9,801) |
| Decrease in inventories | **66** | 150 |
| (Increase)/decrease in work in progress | **(93)** | 83 |
| Decrease in trade and other receivables | **334** | 5,093 |
| Increase in amount due to the ultimate holding company | **2,949** | 1,023 |
| Decrease in trade and other payables | **(6,481)** | (3,821) |
| Increase/(decrease) in deferred revenue | **663** | (189) |
| Cash used in operations | **(960)** | (7,462) |
| Interest paid | **(1,042)** | (634) |
| *Net cash used in operating activities* | **(2,002)** | (8,096) |
| **Cash flows from investing activities** | | |
| Purchase of fixed assets | **–** | (426) |
| Proceeds from disposal of fixed assets | **–** | 214 |
| Interest received | **49** | 82 |
| Decrease in pledged bank deposits | **218** | 979 |
| *Net cash generated from investing activities* | **267** | 849 |
| **Cash flows from financing activities** | | |
| Advance from a related Company through issue of a promissory note | **5,134** | – |
| Repayment of promissory note payable to a related company | **(500)** | (500) |
| Repayment of obligations under finance leases | **–** | (409) |
| *Net cash generated from/(used in) financing activities* | **4,634** | (909) |
| **Net increase/(decrease) in cash and cash equivalents** | **2,899** | (8,156) |
| **Cash and cash equivalents at the beginning of the year** | **1,263** | 9,419 |
| **Cash and cash equivalents at the end of the year** | **4,162** | 1,263 |
| **Analysis of the balances of cash and cash equivalents** | | |
| Bank balances | **4,162** | 1,263 |

The accompanying notes form an integral part of these financial statements.

# Notes to Financial Statements

## 1. Corporate Information

The Company was incorporated in Bermuda on 2 March 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activity of the Company is investment holding.

The directors consider the Company's ultimate holding company to be Maximizer Software Inc., which is incorporated in Canada and listed on the Toronto Stock Exchange.

## 2. Adoption of New and Revised Statements of Standard Accounting Practice ("SSAPs")

In the current year, the Group adopted the following new and revised SSAPs issued by the Hong Kong Society of Accountants (the "HKSA") which are effective for the first time for the current year's financial statements:

| | | |
|---|---|---|
| SSAP 11 (revised) | : | Foreign currency translation |
| SSAP 34 | : | Employee benefits |

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, which have had a significant effect on the financial statements, are summarised as follows:

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transaction and financial statements. The revisions to this SSAP have eliminated the choice of translating the income statements of overseas subsidiaries and associates at the closing rate of that period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting period.

SSAP 34 prescribed the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are required to be included in the notes to financial statements in respect of the Company's share option scheme.

## 3. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with all applicable SSAPs and Interpretations issued by the HKSA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies followed by the Company in the preparation of the financial statements is set out below:

### (a) Basis of Preparation

The measurement basis used in the preparation of the financial statements is historical cost convention.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately HK$4,149,000 and the Group's shareholders' deficits amounted to approximately HK$22,441,000.

Notwithstanding the above results, the financial statements 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 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 30 November 2003, 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 and has agreed to extend the maturity date of the promissory note to 22 May 2005. 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$5,174,000 within twelve months from the balance sheet date. Furthermore, a party connected to a non-executive director of the Company, Wickham Group Limited, has also agreed that it will not demand repayment of the promissory note in the amount of HK$4,634,000 within twelve months from the balance sheet and has agreed to extend the maturity date of the promissory note to 21 February 2005. 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 financial statements on a going concern basis.

### (b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 November. Subsidiaries are those entities in which the Group controls the composition of the board of directors, control 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 income statement and also any related accumulated foreign currency translation reserve.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (b) Basis of Consolidation *(Continued)*

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.

### (c) Fixed Assets

Fixed assets, comprising leasehold improvements, furniture and fixtures, office equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. 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 income statement.

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 income statement.

### (d) 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 1 December 2001 is capitalised in the balance sheet and is amortised to the income statement 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.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (d) 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 income statement.

*(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 and development 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.

### (e) Revenue Recognition

Revenue from the sale of computer software licenses 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 consolidated income statement 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.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (e) Revenue Recognition *(Continued)*

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.

