



**2010**  
Interim Report

**abc***multiactive*

abc Multiactive Limited

(Incorporated in Bermuda with limited liability)

Stock code:8131

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## **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 31 May 2010, together with the comparative figures.

The unaudited turnover of the Group for the three months and six months ended 31 May 2010 was HK\$3,520,000 and HK\$7,777,000, respectively (Three months and six months ended 31 May 2009: HK\$3,773,000 and HK\$7,133,000, respectively). The unaudited net loss for the three months and six months ended 31 May 2010 was HK\$1,816,000 and HK\$2,489,000 respectively (Three months and six months ended 31 May 2009: net loss of HK\$1,446,000 and HK\$3,179,000, respectively). Unaudited basic loss per share for the three months and six months ended 31 May 2010 was HK\$1.13 cents and HK\$1.55 cents respectively (Three months and six months ended 31 May 2009: basic loss per share of HK\$0.90 cents and HK\$1.98 cents, respectively).

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 MAY 2010

	Note	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	3	<b>3,520</b>	3,773	<b>7,777</b>	7,133
Cost of sales		<b>(1,151)</b>	(1,002)	<b>(2,152)</b>	(2,108)
Gross profit		<b>2,369</b>	2,771	<b>5,625</b>	5,025
Other revenue	3	–	4	–	6
Software research and development expenses		<b>(1,651)</b>	(1,518)	<b>(3,223)</b>	(3,073)
Royalty expenses		–	–	<b>(12)</b>	(1)
Selling and marketing expenses		<b>(203)</b>	(483)	<b>(503)</b>	(954)
Administrative expenses		<b>(1,754)</b>	(1,553)	<b>(3,263)</b>	(3,100)
Unrealised exchange loss		<b>(146)</b>	(263)	<b>(265)</b>	(283)
Operating loss	5	<b>(1,385)</b>	(1,042)	<b>(1,641)</b>	(2,380)
Finance costs	6	<b>(431)</b>	(404)	<b>(848)</b>	(799)
Loss before taxation		<b>(1,816)</b>	(1,446)	<b>(2,489)</b>	(3,179)
Taxation	7	–	–	–	–
Loss for the period attribute to equity holders of the Company		<b><u>(1,816)</u></b>	<u>(1,446)</u>	<b><u>(2,489)</u></b>	<u>(3,179)</u>
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Loss per share – Basic and diluted	9	<b><u>(1.13)</u></b>	<u>(0.90)</u>	<b><u>(1.55)</u></b>	<u>(1.98)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 MAY 2010

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Loss for the period attribute to equity holders of the Company	<b>(1,816)</b>	(1,446)	<b>(2,489)</b>	(3,179)
Other comprehensive income:				
Exchanges difference arising on translation of financial statements of foreign subsidiaries	<b>158</b>	(616)	<b>213</b>	(515)
Total comprehensive income for the period attribute to equity holders of the Company	<b>(1,658)</b>	(2,062)	<b>(2,276)</b>	(3,694)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2010 AND 30 NOVEMBER 2009

		(Unaudited) 31 May 2010 HK\$'000	(Audited) 30 November 2009 HK\$'000
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		591	395
<b>Current assets</b>			
Work in progress	10	594	663
Trade and other receivables	11	1,078	1,307
Cash and cash equivalents		4,366	5,205
		<b>6,038</b>	7,175
<b>Total assets</b>		<b>6,629</b>	7,570
<b>Capital and reserves</b>			
Share capital		16,059	16,059
Reserves	15	(60,878)	(58,602)
<b>Equity attributable to equity holders of the Company</b>		<b>(44,819)</b>	(42,543)



	(Unaudited)	(Audited)
	31 May	30 November
	2010	2009
Note	HK\$'000	HK\$'000
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Promissory notes and interest payable to the related companies	13 <b>30,653</b>	29,842
Amount due to the ultimate holding company	14 <b>8,946</b>	8,527
	<b>39,599</b>	38,369
<b>Current liabilities</b>		
Trade and other payables	12 <b>5,785</b>	6,073
Deferred revenue	<b>4,536</b>	4,217
Amount due to customers	10 <b>1,528</b>	1,454
	<b>11,849</b>	11,744
<b>Total liabilities</b>	<b>51,448</b>	50,113
<b>Total equity and liabilities</b>	<b>6,629</b>	7,570
<b>Net current liabilities</b>	<b>(5,811)</b>	(4,569)
<b>Total assets less current liabilities</b>	<b>(5,220)</b>	(4,174)
<b>Net liabilities</b>	<b>(44,819)</b>	(42,543)

