

Interim Report



*abcmultiactive*

**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”)**

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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.*

## INTERIM RESULTS

The board of directors (the "Board") of abc Multiactive Limited (the "Company") presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 31st May 2004, together with the comparative figures.

The turnover of the Group for the three and six months ended 31st May 2004 was HK\$5,722,000 and HK\$10,622,000, respectively (Three and six months ended 31st May 2003: HK\$5,144,000 and HK\$10,504,000, respectively). The net loss for the three and six months ended 31st May 2004 was HK\$2,755,000 and HK\$951,000, respectively (Three and six months ended 31st May 2003: net profit of HK\$1,233,000 and HK\$2,760,000, respectively). Basic loss per share for the three and six months ended 31st May 2004 was HK\$1.72 cents and HK\$0.59 cents, respectively (Three and six months ended 31st May 2003: basic earning per share of HK\$0.08 cents and HK\$0.17 cents, respectively.)

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31ST MAY 2004

	Note	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	5,722	5,144	10,622	10,504
Cost of sales		(2,295)	(1,358)	(4,160)	(2,932)
Gross profit		3,427	3,786	6,462	7,572
Other revenues	2	16	17	31	22
Software research and development expenses		(900)	(859)	(1,769)	(1,829)
Royalty expenses		(78)	(507)	(156)	(937)
Selling and marketing expenses		(859)	(977)	(1,821)	(1,872)
Administrative expenses		(1,791)	(2,516)	(3,823)	(4,868)
Unrealised exchange (loss)/gain		(3,062)	2,480	(83)	5,009
Gain on disposal of subsidiary		780	-	780	-
Operating (loss)/gain	4	(2,467)	1,424	(379)	3,097
Finance costs	5	(288)	(191)	(572)	(337)
(Loss)/profit before taxation		(2,755)	1,233	(951)	2,760
Taxation	6	-	-	-	-
(Loss)/profit for the period		(2,755)	1,233	(951)	2,760
		<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>	<b>HK cents</b>
Basic (loss)/earnings per share	8	(1.72)	0.08	(0.59)	0.17

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 31ST MAY 2004 AND 30TH NOVEMBER 2003

		(Unaudited) 31st May 2004 HK\$'000	(Audited) 30th November 2003 HK\$'000
Fixed assets		504	1,016
Current assets			
Inventories		96	42
Work in progress		547	334
Trade and other receivables	9	2,729	2,818
Bank balances and cash		3,796	4,162
		<u>7,168</u>	<u>7,356</u>
Current liabilities			
Other payables, accrued charges and deposits received		8,145	8,566
Deferred revenue		3,138	2,939
Promissory note payable to a shareholder	10	9,500	–
Promissory note payable to a party connected to a non-executive director	10	4,634	–
		<u>25,417</u>	<u>11,505</u>
Net current liabilities		<u>(18,249)</u>	<u>(4,149)</u>
Total assets less current liabilities		<u>(17,745)</u>	<u>(3,133)</u>
Financed by:			
Share capital		16,059	16,059
Reserves	12	(39,120)	(38,500)
Deficit in shareholders' equity		(23,061)	(22,441)
Non-current liabilities			
Promissory note payable to a shareholder	10	–	9,500
Promissory note payable to a party connected to a non-executive director	10	–	4,634
Amount due to the ultimate holding company	13	5,316	5,174
		<u>(17,745)</u>	<u>(3,133)</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST MAY 2004

	(Unaudited) Six months ended 31st May	
	2004 HK\$'000	2003 HK\$'000
Net cash used in operating activities	(397)	(2,226)
Net cash from/(used in) investing activities	31	240
Net cash from/(used in) financing activities	—	4,634
Increase/(decrease) in cash and cash equivalents	(366)	2,648
Cash and cash equivalents at the beginning of period	<u>4,162</u>	<u>1,263</u>
Cash and cash equivalents at the end of period	<u><u>3,796</u></u>	<u><u>3,911</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	3,796	3,911
Bank overdrafts	—	—
	<u><u>3,796</u></u>	<u><u>3,911</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31ST MAY 2004

	(Unaudited) 2004 HK\$'000	(Unaudited) 2003 HK\$'000
Total equity as at 1 December	(22,441)	(21,465)
Exchange differences arising on translation of the financial statements of foreign subsidiaries	331	(5,812)
Net (loss)/profit for the period	<u>(951)</u>	<u>2,760</u>
Total equity as at 31 May	<u><u>(23,061)</u></u>	<u><u>(24,517)</u></u>