### (f) 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.

### (g) Work in Progress

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

### (h) 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 are translated at the rates exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the income and expenses items are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

### (i) Current Assets and Current Liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Company's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Company's operating cycle.

### (j) 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 at net of such provision.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (k) Assets under Leases

*(i) Finance Leases*

Leases that substantially transfer to the Group all the risk 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 income statement over the lease periods.

*(ii) Operating Leases*

Leases where substantially all the risk 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 income statement on a straight-line basis over the leased periods.

### (l) 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.

### (m) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystalise in the foreseeable future.

### (n) Borrowings Costs

Borrowings costs that are directly attributable to the acquisition, construction or production of an asset that necessary takes a substantial period of time to get ready for its intended use of sales are capitalised as part of the cost of that asset.

All other borrowings costs are charged to the income statement in the year in which they are incurred.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (o) Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

### (p) 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 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 financial statements. When a change in the probability of an outflow occurs so that 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 financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (q) Employee Benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Company. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group participated 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 schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds and is expensed as incurred.

(iii) Termination benefits are recognised when, and only when, the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

## 3. Summary of Significant Accounting Policies *(Continued)*

### (r) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents of the purpose of the cash flow statement.

### (s) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

### (t) 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 15) and fixed assets (Note 14), including additions resulting from acquisitions through purchases of subsidiaries.

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.

## 4. Turnover and Revenues

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:

| | 2003<br>HK$'000 | 2002<br>HK$'000 |
|---|---|---|
| Turnover: | | |
| Sales of computer software licences and provision of related services | **16,956** | 18,214 |
| Provision of maintenance services | **5,588** | 5,254 |
| Sales of computer hardware | **23** | 2,200 |
| | **22,567** | 25,668 |
| Other Revenues: | | |
| Bank interest income | **49** | 75 |
| Interest income from a debtor | **–** | 7 |
| Sundry income | **2,800** | – |
| | **2,849** | 82 |
| Other Income: | | |
| Exchange gain | **8,240** | – |
| Recovery of bad debts previously written off | **3** | – |
| Reversal of provision for doubtful debts | **195** | – |
| | **8,438** | – |
| | **33,854** | 25,750 |

## 5. Segment Information

### (a) Business segments

| | eFinance | | eBusiness | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 | **2003** | 2002 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover | **14,816** | 16,483 | **7,751** | 9,185 | **22,567** | 25,668 |
| Segment profit/(loss) | **5,771** | 2,585 | **6,484** | (11,235) | **12,255** | (8,650) |
| Other revenues | | | | | **2,849** | 82 |
| Unallocated expenses | | | | | **(6,548)** | (6,710) |
| Amortisation of intangible assets | | | | | **–** | (7,883) |
| Impairment of intangible assets | | | | | **–** | (14,058) |
| Operating profit/(loss) | | | | | **8,556** | (37,219) |
| Finance costs | | | | | **(1,042)** | (634) |
| Profit/(loss) before taxation | | | | | **7,514** | (37,853) |
| Taxation | | | | | **274** | (428) |
| Profit/(loss) for the year | | | | | **7,788** | (38,281) |

# Notes to Financial Statements

## 5. Segment Information *(Continued)*

### (b) Geographical segments

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

| | **2003** | | | |
|---|---|---|---|---|
| | **Turnover HK$'000** | **Segment result HK$'000** | **Segment assets HK$'000** | **Capital expenditure HK$'000** |
| Hong Kong | **15,173** | **(2,658)** | **5,671** | **–** |
| Australia and New Zealand | **7,394** | **10,213** | **2,585** | **–** |
| Southeast Asia | **–** | **233** | **116** | **–** |
| | **22,567** | **7,788** | **8,372** | **–** |

| | 2002 | | | |
|---|---|---|---|---|
| | Turnover HK$'000 | Segment result HK$'000 | Segment assets HK$'000 | Capital expenditure HK$'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 |