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 MAY 2010

	(Unaudited)	
	Six months ended 31 May	
	2010	2009
	HK\$'000	HK\$'000
Net cash used in from operating activities	(471)	(634)
Net cash used in investing activities	(368)	(15)
Net decrease in cash and cash equivalents	(839)	(649)
Cash and cash equivalents at the beginning of period	5,205	5,128
Cash and cash equivalents at the end of period	<u>4,366</u>	<u>4,479</u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u>4,366</u>	<u>4,479</u>





## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MAY 2010

	Group					
	(Unaudited) Share capital HK\$'000	(Unaudited) Share premium HK\$'000	(Unaudited) Contributed surplus HK\$'000	(Unaudited) Exchange reserve HK\$'000	(Unaudited) Accumulated losses HK\$'000	(Unaudited) Total HK\$'000
Balance as at						
1 December 2008	16,059	106,118	37,600	(12,525)	(183,787)	(36,535)
Exchange difference arising on translation of financial statements of foreign subsidiaries	-	-	-	(515)	-	(515)
Loss for the period	-	-	-	-	(3,179)	(3,179)
As at 31 May 2009	<u>16,059</u>	<u>106,118</u>	<u>37,600</u>	<u>(13,040)</u>	<u>(186,966)</u>	<u>(40,229)</u>
Balance as at						
1 December 2009	<b>16,059</b>	<b>106,118</b>	<b>37,600</b>	<b>(13,869)</b>	<b>(188,451)</b>	<b>(42,543)</b>
Exchange difference arising on translation of financial statements of foreign subsidiaries	-	-	-	213	-	213
Loss for the period	-	-	-	-	(2,489)	(2,489)
As at 31 May 2010	<u>16,059</u>	<u>106,118</u>	<u>37,600</u>	<u>(13,656)</u>	<u>(190,940)</u>	<u>(44,819)</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The unaudited accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They are prepared under the historical cost convention.

The unaudited consolidated results for the six months ended 31 May 2010 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those used in the Company's annual financial statements for the year ended 30 November 2009, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") as disclosed in note 2 below.

### 2. IMPACT OF NEW HKFRSs AND HKASs

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised HKFRSs and HKASs which are effective for accounting periods commencing on or after 1 January 2009. The Group has adopted, for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

#### Changes in accounting policies

HKFRSs that are effective for the six months ended 31 May 2010

These HKFRSs are effective for annual periods beginning on or after 1 January 2009:

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>5</sup>
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>5</sup>
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>5</sup>
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>5</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>6</sup>



- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5 – effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 or 1 January 2010, as appropriate
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>4</sup> Effective for annual periods ending on or after 30 June 2009
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>6</sup> Effective for transfers of assets from customers received on or after 1 July 2009

### 3. TURNOVER AND OTHER REVENUE

The Group is principally engaged in the designing and sale of computer software and the provision of professional and maintenance services for such products. An analysis of the Group's turnover and other revenue is as follow:

	<b>(Unaudited)</b> <b>Three months ended</b> <b>31 May</b>		<b>(Unaudited)</b> <b>Six months ended</b> <b>31 May</b>	
	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000	<b>2010</b> <b>HK\$'000</b>	2009 HK\$'000
<b>Turnover</b>				
Sales of computer software licences, software rental and provision of related services	<b>1,644</b>	2,213	<b>4,017</b>	3,935
Provision of maintenance services	<b>1,820</b>	1,551	<b>3,610</b>	3,056
Sales of computer hardware	<b>56</b>	9	<b>150</b>	142
	<b>3,520</b>	3,773	<b>7,777</b>	7,133
<b>Other revenue</b>				
Interest income on bank deposit	<b>–</b>	4	<b>–</b>	6

### 4. SEGMENT INFORMATION

The Group determines its operating segments base on the report that are regularly reviewed by the chief operating decision maker for the purposes of making strategic decision about resource allocation and performance assessment.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) e-Finance; and
- (b) e-Business

In determining the Group's geographical segments, turnover and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

**(a) Business segments**

	(Unaudited)					
	Six months ended 31 May					
	e-Finance		e-Business		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>7,371</b>	6,682	<b>406</b>	451	<b>7,777</b>	7,133
Segment results	<b>1,929</b>	1,325	<b>(42)</b>	(328)	<b>1,887</b>	997
Other revenue					-	6
Exchange loss					<b>(265)</b>	(283)
Corporate and other unallocated expenses					<b>(3,263)</b>	(3,100)
Loss from operating activities					<b>(1,641)</b>	(2,380)
Finance costs					<b>(848)</b>	(799)
Loss before taxation					<b>(2,489)</b>	(3,179)
Taxation					-	-
Loss for the period					<b>(2,489)</b>	(3,179)