**2. Turnover and revenues**

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

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31st May</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>31st May</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover				
Sales of computer hardware	<b>789</b>	–	<b>879</b>	–
Sales of computer software licence and provision of related services	<b>3,436</b>	3,718	<b>6,708</b>	7,679
Provision of maintenance services	<b>1,497</b>	1,426	<b>3,035</b>	2,825
	<b>5,722</b>	5,144	<b>10,622</b>	10,504
Other revenues				
Bank interest income	<b>16</b>	17	<b>31</b>	22
Total revenues	<b>5,738</b>	5,161	<b>10,653</b>	10,526

**3. Segment information**

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

	<b>(Unaudited)</b> <b>Six months ended</b> <b>31st May 2004</b>			
	<b>Turnover</b> <i>HK\$'000</i>	<b>Segment result</b> <i>HK\$'000</i>	<b>Segment assets</b> <i>HK\$'000</i>	<b>Capital expenditure</b> <i>HK\$'000</i>
Hong Kong	<b>6,844</b>	<b>(603)</b>	<b>5,391</b>	–
Australia and New Zealand	<b>3,778</b>	<b>(395)</b>	<b>2,281</b>	–
Southeast Asia	–	<b>47</b>	–	–
	<b>10,622</b>	<b>(951)</b>	<b>7,672</b>	–

	(Unaudited)			
	Six months ended			
	31st May 2003			
Turnover	Segment result	Segment assets	Capital expenditure	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Hong Kong	6,925	(2,582)	6,056	-
Australia and New Zealand	3,579	5,102	2,353	-
Southeast Asia	-	240	115	-
	<u>10,504</u>	<u>2,760</u>	<u>8,524</u>	<u>-</u>

#### 4. Operating (loss)/profit

Operating (loss)/profit is stated after crediting and charging the following:

	(Unaudited)		(Unaudited)	
	Three months ended		Six months ended	
	31st May		31st May	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Crediting</u>				
Gain/(loss) on exchange difference	<b>(3,061)</b>	2,756	<b>83</b>	5,343
<u>Charging</u>				
Bad debts written off	-	16	-	28
Provision for doubtful debts	<b>55</b>	90	<b>67</b>	160
Depreciation:				
Owned fixed assets	<b>247</b>	450	<b>528</b>	885
Loss on disposal of fixed assets	-	3	-	3
Operating leases in respect of land and buildings	<b>256</b>	272	<b>525</b>	532
Staff costs (including directors' remuneration):				
Wages and salaries	<b>3,354</b>	3,940	<b>6,661</b>	7,918
Retirement benefits costs	<b>169</b>	208	<b>362</b>	398
Cost of computer hardware	<b>716</b>	-	<b>782</b>	-
	<u><b>3,354</b></u>	<u>3,940</u>	<u><b>6,661</b></u>	<u>7,918</u>
	<u><b>169</b></u>	<u>208</u>	<u><b>362</b></u>	<u>398</u>
	<u><b>716</b></u>	<u>-</u>	<u><b>782</b></u>	<u>-</u>



**5. Finance costs**

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31st May</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>31st May</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on promissory notes	<b>197</b>	191	<b>389</b>	337
Interest on amount due to the ultimate holding company	<b>91</b>	–	<b>183</b>	–
	<b>288</b>	191	<b>572</b>	337

**6. Taxation**

No provision for Hong Kong and overseas profits tax has been made as the Group had no estimated assessable profits for the six months ended 31st May 2004 (2003: Nil).

The potential deferred tax asset of HK\$18,448,000 (As at 31st May 2003: HK\$17,965,000) in respect of tax losses available for carry forward and other timing difference as at 31st May 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.

**7. Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 31st May 2004 (2003: Nil).

**8. Basic loss per share**

The calculation of basic loss per share for the three months and six months ended 31st May 2004 is based on the net loss for the period of approximately HK\$2,755,000 and HK\$951,000, respectively (Three months and six months ended 31st May 2003: net profit of HK\$1,233,000 and HK\$2,760,000 respectively), 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 authorized, 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 and six months ended 31st May 2003 was re-calculated based on the profit for the period of HK\$1,233,000 and HK\$2,760,000 respectively, 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.

**9. Trade and other receivables**

	<b>(Unaudited)</b> <b>31st May 2004</b> <i>HK\$'000</i>	(Audited) 30th November 2003 <i>HK\$'000</i>
Trade receivables	<b>1,983</b>	1,889
Prepayments and deposits	<b>746</b>	929
	<b><u>2,729</u></b>	<u>2,818</u>

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

	<b>(Unaudited)</b> <b>31st May 2004</b> <i>HK\$'000</i>	(Audited) 30th November 2003 <i>HK\$'000</i>
Current	<b>593</b>	1,185
30 – 60 days	<b>883</b>	495
61 – 90 days	<b>55</b>	118
Over 90 days	<b>452</b>	91
	<b><u>1,983</u></b>	<u>1,889</u>

**10. Promissory note payable to a shareholder/related company**

As at 31st May 2004, the promissory notes are interest bearing at Hong Kong prime rate and is repayable to a shareholder and a related company on 22nd May 2005 and 21st February 2005 respectively.

