



First Quarterly Report 2011

**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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*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 the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 28 February 2011, together with the comparative figures:

		(Unaudited)	
		For the three months ended	
		28 February 2011 HK\$'000	28 February 2010 HK\$'000
	Notes		
Turnover	3	4,024	4,257
Cost of sales		(971)	(1,001)
Gross profit		3,053	3,256
Other revenue	3	–	–
Software research and development expenses		(2,151)	(1,572)
Selling and marketing expenses		(337)	(312)
Administrative expenses		(2,008)	(1,628)
Loss from operating activities	4	(1,443)	(256)
Finance costs	5	(486)	(417)
Loss before taxation		(1,929)	(673)
Taxation	6	–	–
Loss for the period		(1,929)	(673)
Other comprehensive income			
Exchange differences on translating foreign operations		(185)	55
Other comprehensive (expenses)/income for the period, net of tax		(185)	55

		(Unaudited)	
		For the three months ended	
		28 February 2011 HK\$'000	28 February 2010 HK\$'000
		Notes	
<b>Total comprehensive expenses for the period</b>		<b>(2,114)</b>	(618)
Loss for the period attributable to owners of the Company		<b>(1,929)</b>	(673)
Total comprehensive expenses for the period attributable to owners of the Company		<b>(2,114)</b>	(618)
<b>Loss per share</b>		<b>HK cents</b>	HK cents
– Basic and diluted	7	<b>(1.20)</b>	(0.42)

Notes:

**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 three months ended 28 February 2011 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 2010, 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 2010. 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 three months ended 28 February 2011*

These HKFRSs are effective for annual periods beginning on or after 1 January 2010:

HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>1</sup>
HKFRSs (Amendment)	Improvements to HKFRSs 2010 <sup>5</sup>
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters <sup>2</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>4</sup>
HKFRS 2 (Amendment)	Share-based Payment – Group Cash-settled Share-based Payment Transactions <sup>2</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>3</sup>
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>4</sup>

- <sup>1</sup> Effective for annual periods beginning on 1 January 2010, as appropriate
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2010
- <sup>3</sup> Effective for annual periods beginning on or after 1 February 2010
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

### 3. TURNOVER AND OTHER REVENUE

The Group is principally engaged in the design and sale of computer software and the provision of professional and maintenance services for such products. All significant intra-group transactions have been eliminated on consolidation. An analysis of the Group's turnover and other revenue is as follow:

	(Unaudited)	
	For the three months ended	
	28 February 2011 HK\$'000	28 February 2010 HK\$'000
<b>Turnover</b>		
Sales of computer software licences, software rental and provision of related services	2,067	2,373
Provision of maintenance services	1,848	1,790
Sales of computer hardware	109	94
	4,024	4,257
	4,024	4,257
<b>Other revenue</b>		
Interest income on bank deposits	-	-
	-	-

**4. LOSS FROM OPERATING ACTIVITIES**

	(Unaudited)	
	For the three months ended	
	28 February 2011 HK\$'000	28 February 2010 HK\$'000
<b>Loss from operating activities is stated at after charging:</b>		
Depreciation on owned property, plant and equipment	57	71
Exchange loss	438	119
Operating leases payments in respect of		
– land and buildings	397	398
– plant and equipment	8	8
Staff costs (excluding directors' remuneration)		
– salaries and allowances	3,698	3,050
– retirement benefit costs	114	103
Cost of computer hardware sold	76	58
	<b>72</b>	–
<b>and after crediting:</b>		
Recovery of impairment loss recognised in respect of trade receivables		
	<b>72</b>	–

**5. FINANCE COSTS**

	(Unaudited)	
	For the three months ended	
	28 February 2011 HK\$'000	28 February 2010 HK\$'000
Interest on promissory notes		
– wholly repayable within five years	428	370
Interest on amount due to the former ultimate holding company		
– wholly repayable within five years	–	47
Interest on amount due to a shareholder		
– wholly repayable within five years	36	–
Interest on amount due to a related party		
– wholly repayable within five years	22	–
	<b>486</b>	417

**6. TAXATION**

No provision for Hong Kong profits tax has been made as the Group had either no estimated assessable profits or had estimated tax losses brought forward to set off the estimated assessable profits for the period (2010: Nil).

No provision for the PRC enterprise income taxes has been made during the period as the subsidiaries operated in the PRC had no assessable profit for the period (2010: Nil).

No Australian income tax has been provided by the Australian subsidiaries of the Group as they had no assessable profit for the period (2010: Nil).

The potential unaudited deferred tax asset of HK\$15,709,000 (As at 28 February 2010: HK\$13,021,000) relating to tax losses available for carry forward and other timing differences as at 28 February 2011 has not been recognized due to the unpredictability of the future profit streams.

**7. LOSS PER SHARE**

The calculation of basic loss per share for the three months ended 28 February 2011 was based on the unaudited net loss for the period of approximately HK\$1,929,000 (For the three months ended 28 February 2010 unaudited net loss: HK\$673,000) and the weighted average of 160,590,967 (2010: 160,590,967) ordinary shares of HK\$0.10 each in issue during the period.