	(Unaudited)					
	Six months ended 31 May					
	e-Finance		e-Business		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Assets and liabilities</b>						
Segment assets	2,735	2,848	552	581	3,287	3,429
Unallocated assets					3,342	4,295
Consolidated total assets					<u>6,629</u>	<u>7,724</u>
Segment liabilities	13,999	12,913	6,273	5,831	20,272	18,744
Unallocated liabilities					31,176	29,209
Consolidated total liabilities					<u>51,448</u>	<u>47,953</u>
<b>Other segment information</b>						
Depreciation	138	147	5	10	143	157
Capital expenditure	368	21	-	-	368	21

**(b) Geographical segments**

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

	(Unaudited)				
	Six months ended				
	31 May 2010				
Segment turnover	Segment result	Segment assets	Segment liabilities	Capital expenditure	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong and other Asian countries	7,777	(2,287)	6,431	47,806	368
Australia and New Zealand	-	(202)	198	3,642	-
	<u>7,777</u>	<u>(2,489)</u>	<u>6,629</u>	<u>51,448</u>	<u>368</u>

	(Unaudited) Six months ended 31 May 2009				
Segment	Segment	Segment	Segment	Capital	
turnover	result	assets	liabilities	expenditure	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Hong Kong and other Asian countries	7,133	(3,317)	7,501	44,490	21
Australia and New Zealand	–	138	223	3,463	–
	<u>7,133</u>	<u>(3,179)</u>	<u>7,724</u>	<u>47,953</u>	<u>21</u>

## 5. OPERATING LOSS

	(Unaudited) Three months ended 31 May		(Unaudited) Six months ended 31 May	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>Operating loss is stated after charging the following:</b>				
Depreciation on owned property, plant and equipment	<b>72</b>	78	<b>143</b>	157
Operating leases payments in respect of				
– land and buildings	<b>427</b>	438	<b>825</b>	855
– plant and equipment	<b>8</b>	8	<b>16</b>	24
Staff costs (excluding directors' remuneration)				
– salaries and allowances	<b>3,150</b>	3,174	<b>6,200</b>	6,377
– retirement benefits costs	<b>101</b>	111	<b>204</b>	224
Cost of computer hardware sold	<b>118</b>	7	<b>176</b>	107
Unrealised exchange loss	<b>146</b>	664	<b>265</b>	635
Loss on disposal of fixed assets	<b>23</b>	–	<b>23</b>	–
	<u>–</u>	<u>401</u>	<u>–</u>	<u>352</u>
<b>and after crediting:</b>				
Unrealised exchange gain	–	401	–	352
	<u>–</u>	<u>401</u>	<u>–</u>	<u>352</u>



**6. FINANCE COSTS**

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>31 May</b>		<b>31 May</b>	
	<b>2010</b>	2009	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Interest on promissory notes				
– wholly repayable within five years	<b>384</b>	357	<b>754</b>	703
Interest on amount due to the ultimate holding company				
– wholly repayable within five years	<b>47</b>	47	<b>94</b>	96
	<b>431</b>	404	<b>848</b>	799

**7. TAXATION**

No provision for Hong Kong and China profits tax has been made as the Group had either no estimated assessable profits or had tax losses brought forward to set off the estimated assessable profit for the period (2009: Nil).

No provision for the PRC income taxes has been made during the period as the subsidiaries operated in the PRC had no assessable profits for the period (2009: Nil).

No Australian income tax has been provided by the Australian subsidiaries of the Group as they had estimated tax losses brought forward to set off the estimated assessable profit for the period (2009: Nil).

The potential unaudited deferred tax asset of HK\$13,321,000 (As at 31 May 2009: HK\$13,045,000) relating to tax losses available for carry forward and other timing differences as at 31 May 2010 has not been recognized due to the unpredictability of the future profit streams.

**8. DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 31 May 2010 (2009: Nil).

**9. BASIC LOSS PER SHARE**

The calculation of unaudited basic loss per share for the three months and six months ended 31 May 2010 was based on the unaudited net loss for the period of approximately HK\$1,816,000 and HK\$2,489,000, respectively (Three months and six months ended 31 May 2009: net loss of HK\$1,446,000 and HK\$3,179,000 respectively), and the weighted average of 160,590,967 (2009: 160,590,967) ordinary shares of HK\$0.10 each in issue during the period.