**11. Share option**

Under a share option scheme approved by the shareholders of the Company on 22nd January 2001 (the "Scheme"), the Board may offer to grant options to any full time employee including any executive director of the Group who spends not less than 25 hours per week in providing services to the Group.

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

Details of the options granted by the Company pursuant to the Scheme and the options outstanding as at 31st May 2004 were as follows:

Category of participant	Date of grant	Exercise price	Exercisable period	Number of options at 1st December 2003	Options		Number of options outstanding at 31st May 2004
					Options lapsed during 1st December 2003 to 31st May 2004	Options transferred during 1st December 2003 to 31st May 2004	
Executive directors	17th April 2001	HK\$3.625 <i>(note)</i>	17th April 2002 to 16th April 2011	480,000 <i>(note)</i>	–	190,080	670,080
	28th May 2001	HK\$4.675 <i>(note)</i>	28th May 2002 to 27th May 2011	48,000 <i>(note)</i>	–	19,008	67,008
Continuous contract employees	17th April 2001	HK\$3.625 <i>(note)</i>	17th April 2002 to 16th April 2011	1,987,759 <i>(note)</i>	(55,680)	(190,080)	1,741,999
	28th May 2001	HK\$4.675 <i>(note)</i>	28th May 2002 to 27th May 2011	184,086 <i>(note)</i>	(5,568)	(19,008)	159,510

*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 shares 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 exercisable on each anniversary date from the date of grant.

The exercise in full of the above options outstanding at 31st May 2004 would, under the present capital structure of the Company, result in the issue of 2,638,597 additional ordinary shares of HK\$0.10 each.

**12. Reserves**

	(Unaudited) Share premium HK\$'000	(Unaudited) Contributed surplus HK\$'000	(Unaudited) Exchange difference HK\$'000	(Unaudited) Accumulated losses HK\$'000	(Unaudited) Total HK\$'000
At 1st December 2003	106,118	37,600	(10,507)	(171,711)	(38,500)
Exchange difference	-	-	331	-	331
Profit for the period	-	-	-	(951)	(951)
<b>At 31st May 2004</b>	<b>106,118</b>	<b>37,600</b>	<b>(10,176)</b>	<b>(172,662)</b>	<b>(39,120)</b>

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.

**13. 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 and 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 of this amount within twelve months from 30th November 2003.

**14. Related parties transactions**

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

	(Unaudited) Six months ended 31st May	
	2004 HK\$'000	2003 HK\$'000
Royalty fee payable to the ultimate holding company (note a)	–	838
Software merchandises purchased from the ultimate holding company (note b)	<b>1,002</b>	22
Interest payable to a shareholder on promissory note payable (note 10)	<b>267</b>	265
Interest payable to a related company on promissory note payable (note 10)	<b>122</b>	72
Interest payable to the ultimate holding company (note 13)	<b>183</b>	–
	<b>—————</b>	<b>—————</b>

- (a) This represents royalty fees payable to MSI for sales conducted in the normal course of business of new customer relationship management software developed by MSI that is not covered by the software assignment agreement entered into between the Group and MSI on 22nd January 2001. If the Group exercises its option to acquire the intellectual property rights of the software, the royalty fee payable can be utilised to offset the Group's share of the development cost pursuant to the joint development agreement entered into between the Group and MSI on 22nd January 2001.
- (b) The Group purchased software merchandise, in the normal course of business, from MSI for re-sale at terms mutually agreed to between the two parties.

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Financial Review**

The Group recorded a turnover of approximately HK\$5,722,000 for the three months ended 31st May 2004, a 11% increase from approximately HK\$5,144,000 for the same period of the previous year. Of the total turnover amount, HK\$2,479,000 or 43% was generated from software license sales, HK\$957,000 or 17% was generated from professional services, HK\$789,000 or 14% was generated from hardware sales and HK\$1,497,000 or 26% was generated from maintenance services. At 31st May 2004, the Group had approximately HK\$4,049,000 worth of contracts that were in progress. The net loss attributable to shareholders for the three months ended 31st May 2004 was HK\$2,755,000, whereas the Group recorded a profit of approximately HK\$1,233,000 for the same period of the previous year.

Operating expenditures amounted to HK\$3,550,000 for the three months ended 31st May 2004, a 18% decrease from HK\$4,352,000 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 headcount reductions, salary reductions and other cost control measures.

