

First Quarterly Report **2004**



*abcmultiactive*

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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.**

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*This report, for which the directors of abc Multiactive Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to abc Multiactive Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of directors (the “Board”) of abc Multiactive Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 29th February 2004, together with comparative figures for the corresponding period of last year as follows:

		<b>Unaudited For the three months ended 29th February 2004 HK\$'000</b>	Unaudited For the three months ended 28th February 2003 HK\$'000
	<i>Note</i>		
Turnover	2	<b>4,899</b>	5,360
Cost of sales		<b>(1,864)</b>	(1,574)
Gross profit		<b>3,035</b>	3,786
Other revenue	2	<b>15</b>	5
Software research and development expenses		<b>(869)</b>	(970)
Royalty expenses		<b>(78)</b>	(430)
Selling and marketing expenses		<b>(962)</b>	(895)
Administrative expenses		<b>(2,032)</b>	(2,352)
Unrealised exchange gain		<b>2,979</b>	2,529
Operating profit	3	<b>2,088</b>	1,673
Finance costs	4	<b>(284)</b>	(146)
Profit before taxation		<b>1,804</b>	1,527
Taxation	5	<b>–</b>	–
Profit for the period		<b>1,804</b>	1,527
		<b>HK cents</b>	HK cents (restated)
Basic earnings per share	6	<b>1.12</b>	0.95



## 2. 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 software. Revenues recognised during the period are as follows:

	<b>Unaudited For the three months ended 29th February 2004 HK\$'000</b>	Unaudited For the three months ended 28th February 2003 HK\$'000
Turnover		
Sales of computer software licences and provision of related services	3,271	3,961
Provision of maintenance services	1,538	1,399
Sales of computer hardware	90	–
	<u>4,899</u>	<u>5,360</u>
Other revenue		
Bank interest income	15	5
Total revenues	<u>4,914</u>	<u>5,365</u>

**3. Operating profit**

	<b>Unaudited For the three months ended 29th February 2004 HK\$'000</b>	Unaudited For the three months ended 28th February 2003 HK\$'000
Operating profit is stated after charging the following:		
Bad debts written off	–	12
Provision for doubtful debts	12	70
Realised exchange loss	83	58
Depreciation:		
Owned fixed assets	281	435
Operating leases in respect of land and buildings	269	260
Staff costs (excluding directors' remuneration)		
Wages and salaries	3,307	3,959
Retirement benefit costs	193	190
Cost of computer hardware	66	–
	<hr/>	<hr/>
And after crediting:		
Unrealised exchange gain	2,979	2,529
	<hr/>	<hr/>

#### 4. Finance costs

	<b>Unaudited For the three months ended 29th February 2004 HK\$'000</b>	Unaudited For the three months ended 28th February 2003 HK\$'000
Interest on promissory note	192	146
Interest on amount due to the ultimate holding company	92	–
	<u>284</u>	<u>146</u>

#### 5. Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profits for the three months ended 29th February 2004 (2003: Nil).

The potential deferred tax asset of HK\$16,389,000 (As at 28th February 2003: HK\$18,516,000) in respect of tax losses available for carry forward and other timing difference as at 29th February 2004 has not been recognised as the probability that future taxable profit will be available against which the temporary differences can be utilised in the foreseeable future is uncertain.

#### 6. Basic earnings per share

The calculation of basic earnings per share for the three months ended 29th February 2004 was based on the net profit for the period of approximately HK\$1,804,000 and the weighted average of 160,590,967 ordinary shares of HK\$0.10 each in issue during the period.

Pursuant to a resolution in writing of the shareholders of the Company on 6th January 2004, 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 of HK\$0.10 each. As such, the comparative figure of basic earnings per share for three months ended 28th February 2003 was re-calculated based on the profit for the period of HK\$1,527,000 and the adjusted weighted average of 160,590,967 ordinary shares of HK\$0.10 each deemed in issue during the period.