Diluted loss per share equal basic loss per share because there were no potential dilutive shares outstanding during the period.

**10. CONSTRUCTION CONTRACTS**

	(Unaudited) 31 May 2010 HK\$'000	(Audited) 30 November 2009 HK\$'000
Amounts due from customers for contract work	594	663
Amounts due to customers for contract work	<b>(1,528)</b>	<b>(1,454)</b>
	<b>(934)</b>	<b>(791)</b>
	(Unaudited) 31 May 2010 HK\$'000	(Audited) 30 November 2009 HK\$'000
Contract costs incurred plus recognised profits	<b>2,397</b>	2,121
less recognised losses to date	<b>(3,331)</b>	<b>(2,912)</b>
Less: Progress billings		
	<b>(934)</b>	<b>(791)</b>

**11. TRADE AND OTHER RECEIVABLES**

	(Unaudited) 31 May 2010 HK\$'000	(Audited) 30 November 2009 HK\$'000
Trade receivables	2,138	2,490
Less: impairment loss recognised in respect of trade receivables	<b>(1,625)</b>	<b>(1,625)</b>
Trade receivables – net	<b>513</b>	865
Prepayment, deposits and other receivables	<b>565</b>	442
	<b>1,078</b>	<b>1,307</b>





The following is an aged analysis of the trade receivables, net of provision of impairment loss:

	<b>(Unaudited)</b>	(Audited)
	<b>31 May</b>	30 November
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Current	<b>101</b>	378
31 – 60 days	<b>22</b>	18
61 – 90 days	<b>29</b>	47
Over 90 days	<b>361</b>	422
	<hr/>	<hr/>
	<b>513</b>	865
	<hr/> <hr/>	<hr/> <hr/>

The following is an aged analysis of the trade receivables which are past due but not impaired:

	<b>(Unaudited)</b>	(Audited)
	<b>31 May</b>	30 November
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
31 – 60 days	<b>22</b>	18
61 – 90 days	<b>29</b>	47
Over 90 days	<b>361</b>	422
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	<b>412</b>	487
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For the past due but not impaired trade receivables, although no collateral is held, the Group has assessed the credit worthiness, past payment history and substantial settlement after the balance sheet date, and considers that the amounts are still recoverable and no further credit provision is required in excess of allowance for doubtful debts. The Group seeks to maintain strict control over its outstanding trade receivables. Overdue balances are reviewed regularly by the management.

## 12. TRADE AND OTHER PAYABLES

	<b>(Unaudited)</b>	(Audited)
	<b>31 May</b>	30 November
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Accruals	<b>1,828</b>	1,978
Receipts in advance	<b>3,001</b>	3,101
Other payables	<b>956</b>	994
	<hr/>	<hr/>
	<b>5,785</b>	6,073
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**13. PROMISSORY NOTES AND INTEREST PAYABLE TO THE RELATED COMPANIES**

As at 31 May 2010, the unaudited promissory notes of HK\$26,440,000 (2009: HK\$26,383,000) payable to the related companies are interest bearing at Hong Kong prime rate (2009: Hong Kong prime rate).

On 27 November 2009, a related company owned by the chief executive officer of the Company, Active Investments Capital Limited, had agreed to extend the maturity date of the promissory note in the amount of CAD485,000 (approximately HK\$3,601,000) and interest related to the promissory note in the total amount of CAD38,000 (approximately HK\$263,000) to 25 November 2011. On the same date, Active Investments Capital Limited had also agreed to extend the maturity date of the promissory note in the amount of HK\$18,205,000 to 31 May 2011 and also agreed that it will not demand repayment of the promissory note in the amount of approximately HK\$18,205,000 and interest related to the promissory note in the amount of approximately HK\$1,424,000 within the next twelve months after 30 November 2009.

Furthermore, a party connected to the non-executive director of the Company, Wickham Group Limited, has also agreed that it will not demand repayment of the promissory note and the interest related to the promissory note in the amount of approximately HK\$7,160,000 within the next twelve months after 30 November 2009. On 27 November 2009, Wickham Group Limited had agreed to extend the maturity date of the promissory note in the amount of HK\$4,634,000 together with the accrued interest of approximately HK\$2,526,000 to 21 May 2011.

The carrying amounts of the non-current borrowings are as follows:

	<b>(Unaudited)</b> <b>31 May</b> <b>2010</b> <b>HK\$'000</b>	(Audited) 30 November 2009 HK\$'000
Promissory notes and interest payable to the related companies	<b>30,653</b>	29,842

**14. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY**

The directors consider the Company's ultimate holding company to be Maximizer Software Inc. ("MSI"), a company incorporated in Canada.