## 6. Profit/(loss) from Operating Activities

| | 2003 HK$'000 | 2002 HK$'000 |
|---|---|---|
| Profit/(loss) from operating activities is stated after charging the following: | | |
| Auditors' remuneration | **160** | 328 |
| Bad debts written off | **31** | 210 |
| Provision for doubtful debts | **128** | 144 |
| Depreciation | | |
| – owned assets | **1,661** | 2,817 |
| – assets held under finance leases | **–** | 422 |
| Loss on disposal of fixed assets | **24** | 2,320 |
| Amortisation of intangible assets | | |
| – Goodwill *(Note 15)* | **–** | 4,488 |
| – Intellectual property rights *(Note 15)* | **–** | 3,395 |
| Impairment of intangible assets | | |
| – Goodwill *(Note 15)* | **–** | 10,097 |
| – Intellectual property rights *(Note 15)* | **–** | 3,961 |
| Operating leases in respect of land and buildings | **1,039** | 3,119 |
| Staff costs (excluding directors' remuneration) | **16,086** | 22,192 |
| Cost of computer hardware | **13** | 2,029 |
| Retirement benefit costs | **762** | 906 |
| and after crediting: | | |
| Exchange gain | **8,240** | – |
| Recovery of bad debts previously written off | **3** | – |
| Reversal of provision for doubtful debts | **195** | 149 |
| | **8,438** | 149 |

## 7. Finance Costs

| | **2003** | 2002 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest on: | | |
| – bank overdrafts | **–** | 114 |
| – promissory notes | **717** | 508 |
| – amount due to the ultimate holding company | **319** | – |
| Interest element of finance lease | **6** | 12 |
| | **1,042** | 634 |

## 8. Taxation

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits for the year (2002: Nil). The amount of taxation charge/(credit) to the consolidated income statement represents:

| | **2003** | 2002 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Overseas taxation *(Note a)* | **–** | 428 |
| Overprovision in prior year *(Note b)* | **(274)** | – |
| | **(274)** | 428 |

*Notes:*

(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 in the prior year. No Australian income tax has been provided by an Australian subsidiary of the Group as the Australian subsidiary had tax losses brought forward to set off the estimated assessable profits for the year.

(b) The taxation credit in current year represented the overprovision of PRC tax in the previous periods.

The potential deferred tax asset of HK$14,731,000 (2002: HK$19,083,000) relating to tax losses available for carry forward and other timing differences as at 30 November 2003 has not been recognised as the crystallisation of the asset in the foreseeable future is uncertain.

## 9. Net Loss for the Year Attributable to Shareholders

The net loss for the year attributable to shareholders includes a loss of HK$2,430,000 (2002: HK$76,168,000) which has been dealt with in the financial statements of the Company.

## 10. Profit per Share

The calculation of basic profit/(loss) per share is based on the Group's net profit for the year of HK$7,788,000 (2002: net loss for the year HK$38,281,000) and the weighted average of 1,605,909,668 and 1,605,909,668 ordinary shares in issue during the years ended 30 November 2003 and 2002, respectively.

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

## 11. Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 30 November 2003 (2002: Nil).

## 12. Directors' and Senior Management' Emoluments

### (a) Directors' emoluments

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

| | **2003** | 2002 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Directors' fees | | |
| Independent non-executive directors | **40** | 40 |
| Executive directors: | | |
| – Basic salaries, allowances and benefits in kind | **1,003** | 1,199 |
| – Contribution to provident fund | **9** | 14 |
| | **1,052** | 1,253 |

Two executive directors received individual emoluments of approximately HK$883,000 (2002: HK$856,000) and HK$120,000 (2002: HK$120,000).

No directors of the Company waived any emoluments during the year ended 30 November 2003 and 2002.

During the year ended 30 November 2003 and 2002, no emoluments were paid by the Group to the directors as 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 22 January 2001. Details of the share option scheme were set out in Note 13 to the financial statements.

## 12. Directors' and Senior Management' Emoluments *(Continued)*

### (b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2002: one) directors of the Company, details of whose emoluments are set out above. The emoluments payable to the remaining four (2002: four) individuals (the "Employees") during the year are as follows:

| | **2003** | 2002 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Basic salaries and allowances | **2,810** | 3,304 |
| Commission | **–** | 94 |
| Contribution to provident fund | **172** | 153 |
| | **2,982** | 3,551 |

During the years ended 30 November 2003 and 2002, no emoluments were paid by the Group to any of the Employees as inducement to join or upon joining the Group.