As most of the fixed asset in the Group's Australian subsidiary were fully depreciated in 2003, depreciation expenses decreased from approximately HK\$450,000 for the three months ended 31st May 2003 to approximately HK\$247,000 in the current period.

The Group did not have any amortisation expenses for the three months ended 31st May 2004 due to the write-off of the remaining amounts of goodwill and intellectual property rights at the end of fiscal year 2002.

During the current period, the Group invested approximately HK\$900,000 in developing new modules for its OCTO Straight Through Processing ("STP") system and completed the development of a more advanced version of its OCTOWEB system.

At 31st May 2004, a provision of approximately HK\$1,603,000 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 directors' remuneration) amounted to approximately HK\$3,523,000 for the three months ended 31st May 2004, a 15% decrease from approximately HK\$4,148,000 for the same period of the previous year. The decrease was mainly attributed to 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.

At 31st May 2004, the Group had outstanding borrowings of approximately HK\$5,316,000 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. The Group did not have any mortgage or charge at 31st May 2004.

As at 31st May 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 31st May 2004, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK\$1,059,000.

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 31st May 2004, the Group's gearing ratio was 0.69.

The Group has not held any significant investment for the three months ended 31st May 2004 and made no material acquisitions or disposals during the current period. At 31st May 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 31st May 2004, e-Finance turnover amounted to HK\$3,495,000, an increase of 11% when compared to HK\$3,146,000 for the same period of the previous year. The Group benefited from the increased turnover in the stock markets, as financial institutions have increased their budgets for IT spending. As a result, the Group was able to sign 5 new contracts to implement its OCTO STP solution during this quarter. During the period, the Group continued to invest in the development of additional add-on modules for its OCTO STP trading system and furthered the development of its OCTOWEB trading module. The Group continued to enhance its extensive array of solutions and capabilities through product to improve the ability to streamline and automate processing and information flows.

For the three months ended 31st May 2004, sales of customer relationship management ("CRM") software amounted to HK\$2,228,000, an 12% increase compared to HK\$1,998,000 for the same period of the previous year. During the period, the Group increased its marketing activities in the region and appointed additional resellers in Hong Kong, Cambodia, and Taiwan. As a result of its marketing activities during the quarter, the Group commenced discussions with a local securities firm to deliver an integrated CRM solution with the Group's OCTO STP solution. It is expected that negotiations for this project will conclude in the third quarter of 2004. Once the project is completed, the Group intends to market this integrated CRM/OCTO STP solution to its existing clientele of banks and securities firms.

**Prospects**

The Group's will continue to focus on fundamentals to achieve profitability. The Group will continue to look for opportunities to cooperate with new technology partners that can complement its own products and business and further enhance its established customer base. The directors believe that the Group is well positioned for growth, as the Group's integrated multi-product systems for e-Finance and e-Business will offer customers the tools to expand their operations and services as the economy continues to improve.



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

At 31st May 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 ( <i>note 1</i> )	–	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 directors	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:*

- 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 directors	Date of grant	Exercise price	Exercisable period	Number of options		
				At 1st December 2003	Granted	At 31st May 2004
Mr. Terence Chi Yan Hui	17th April 2001	HK\$3.625 (note)	17th April 2002 to 16th April 2011	480,000 (note)	–	480,000
	28th May 2001	HK\$4.675 (note)	28th May 2002 to 27th May 2011	48,000 (note)	–	48,000
Mr. Senan Shiu Lung Yuen	17th April 2001	HK\$3.625 (note)	17th April 2002 to 16th April 2011	190,080 (note)	–	190,080
	28th May 2001	HK\$4.675 (note)	28th May 2002 to 27th May 2011	19,008 (note)	–	19,008

*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 shares 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 31st May 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.

Save as disclosed above, as at 31st May 2004, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 31st May 2004, 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 <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.

Save as disclosed above, as at 31st May 2004, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

**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 Maximizer Software Inc. ("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, Enticel, Maximizer, and Maximizer Enterprise, 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.

**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 condensed interim financial statements for the six months ended 31st May 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 six months ended 31st May 2004, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

During the six months ended 31st May 2004, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

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

During the six months ended 31st May 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

As at the date of this announcement, the Board comprises the following directors:

Mr. Terence Chi Yan HUI (*Executive Director*)  
Mr. Joseph Chi Ho HUI (*Executive Director*)  
Mr. Senan Shiu Lung YUEN (*Executive Director*)  
Mr. Kau Mo HUI (*Non-executive Director*)  
Mr. Ronald Kwok Fai POON (*Independent Non-executive Director*)  
Mr. Clifford Sau Man NG (*Independent Non-executive Director*)

Hong Kong, 13th July 2004