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 HK\$8,946,000 of which carries interest at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (2009: Annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly). The ultimate holding company has confirmed that it will not demand repayment within the next twelve months after 30 November 2009.



**15. RESERVES**

The amounts of the Group's unaudited reserves and the movements therein for the current and the same period of previous year are presented in the condensed consolidated statement of changes in equity of the financial statements.

**16. RELATED PARTIES TRANSACTIONS**

In additions to the transactions and balances detailed elsewhere in the financial statement during the period, the Group had entered into the following significant related party transactions which were carried out on normal commercial terms and in the normal course of the Group's business:

	<b>(Unaudited)</b>	
	<b>Six months ended 31 May</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Software merchandises purchased from MSI for resale <i>(note a)</i>	<b>55</b>	70
Interest payable to the related companies on promissory notes payable <i>(note 13)</i>	<b>754</b>	703
Interest payable to MSI <i>(note 14)</i>	<b>94</b>	96
Consultancy fee payable to a related party	<b>24</b>	24
Consultancy fee payable to Jinjiang Wing Hong <i>(note b)</i>	<b>20</b>	20
Management fee income received from Beijing Railsmedia <i>(note c)</i>	<b>20</b>	–
	<b>20</b>	–

*Notes:*

- (a) The Group purchased software, in the normal course of business, from MSI for resale in accordance with a Products Sales Agreement and a Supplemental Products Sales Agreement entered into between the Company and MSI on 5 February 2004 and 28 June 2004 respectively. The Supplemental Products Sales Agreement was expired on 31 May 2006. Subsequent to the expire date, MSI has confirmed that the pricing of the product cost remains at 25% of the gross license revenue, that is in accordance with the terms and conditions specified in the 5 February 2004 Product Cost Agreement and the subsequent 28 June 2004 Amendment (the "Product Cost Agreements") entered into between the Company and MSI.
- (b) Monthly consultancy fee for Shanghai Office payable to Shanghai Jinjiang Wing Hong Contracting Co. Limited ("Jinjiang Wing Hong"). Mr. Hui Kau Mo and Mr. Liu Kwong Sang are the executive director and the independent non-executive director of China Railsmedia Corporation Limited (formerly known as Wing Hong (Holdings) Limited), which is the ultimate holding company of Jinjiang Wing Hong.
- (c) Monthly management fee income received from Beijing Railsmedia Advertisement Company Limited ("Beijing Railsmedia"). Mr. Hui Kau Mo and Mr. Liu Kwong Sang are the executive director and the independent non-executive director of China Railsmedia Corporation Limited, which is the ultimate holding company of Beijing Railsmedia.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group recorded an unaudited turnover of approximately HK\$3,520,000 for the three months ended 31 May 2010, 7% decrease from approximately HK\$3,773,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, HK\$1,644,000 or 47% was generated from software license sales and professional service income, HK\$1,820,000 or 52% was generated from maintenance services and HK\$56,000 or 1% was generated from computer hardware sales. As at 31 May 2010, the Group had approximately HK\$5 million worth of contracts that were in progress. The unaudited net loss attributable to shareholders for the three months ended 31 May 2010 was HK\$1,816,000 whereas the Group recorded an unaudited net loss of approximately HK\$1,446,000 for the same period of the previous year.

During the period, the Group continued to exercise prudent cost control measures by implementing tight expenses measures in its regional operations. As a result, the unaudited operating expenditures amounted to HK\$3,608,000 for the three months ended 31 May 2010, remains stable compared to HK\$3,554,000 for the corresponding period of the previous year.

At a result of the most of the property, plant and equipment in the Group was fully depreciated during the period, unaudited depreciation expenses decreased from approximately HK\$78,000 for the three months ended 31 May 2009 to approximately HK\$72,000 in the current period.

During the current period, the Group invested approximately HK\$1,651,000 in developing new modules for its OCTO Straight Through Processing ("STP") system.

For the three months ended 31 May 2010, the Group has no provision was made for impairment of trade receivables.

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$3,251,000 for the three months ended 31 May 2010, remains stable compared to HK\$3,285,000 for the same period of the previous year.