The number of the Employees whose emoluments fell within the following bands:

| | **Number of employees** | |
|---|---|---|
| | **2003** | 2002 |
| Nil to HK$1,000,000 | **3** | 4 |
| HK$1,000,001 to HK$1,500,000 | **1** | – |
| | **4** | 4 |

## 13. Employee Benefits

### Retirement Benefit Scheme

Effective from 1 December 2000, the Group joined the Mandatory Provident Fund Scheme (the "MPF Scheme") for all of its employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is registered with the Mandatory Provident Fund Authority under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. No forfeited contribution is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately. Contributions totalling HK$33,000 (2002: HK$76,000) were payable to the funds at year ended and are included in other payables.

## 13. Employee Benefits *(Continued)*

### Retirement Benefit Scheme *(Continued)*

The Group participated in a defined contribution retirement scheme for its employees in Australia. The assets of the scheme 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 income statement represents contributions payable by the Group to the funds and is expensed as incurred.

In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 30 November 2003 in respect of the retirement of its employees.

### Equity Compensation Benefits

*Share Option*

On 22 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 price of the Company's shares on the five trading days immediately preceding the date of offer of the options. The Scheme was adopted on 22 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 ad 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 was payable on acceptance of each grant of options.

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

## 13. Employee Benefits *(Continued)*

### Equity Compensation Benefits *(Continued)*

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 30 November 2003 were as follows:

| | Date of grant | Exercise price | Granted Exercise period | Options held as at 30 November 2002 | Options lapsed during the year | Options held as at 30 November 2003 |
|---|---|---|---|---|---|---|
| Executive director | 17 April 2001 | HK$0.3625 | 17 April 2002 to 16 April 2011 | 4,800,000 | – | 4,800,000 |
| | 28 May 2001 | HK$0.4675 | 28 May 2002 to 27 May 2011 | 480,000 | – | 480,000 |
| Continuous contracts employees | 17 April 2001 | HK$0.3625 | 17 April 2002 to 16 April 2011 | 29,381,587 | 9,503,999 | 19,877,588 |
| | 28 May 2001 | HK$0.4675 | 28 May 2002 to 27 May 2011 | 2,951,260 | 1,110,400 | 1,840,860 |

The exercise in full of the above options outstanding as at 30 November 2003 would, under the present capital structure of the Company, result in the issue of 26,998,448 additional ordinary shares of HK$0.01 each.

## 14. Fixed Assets

| | Leasehold Improvements HK$'000 | Furniture and fixtures HK$'000 | Office equipment HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| *Cost:* | | | | | |
| At 1 December 2002 | 174 | 779 | 7,244 | 35 | 8,232 |
| Exchange difference | 4 | 128 | 556 | 10 | 698 |
| Disposals | – | – | (155) | (45) | (200) |
| **At 30 November 2003** | **178** | **907** | **7,645** | **–** | **8,730** |
| *Accumulated depreciation:* | | | | | |
| At 1 December 2002 | 14 | 478 | 5,111 | 28 | 5,631 |
| Exchange difference | 1 | 83 | 505 | 9 | 598 |
| Charge for the year | 46 | 172 | 1,439 | 4 | 1,661 |
| Disposals | – | – | (135) | (41) | (176) |
| **At 30 November 2003** | **61** | **733** | **6,920** | **–** | **7,714** |
| *Net book value:* | | | | | |
| **At 30 November 2003** | **117** | **174** | **725** | **–** | **1,016** |
| At 30 November 2002 | 160 | 301 | 2,133 | 7 | 2,601 |

## 15. Intangible Assets

| | Goodwill | Intellectual property rights | Total |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Group** | | | |
| At 1 December 2002 | – | – | – |
| Impairment charges *(Note 6)* | – | – | – |
| Amortisation charges *(Note 6)* | – | – | – |
| **At 30 November 2003** | **–** | **–** | **–** |
| At 30 November 2003/2002 | | | |
| 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 | – | – | – |

## 16. Investments in Subsidiaries

| | Company 2003 HK$'000 | Company 2002 HK$'000 |
|---|---|---|
| Unlisted shares, at cost | **62,126** | 62,126 |
| *Less:* Impairment loss recognised | **(62,126)** | (62,126) |
| | **–** | – |
| Amounts due from subsidiaries | **103,798** | 103,290 |
| *Less:* provision | **(103,798)** | (103,290) |
| | **–** | – |
| | **–** | – |

The amounts due from subsidiaries are unsecured and interest free.