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

## 7. Movements of reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1st December 2002	106,118	37,600	(1,743)	(179,499)	(37,524)
Exchange difference	-	-	(2,852)	-	(2,852)
Profit for the period	-	-	-	1,527	1,527
As at 28th February 2003	106,118	37,600	(4,595)	(177,972)	(38,849)
As at 1st December 2003	106,118	37,600	(10,507)	(171,711)	(38,500)
Exchange difference	-	-	(2,803)	-	(2,803)
Profit for the period	-	-	-	1,804	1,804
As at 29th February 2004	106,118	37,600	(13,310)	(169,907)	(39,499)

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 29th February 2004 (2003: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

The Group recorded a turnover of approximately HK\$4,899,000 for the three months ended 29th February 2004, a 9% decrease from approximately HK\$5,360,000 for the corresponding period of the previous year. The decrease was mainly attributed to the decrease in sales of software licenses and provision of related services during the current period. Of the total turnover amount, HK\$3,271,000 or 67% was generated from software license sales and professional service income, HK\$90,000 or 2% was generated from hardware sales and HK\$1,538,000 or 31% was generated from maintenance services. As at 29th February 2004, the Group had approximately HK\$4,946,000 worth of contracts that were in progress. The net profit attributable to shareholders for the three months ended 29th February 2004 was HK\$1,804,000, an 18% increase when compared to HK\$1,527,000 for the corresponding period of the previous year. The increase was attributed to operational efficiencies from the Group's restructuring activities in the previous year combined with unrealised exchange gain of approximately HK\$2,566,000 from the appreciation of the Australian currency during the current period.



Operating expenditures amounted to HK\$3,863,000 for the three months ended 29th February 2004, an 8% decrease from HK\$4,217,000 for the corresponding period of the previous year. The decrease was mainly attributed to restructuring activities implemented by the Group in the previous year which included headcount reductions, salary reductions and other cost control measures.

As most of the fixed asset in the Group's Australian subsidiary was fully depreciated in 2003, depreciation expenses decreased from approximately HK\$435,000 for the three months ended 28th February 2003 to approximately HK\$281,000 in the current period.

During the current period, the Group invested approximately HK\$869,000 in developing new modules for its OCTO Straight Through Processing ("STP") system and completed the development of a more advanced version of its portfolio management system.

As at 29th February 2004, a provision of approximately HK\$1,712,000 was made for long outstanding trade receivables. The directors were uncertain whether the amount would ultimately be collected and considered that it was prudent to make such a provision.

Total staff costs (excluding directors' remuneration) amounted to approximately HK\$3,307,000 for the three months ended 29th February 2004, a 16% decrease from approximately HK\$3,959,000 for the previous period. The decrease was mainly attributed to salary and headcount reductions during the previous year.

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

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.

As at 29th February 2004, the Group had outstanding borrowings of approximately HK\$5,664,000 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 30th 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 22nd 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 21st February 2005.

As at 29th February 2004, 15 employees who 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 29th February 2004, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK\$1,039,000.

The Group did not have any mortgage or charge as at 29th February 2004. The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 29th February 2004, the Group's gearing ratio was 2.28. The Group has not held any significant investment for the three months ended 29th February 2004 and made no material acquisitions or disposals during the period. As at 29th February 2004, the Group had no material capital commitments and no future plans for material investments or capital assets.

## **Operation Review**

For the three months ended 29th February 2004, e-Finance turnover decreased to HK\$2,756,000, a 24% decrease compared to HK\$3,619,000 for the corresponding period of the previous year. During the current period, the Group continued to enhance the features of its OCTO STP system and worked on new marketing schemes to drive sales. To take advantage of the improving investor sentiment, the Group also commenced sourcing for strategic opportunities to cooperate with complementary technology and distribution partners to expand its products and services. To further enhance its product line, the Group has also started a feasibility study and road map to develop a unit trust back office system which is expected to be released in the third quarter of this year.