## Liquidity and Financial Resources

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 31 May 2010, the Group's borrowings were repayable as follows:

	Bank borrowings and overdrafts		Other loans	
	Unaudited 31 May 2010 HK\$'000	Audited 30 November 2009 HK\$'000	Unaudited 31 May 2010 HK\$'000	Audited 30 November 2009 HK\$'000
Within 1 year	-	-	-	-
Between 1 and 2 years	-	-	30,653	29,842
Between 2 and 5 years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Wholly repayable within 5 years	-	-	30,653	29,842
Over 5 years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	30,653	29,842
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

At 31 May 2010, the Group had unaudited outstanding borrowings of approximately HK\$8,946,000 representing a current account with Maximizer Software Inc., the ultimate holding company, which was unsecured and interest bearing at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (Maximizer Software Inc. has confirmed that it will not demand repayment of the current account within twelve months from 30 November 2009); 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 May 2011; CAD485,000 representing a loan from Active Investments Capital Limited, a related company wholly owned by the chief executive officer of the Company, which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 25 November 2011; and approximately HK\$18,205,000 representing a loan from Active Investments Capital Limited, a related company wholly owned by the chief executive officer of the Company, which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 31 May 2011. The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 31 May 2010, the Group's gearing ratio was 5.34.

### **Pledge of Assets**

The Group did not have any mortgage or charge as at 31 May 2010.

### **Exposure to Fluctuation in Exchange Rates and Related Hedges**

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars, Renminbi, 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 minimize currency risk.

As at 31 May 2010, the Group did not have any foreign currency investments which have been hedged by currency borrowings and other hedging instruments.

### **Treasury Policy**

Cash and bank deposits of the Group are either in HK dollars, Renminbi, Canadian dollars or Australian dollars. The Group conducts its core business transaction mainly in HK dollars, such that the Group did not use any derivative instruments to hedge its foreign currency exposure as the Group considered its foreign currency exposure is insignificant.

### **Contingent Liabilities**

The Group and the Company had no material contingent liabilities as at 31 May 2010.

### **Significant Investments**

The Group has not held any significant investment for the three months ended 31 May 2010 and made no material acquisitions or disposals during the current period.

### **Major Events**

As at 31 May 2010, the Group had no material capital commitments and no future plans for material investments or capital assets.

### **Employee and Remuneration Policy**

The directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its profitability. The Group's remuneration package is structured with reference to the individual performance, working experience and prevailing salary levels in the market. In addition to basic salaries and mandatory provident fund, staff benefits include medical coverage scheme and share options. As at 31 May 2010, the Group had employed 43 staffs in Hong Kong and 21 staffs in PRC China. Total staff costs for the three months ended 31 May 2010 under review amounted to approximately HK\$3,251,000.



As at 31 May 2010, 19 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. The estimated maximum amount of such payment is approximately HK\$1,176,000.

### **Pension 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.

The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the retirement funds and is expensed as incurred. For the three months ended 31 May 2010, the unaudited retirement benefit scheme contributions borne by the Group amounted to HK\$101,000 (2009: HK\$111,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

### **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 for 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 and are exercisable over four years, with one quarter exercisable on each anniversary date from the date of grant. A nominal value of HK\$1.00 is payable on acceptance of each grant of options.

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

Details of the share options granted by the Company pursuant to the Scheme and the options outstanding as at 31 May 2010 were as follows:

	<b>Date of grant</b>	<b>Exercise price</b>	<b>Exercisable period</b>	<b>Options held as at 1 December 2009</b>	<b>Lapsed during the period</b>	<b>Options held as at 31 May 2010</b>
Executive directors	17 April 2001	HK\$3.625	17 April 2002 to 16 April 2011	480,000	–	480,000
	28 May 2001	HK\$4.675	28 May 2002 to 27 May 2011	48,000	–	48,000
Continuous contracts employees	17 April 2001	HK\$3.625	17 April 2002 to 16 April 2011	875,100	(268,170)	606,930
	28 May 2001	HK\$4.675	28 May 2002 to 27 May 2011	74,740	(26,817)	47,923

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 2001 until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

The exercise in full of the above options outstanding as at 31 May 2010 would, under the present capital structure of the Company, result in the issue of 1,182,853 additional ordinary shares of HK\$0.10 each.





According to the transitional provision of HKFRS 2, Share-based Payment, the Group applies HKFRS 2 to share options granted after 7 November 2002 and had not yet vested on 1 December 2005. The adoption of this standard did not result in any significant changes to the amounts of disclosures in the financial statements as the share options outstanding on 31 May 2010 were granted before 7 November 2002 and vested in ten years from the date of granted.

### **Operation Review**

For the three months ended 31 May 2010, e-Finance unaudited turnover is HK\$3,286,000, a decrease of 7% when compared to HK\$3,518,000 for the corresponding period of the previous year. The decrease was mainly attributed to delivery of several major projects has been postponed due to customers' request. The Group continued to enhance the features of its brokerage trading solutions and focused on new sales and marketing schemes to generate more sales and pay close attention to opportunities in the China market. During the period, the Group had closely negotiating with PRC brokerage firms for the development of its financial solution. It is more benefit for the Group to expand its OCTOSTP trading solution in the China market.