The following is a list of the subsidiaries as at 30 November 2003:

| Name of subsidiary | Place of incorporation/ operation | Particulars of issued share capital | Proportion of nominal value of issued shares held by the Company Directly | Indirectly | 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% | 0.01% | Sales of computer products and provision of maintenance services |
| 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% | – | Sales of computer products and provision of maintenance services |

## 17. Inventories

Inventories represent merchandise. As at 30 November 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK$42,000 (2002: HK$108,000).

## 18. Trade and other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables *(Note a)* | **1,889** | 2,133 | **–** | – |
| Prepayments and deposits | **929** | 1,019 | **140** | 11 |
| | **2,818** | 3,152 | **140** | 11 |

(a) As at 30 November 2003, the aging analysis of the trade receivables was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Current | **1,185** | 798 | **–** | – |
| 31 – 60 days | **495** | 561 | **–** | – |
| 61 – 90 days | **118** | 134 | **–** | – |
| Over 90 days | **91** | 640 | **–** | – |
| | **1,889** | 2,133 | **–** | – |

## 19. Trade and other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Accruals | **3,696** | 4,592 | **1,549** | 738 |
| Receipt in advance | **2,428** | 4,374 | **–** | – |
| Other payables | **2,442** | 5,658 | **296** | 399 |
| Provision for PRC taxation | **–** | 423 | **–** | – |
| | **8,566** | 15,047 | **1,845** | 1,137 |

## 20. Promissory Note Payable to a Shareholder/Related Company

As at 30 November 2003, the promissory notes are interest bearing at Hong Kong prime rate and is repayable to a shareholder and a related company on 22 May 2004 and 21 February 2004 respectively. Subsequent to the year end, the shareholder and the related company have confirmed that they 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 22 May 2005 and 21 February 2005 respectively.

## 21. 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 carried interest of 1.5% per month. The ultimate holding Company has confirmed that it will not demand repayment within twelve months from the balance sheet date.

## 22. Share Capital

| | **Ordinary shares No. of shares** | HK$'000 |
|---|---|---|
| Authorised: | | |
| At 1 December 2001 and 30 November 2002, ordinary shares of HK$0.01 each | 100,000,000,000 | 1,000,000 |
| At 1 December 2002 and 30 November 2003, ordinary shares of HK$0.01 each | 100,000,000,000 | 1,000,000 |

| | **Ordinary shares No. of shares** | HK$'000 |
|---|---|---|
| Issued and fully paid: | | |
| At 1 December 2001 and 30 November 2002, ordinary shares of HK$0.01 each | 1,605,909,668 | 16,059 |
| At 1 December 2002 and 30 November 2003, ordinary shares of HK$0.01 each | 1,605,909,668 | 16,059 |

### Share Options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Equity Compensation Benefits" in Note 13 to the financial statements.

## 23. Reserves

| | Group | | | | |
|---|---|---|---|---|---|
| | Share premium HK$'000 | Contributed surplus HK$'000 | Exchange difference HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
| **Group** | | | | | |
| At 30 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) |
| At 30 November 2002 | 106,118 | 37,600 | (1,743) | (179,499) | (37,524) |
| Exchange difference | – | – | (8,764) | – | (8,764) |
| Profit for the year | – | – | – | 7,788 | 7,788 |
| **At 30 November 2003** | **106,118** | **37,600** | **(10,507)** | **(171,711)** | **(38,500)** |

| | Company | | | |
|---|---|---|---|---|
| | Share premium HK$'000 | Contributed surplus HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
| **Company** | | | | |
| At 30 November 2001 | 106,118 | 37,600 | (94,010) | 49,708 |
| Loss for the year | – | – | (76,168) | (76,168) |
| At 30 November 2002 | 106,118 | 37,600 | (170,178) | (26,460) |
| Loss for the year | – | – | (2,430) | (2,430) |
| **At 30 November 2003** | **106,118** | **37,600** | **(172,608)** | **(28,890)** |

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.