For the three months ended 29th February 2004, e-Business sales increased to HK\$2,143,000, a 23% increase compared to HK\$1,741,000 for the corresponding period of the previous year as the Group focused on strengthening its reseller model and was more active and frequent in marketing its e-Business products. During the period, the Group entered into a product sales agreement with MSI to procure a range of customer relationship management software for re-sale to appointed distributors and customers. Under the terms of the Agreement, the Group can procure the enhanced English sub-versions of Maximizer Enterprise 7.5. Maximizer 7, Entice 3, and ecBuilder 6 (the "Software") from MSI for resale in the Asia Pacific region. In February 2004, the Group commenced shipment of version 8 of its Maximizer Enterprise customer relationship management ("CRM") software. The Group's CRM software helps businesses succeed with a proven, affordable CRM software solution for sales, marketing and customer service & support staff to access vital customer information in one common interface whether in the office or working remotely. For the three months ended 29th February 2004, the product cost payable to MSI for sales of the CRM products amounted to HK\$496,000. The Directors consider that the arrangement was conducted in the ordinary and usual course of business of both groups and on normal commercial terms or terms arrived at after arm's length negotiations between the parties that are fair and reasonable so far as the shareholders of the Group and MSI are concerned.

### **Prospects**

As investor sentiment in Hong Kong continues to rise, the directors believe that market demand for the Group's e-Finance products will continue to follow this upward trend. The Group will also continue to look for opportunities to cooperate with new technology partners who can complement its own products and business. The Group is exploring a range of partnerships and alliances with leading technology companies to accelerate access to technologies and further enhance its established customer base. The Group is also looking to opportunities in Greater China and will utilise the expertise and connections with its reseller network to accelerate entry to this market.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

At 29th February 2004, 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*

Name of director	Number of ordinary shares			Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests		
Mr. Kau Mo Hui (note 1)	-	8,666,710	-	8,666,710	5.40%

Note:

- 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*

Name of director	Number of common shares in Maximizer Software Inc.			Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests		
Mr. Terence Chi Yan Hui	2,237,153	-	-	2,237,153	3.62%
Mr. Joseph Chi Ho Hui	17,295	10,000 <sup>(1)</sup>	-	27,295	0.04%
Mr. Kau Mo Hui	70,000	40,949,625 <sup>(2)</sup>	-	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.

**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 1st December 2003	Granted	At 29th February 2004
Mr. Terence Chi Yan Hui	17th April 2001	HK\$3.625 <i>(note)</i>	17th April 2002 to 16th April 2011	480,000 <i>(note)</i>	–	480,000
	28th May 2001	HK\$4.675 <i>(note)</i>	28th May 2002 to 27th May 2011	48,000 <i>(note)</i>	–	48,000

*Note:* Pursuant to a resolution in writing of the shareholders of the Company on 6th January 2004, 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 of HK\$0.10 each. Consequently, every ten options of the Company issued consolidated into one option.

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 22nd January 2001 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 director	Date of grant	Exercise price	Exercisable period	Number of options		
				At 1st December 2003	Granted	At 29th February 2004
Mr. Terence Chi Yan Hui	11th December 2002	CAN\$0.80	7th May 1999 to 6th May 2006	100,000	-	100,000
	11th December 2002	CAN\$0.80	23rd June 2000 to 22nd June 2007	250,000	-	250,000
Mr. Joseph Chi Ho Hui	11th December 2002	CAN\$0.80	7th May 1999 to 6th May 2006	75,000	-	75,000
	11th December 2002	CAN\$0.14	18th March 2002 to 17th March 2009	25,000	-	25,000

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 DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 29th February 2004, the following persons (other than the directors and chief executives 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 ( <i>note 1</i> )	Beneficial owner	Corporate	90,534,400	56.38%
Maximizer Software Inc. ( <i>note 1</i> )	Interest of a controlled corporation	Corporate	90,534,400	56.38%
The City Place Trust ( <i>note 2</i> )	Trustee	Corporate	99,201,110	61.78%
UBS AG	Beneficial owner	Corporate	10,985,200	6.84%
Pacific East Limited	Beneficial owner	Corporate	8,666,710	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 8,666,710 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.

**AUDIT COMMITTEE**

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

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

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

The Group's unaudited consolidated results for the three months ended 29th February 2004 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

## **BOARD PRACTICES AND PROCEDURES**

During the three months ended 29th February 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the three months ended 29th February 2004, the Company has not redeemed any of its listed securities. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the period.

By order of the Board

**Terence Chi Yan Hui**

*Chairman*

Hong Kong, 14th April 2004