For the three months ended 31 May 2010, e-Business unaudited turnover is HK\$234,000, 8% decrease compared to HK\$255,000 for the same period of the previous year. The decrease was attributed to keen competition in the Asia CRM market. During the period, the Group continues its focus on marketing activities in the region and builds up a stronger reseller channel in Greater China market.

### **Prospects**

The Group will continue to focus on the Group's fundamentals to achieve profitability. Considering the keen competition in Hong Kong market, the Group will be more proactive in seeking for overseas opportunities and develop more financial solutions that fit for Greater China region. The directors believed that the Group has well diversified product range that is fitted to the global market needs and it is well equipped to face new challenges from the overseas markets.

The Group believes the growth of CRM market in the Asian region especially in Greater China region still under its development stage. The Group will continue to promote Maximizer CRM brand name in the region by attending regional exhibitions and effective marketing campaign.

While the global economic downturn has shaken the confidence of market and put the financial industry on alert over the slowdown in demand and decline in business volume, the Company will continue to provide our clients with cost effective brokerage solution and CRM products to enhance their competitiveness in this market.

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

At 31 May 2010, 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 5.46 to 5.68 of the GEM Listing Rules were as follows:

### Long positions in shares

a) *The Company:*

Name of director	Number of ordinary shares				Percentage of issued share capital
	Personal interests	Family interests	Other interests	Total	
Mr. Kau Mo Hui	-	8,666,710 <sup>(1)</sup>	90,534,400 <sup>(2)</sup>	99,201,110	61.78%

*Notes:*

1. 8,666,710 shares are held by Pacific East Limited, which is wholly owned by The City Place Trust. Royal Bank of Canada Financial Corporation is the trustee of The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries include direct family members of Mr. Kau Mo Hui. The interests held by The City Place Trust are deemed to be part of the interest of Mr. Kau Mo Hui.
2. 90,534,400 shares are held by Maximizer International Limited, which is a wholly owned subsidiary of Maximizer Software Inc. Maximizer Software Inc. is held as to 58.2% by The City Place Trust and 41.8% by MSI Acquisition Corp. MSI Acquisition Corp. is a company wholly, beneficially and indirectly owned by Mr. Kau Mo Hui in the following manner:
  - (a) MSI Acquisition Corp. is a company wholly owned by Maximizer (Barbados) Management Inc.;
  - (b) Maximizer (Barbados) Management Inc. is a company wholly owned by Maximizer (Barbados) Holdings Inc.;
  - (c) Maximizer (Barbados) Holding Inc. is a company wholly owned by Heroic Dragon Limited; and
  - (d) Heroic Dragon Limited is a company wholly owned by Mr. Kau Mo Hui.



b) *Associated Corporation:*

Name of director	Number of common shares in Maximizer Software Inc.				Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Mr. Kau Mo Hui	–	36,475,319 <sup>(1)</sup>	26,191,804 <sup>(2)</sup>	62,667,123	100%

*Notes:*

1. Maximizer Software Inc. is held as to 58.2% by The City Place Trust.
2. Maximizer Software Inc. is held as to 41.8% by MSI Acquisition Corp. MSI Acquisition Corp. is a company wholly, beneficially and indirectly owned by M. Kau Mo Hui in the following manner:
  - (a) MSI Acquisition Corp. is a company wholly owned by Maximizer (Barbados) Management Inc.;
  - (b) Maximizer (Barbados) Management Inc. is a company wholly owned by Maximizer (Barbados) Holdings Inc.;
  - (c) Maximizer (Barbados) Holdings Inc. is a company wholly owned by Heroic Dragon Limited; and
  - (d) Heroic Dragon Limited is a company wholly owned by Mr. Kau Mo Hui.