## 24. Commitments Under Operating Leases

As at 30 November 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

| | 2003<br>HK$'000 | 2002<br>HK$'000 |
|---|---|---|
| Within one year | **673** | 1,046 |
| In the second to fifth year inclusive | **–** | 631 |
| | **673** | 1,677 |

Operating lease payments represent rentals payable by the Group for its office. Leases and rentals were negotiated and fixed for a term of 2 years.

## 25. Related Party Transactions

Apart from the above and those as disclosed in Notes 20 and 21 to the financial statements, 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:

| | 2003<br>HK$'000 | 2002<br>HK$'000 |
|---|---|---|
| Software merchandises purchased from the ultimate holding company *(Note a)* | **997** | 73 |
| Royalty fee payable to the ultimate holding company *(Note b)* | **871** | 969 |
| Interest payable to a shareholder on promissory note payable *(Note 20)* | **526** | 508 |
| Interest payable to a related company on promissory note payable *(Note 20)* | **191** | – |
| Interest payable to the ultimate holding company *(Note 21)* | **319** | – |

*Notes:*

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

(b) This represents royalty fee payable to MSI in the normal course of business in relation to the sale of new customer relationship management software developed by MSI 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.

## 26. Contingent Liabilities

As at 30 November 2003, 15 (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 30 November 2003, the estimated liabilities not provided for in the financial statements for such purpose amounted to HK$988,000 (2002: HK$1,296,000).

## 27. Subsequent Event

Subsequent to 30 November 2003, pursuant to a resolution in writing of the shareholders every ten of the authorised issued and unissued ordinary shares of HK$0.01 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 10,000,000,000 ordinary shares of HK$0.10 each and the issued share capital of the Company was HK$16,059,097 consisting of 160,590,967 ordinary shares of HK$0.10 each.

Save as aforesaid, no other significant events took place subsequent to 30 November 2003.

## 28. Authorisation for Issue of Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 24 February 2004.

# Financial Summary

## Five Year Financial Summary

The following table summaries the audited results, assets and liabilities of the Group for the two years ended 30 November 2003 and 2002, the pro forma unaudited results, assets and liabilities of the Group for each of the three years ended 30 November 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 three years ended 30 November 1999, 2000 and 2001, except for abc Multiactive (Hong Kong) Limited, which was acquired by the Company with effect from 1 March 2000 for cash and other considerations and its results are consolidated by the Company with effect from 1 March 2000.

## Results

| | Year ended 30 November | | | | |
|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | **2003** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| | | (Pro forma unaudited) | | (Audited) | **(Audited)** |
| Turnover | 15,210 | 33,739 | 30,307 | 25,668 | **22,567** |
| Net (loss)/profit for the year | (2,314) | (34,258) | (96,105) | (38,281) | **7,788** |

## Assets and Liabilities

| | As at 30 November | | | | |
|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | **2003** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | **HK$'000** |
| | | (Pro forma unaudited) | | (Audited) | **(Audited)** |
| Total assets | 9,266 | 92,571 | 49,391 | 7,583 | **8,372** |
| Total liabilities | (21,218) | (44,601) | (29,631) | (29,048) | **(30,813)** |
| Shareholders' funds/(deficits) | (11,952) | 47,970 | 19,760 | (21,465) | **(22,441)** |

**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 26 March 2004, Friday, 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 30 November 2003;

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

3. To elect new director and authorise the board of directors to fix his remuneration;

4. To re-appoint auditors and to 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:

5. "**THAT**

(i) subject to paragraph (iii) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the exercise by the directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares) which might require the exercise of such powers be and is hereby generally and unconditionally approved;

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

(iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as defined below), (b) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any ordinary share option scheme adopted by the Company, or (c) an issue of shares of the Company in lieu of whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and this approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

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

(a) the conclusion of the next annual general meeting of the Company;

# Notice of Annual General Meeting

(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).

6. "**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."

7. "**THAT** conditional upon ordinary resolutions nos. 5 and 6 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. 6 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. 5 above."

8. As special business, to consider and, if thought fit, pass the following resolution as a special resolution of the Company:

**THAT** the bye-laws of the Company be amended as follows:

1. by inserting the following new definition of "associate" in bye-law 1:

| | |
|---|---|
| ""associate" | the meaning attributed to it in the rules of the Designated Stock Exchange."; |

2. by inserting the following new definition of clearing house in bye-law 1:

| | |
|---|---|
| ""clearing house" | a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction."; |

3. by substituting the existing bye-law 2(e) with the following new bye-law 2(e):

"(e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the shareholder's election comply with all applicable Statutes, rules and regulations;";

4. by inserting the following new bye-law 2(k):

"(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.";

5. by substituting the existing bye-law 44 with the following new bye-law 44:

"44. The Register and branch register of Members, as the case may be, shall be open to inspection between 10 a.m. and 12 noon on every business day by Members without charge or by any other person, upon a maximum payment of five Bermuda dollars, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or, if appropriate, upon a maximum payment of ten Bermuda dollars at the Registration Office. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper and where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares.";

# Notice of Annual General Meeting

6. by substituting the existing bye-law 51 with the following new bye-law 51:

   "51. The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine.";

7. by substituting, in bye-law 85(2), for the words "bye-law 154(3)", the words "bye-law 156(3)";

8. by re-numbering the existing bye-law 76 as bye-law 76(1) and by inserting the following new bye-law 76(2):

   "(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.";

9. by substituting the words "not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting" in the last sentence of bye-law 88 with the following words:

   "provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.";

10. by substituting the existing bye-law 103 with the following new bye-law 103:

    "103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect approving of any contract or arrangement or any other proposal in which he or any of his associate is materially interested, but this prohibition shall not apply to any of the following matters namely:

    (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

    (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any contract or arrangement in which he is the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;

(v) any contract or arrangement concerning any other company in which he the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director together with any of his associates (as defined by the rules, where applicable, of the Designated Stock Exchange) and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or

(vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.

(2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (as defined by the rules, where applicable, of the Designated Stock Exchange), (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the Director's interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

(3) Where a company in which a Director together with and/or his associate(s) (as defined by the rules, where applicable, of the Designated Stock Exchange) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.

## Notice of Annual General Meeting

(4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.";

11. by inserting, in bye-law 153, after the words "Subject to Section 88 of the Act", the following words:

    "and bye-law 153A";

12. by inserting the following new bye-law 153A:

    "153A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 153 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, a summary financial statement derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to a summary financial statement, a complete printed copy of the Company's annual financial statement and the directors' report thereon.";

13. by inserting the following new bye-law 153B:

    "The requirement to send to a person referred to in Bye-law 153 the documents referred to in that provision or a summary financial report in accordance with Bye-law 153A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 153 and, if applicable, a summary financial report complying with Bye-law 153A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.";

14. by substituting the existing bye-law 160 with the following new bye-law 160:

 "160. Any Notice or document (including any "corporate communication" within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice and document may be served or delivered by the Company on or to any Member either personally or by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose or, as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing it on the Company's website and giving to the member a notice stating that the notice or other document is available there (a "notice of availability"). The notice of availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.";

15. by renumbering the existing bye-law 161(b) as a new bye-law 161(c) and by inserting the following new bye-law 161(b):

 "if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A notice placed on the Company's website is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;";

16. by substituting for the full stop "." appearing at the end of the new bye-law 161(c) with a semi-colon ";" and inserting the word "and" after the semi-colon ";";

17. by inserting the following new bye-law 161(d):

 "may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations."; and

# Notice of Annual General Meeting

18. by inserting, in bye-law 163, after the words "a cable or telex or facsimile", the following words:

    "or electronic".,

    and that the directors of the Company be and are hereby authorised generally to do all such acts, deeds and things as they shall, in their absolute discretion, deem appropriate or necessary to effect, implement and complete any of the foregoing.

By Order of the Board
**Cheung Siu Leong**
*Company Secretary*

Hong Kong, 24 February 2004

*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 Gloucestor 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 form attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(iv) An explanatory statement containing further details regarding ordinary resolutions no.5 to 8 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 30 November 2003.