**Long positions in underlying shares**

a) *The Company:*

Options in the Company (Unlisted and physically settled equity derivatives)						
Name	Date of grant	Exercise price	Exercisable period	Number of options		
				Outstanding as at 1 December 2009	Lapsed during the period	Outstanding as at 31 May 2010
<b>Director</b>						
Mr. Terence Chi Yan Hui	17 April 2001	HK\$3.625	17 April 2002 to 16 April 2011	480,000	–	480,000
	28 May 2001	HK\$4.675	28 May 2002 to 27 May 2011	48,000	–	48,000
<b>Chief Executive</b>						
Mr. Samson Chi Yang Hui	17 April 2001	HK\$3.625	17 April 2002 to 16 April 2011	172,800	–	172,800
	28 May 2001	HK\$4.675	28 May 2002 to 27 May 2011	17,280	–	17,280

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 2001 until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

*b) Associated Corporation:*

No long position of directors and chief executives in the underlying shares of the Associated Corporation were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

**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 5.46 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 5.46 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 5.46 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 31 May 2010, 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 Rule 5.46 of the GEM Listing Rules.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 31 May 2010, 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%
MSI Acquisition Corp. <i>(note 1)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
Maximizer (Barbados) Holdings Inc. <i>(note 1)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
Maximizer (Bardados) Management Inc. <i>(note 1)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
Heroic Dragon Limited <i>(note 1)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
Mr. Kau Mo Hui <i>(notes 1 &amp; 2)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
Pacific East Limited	Beneficial owner	Corporate	8,666,710	5.40%
Royal Bank of Canada Financial Corporation <i>(note 2)</i>	Trustee	Corporate	99,201,110	61.78%

*Notes:*

1. Maximizer International Limited is a wholly owned subsidiary of Maximizer Software Inc. Maximizer Software Inc. is held as to 58.2% by The City Place Trust and 41.8% by MSI Acquisition Corp. MSI Acquisition Corp. is a company wholly, beneficially and indirectly owned by Mr. Kau Mo Hui in the following manner:
  - (a) MSI Acquisition Corp. is a company wholly owned by Maximizer (Barbados) Management Inc.;
  - (b) Maximizer (Barbados) Management Inc. is a company wholly owned by Maximizer (Barbados) Holdings Inc.;
  - (c) Maximizer (Barbados) Holdings Inc. is a company wholly owned by Heroic Dragon Limited; and
  - (d) Heroic Dragon Limited is a company wholly owned by Mr. Kau Mo Hui.
2. Royal Bank of Canada Financial Corporation is the trustee of The City Place Trust. The City Place Trust holds 36,475,319 shares of Maximizer Software Inc, representing approximately 58.2% of the issued share capital of Maximizer Software Inc.. The City Place Trust also wholly owns Pacific East Limited, which holds a 5.4% interest in the company. The City Place Trust is a discretionary trust and its beneficiaries include direct family members of Mr. Kau Mo Hui.

**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.

Apart from the foregoing, no other interests required to be recorded in the register kept under Section 336 of the SFO have been notified to the Company.



## **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, Pacific Region and South America. MSI and the Group share the same product lines including, Maximizer, Maximizer Enterprise, Maximizer CRM, 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.

## **AUDIT COMMITTEE**

Pursuant to the GEM Listing Rules, an audit committee was established on 22 January 2001, comprising three independent non-executive directors, namely Messrs. Kwong Sang Liu, Edwin Kim Ho Wong and William Keith Jacobsen. On 28 September 2004, Mr. Kwong Sang Liu was appointed as independent non-executive director and member of audit committee of the Company. On 29 August 2008, Mr. Edwin Kim Ho Wong was appointed as independent non-executive director and member of audit committee of the Company. Mr. William Keith Jacobsen was appointed as independent non-executive director and member of audit committee of the Company on 10 July 2009. Mr. Edwin Kim Ho Wong is the chairman of the audit committee.

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 Institute of Certified Public 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.

During the six months ended 31 May 2010, the audit committee held 2 meetings for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board of Directors. The minutes of the audit committee meeting are kept by the Company Secretary.

The Group's unaudited consolidated results for the three months ended 31 May 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

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

During the six months ended 31 May 2010, 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.

### **CODE ON CORPORATE GOVERNANCE PRACTICE**

None of the directors is aware of information that would reasonably indicate that the Company is not, or was not, for any part of the accounting period for the six months ended 31 May 2010, in compliance with the Code on Corporate Governance Practice set out by the Stock Exchange in Appendix 15 to the Listing Rules.

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

During the six months ended 31 May 2010, 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 report, the Board comprises the following directors:

Mr. Terence Chi Yan HUI	<i>(Executive Director)</i>
Mr. Joseph Chi Ho HUI	<i>(Executive Director)</i>
Mr. Kau Mo HUI	<i>(Non-executive Director)</i>
Mr. Kwong Sang LIU	<i>(Independent Non-executive Director)</i>
Mr. Edwin Kim Ho WONG	<i>(Independent Non-executive Director)</i>
Mr. William Keith JACOBSEN	<i>(Independent Non-executive Director)</i>

Hong Kong, 30 June 2010