**Diluted loss per share**

Diluted loss per share for the three months ended 28 February 2011 and 2010 were the same as the basic loss per share. The Company's outstanding share options were not included in the calculation of diluted loss per share because the effect of the Company's outstanding share options were anti-dilutive.

**8. MOVEMENTS OF RESERVES**

	Attributable to owners of the Company				
	(Unaudited) Share premium HK\$'000	(Unaudited) Contributed surplus HK\$'000	(Unaudited) Exchange reserve HK\$'000	(Unaudited) Accumulated losses HK\$'000	(Unaudited) Total HK\$'000
At 1 December 2009	106,118	37,600	(13,869)	(188,451)	(58,602)
Loss for the period	-	-	-	(673)	(673)
Other comprehensive income for the period	-	-	55	-	55
As at 28 February 2010	<u>106,118</u>	<u>37,600</u>	<u>(13,814)</u>	<u>(189,124)</u>	<u>(59,220)</u>
At 1 December 2010	106,118	37,600	(14,110)	(192,961)	(63,353)
Loss for the period	-	-	-	(1,929)	(1,929)
Other comprehensive expenses for the period	-	-	(185)	-	(185)
As at 28 February 2011	<u>106,118</u>	<u>37,600</u>	<u>(14,295)</u>	<u>(194,890)</u>	<u>(65,467)</u>



## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 28 February 2011 (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The Group recorded an unaudited turnover of approximately HK\$4,024,000 for the three months ended 28 February 2011, a 5% decrease from approximately HK\$4,257,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, HK\$2,067,000 or 51% was generated from software license sales and professional service, HK\$1,848,000 or 46% was generated from maintenance services and HK\$109,000 or 3% was generated from sales of hardware. As at 28 February 2011, the Group had approximately HK\$7 million worth of contracts that were in progress. The unaudited net loss attributable to shareholders for the three months ended 28 February 2011 was HK\$1,929,000 whereas the Group recorded an unaudited net loss of approximately HK\$673,000 for the same period of the previous year.

The unaudited operating expenditures amounted to HK\$4,058,000 for the three months ended 28 February 2011, a 20% increase from approximately HK\$3,381,000 for the corresponding period of the previous year. The increases were mainly attributed to overall increment in general administrative costs, salary increment and the expansion of Shenzhen Office during the period.

As a result of the most of the property, plant and equipment in the Group was fully depreciated, depreciation expenses decreased from approximately HK\$71,000 for the three months ended 28 February 2010 to approximately HK\$57,000 in the current period.

During the current period, the Group invested approximately HK\$2,151,000 in developing new modules for its OCTO Straight Through Processing ("STP") system.

For the three months ended 28 February 2011, the Group has no provision made for impairment of trade receivables.

Total unaudited staff costs (excluding directors' remuneration) are approximately HK\$3,812,000 for the three months ended 28 February 2011, a 21% increase from approximately HK\$3,153,000 for the previous period. The increases were mainly attributed to increase in headcounts and overall salary increment during the period.

### **Operation Review**

For the three months ended 28 February 2011, Financial Solutions unaudited turnover is HK\$3,940,000, a decrease of 4% when compared to HK\$4,085,000 for the corresponding period of the previous year. The decrease was mainly attributed to less software rental income during the period. In order to facilitate our brokerage firm customers to provide CNY stock trading services which will be implemented by the Hong Kong Stock Exchange in the second half of 2011, the Group are going to conclude the modification contracts with most of existing customers to implement CNY brokerage trading function in the coming quarter. The Group continued to enhance the features of its brokerage trading solutions and focused on equip itself to face challenge in the China market.

For the three months ended 28 February 2011, CRM Solutions unaudited turnover is HK\$84,000, a decrease of 51% when compared to HK\$172,000 for the same period of previous year. The decrease was attributed to decrease in license sales of Maximizer products in the market. During the period, the Group is negotiating with one Hong Kong airway company to upgrade its Maximizer licences in their global outports in next quarter. The Group continues its focus on marketing activities in the region and re-enforce our existing resellers channel in the market.

### **Prospects**

Even though the Hong Kong stock market showed signs of recovery, such recovery also brings keen competition to the brokerage industry in Hong Kong. To assist our customers benefited from stock market recovery and meet their needs for trading new financial products in the market, the Group continued to stay firm on our core business and technology to develop innovative brokerage and financial systems and provide cost effective solutions to the market.

We aimed at reaching out to a more diversified customer base via seeking new opportunities in China market. To achieve this goal, we will engage more actively in marketing and promotional activities, and seek collaboration partners to provide more innovative business solutions. The directors believed that the Group has well diversified product range that is fitted to the market needs and it is well equipped to face challenges from the Asian market.

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

At 28 February 2011, 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			Total	Percentage of issued share capital
	Personal interests	Family interests	Other interests		
Mr. Kau Mo Hui	-	99,201,110	-	99,201,110	61.78%

*Note:*

8,666,710 shares are held by Pacific East Limited ("PEL") and 90,534,400 shares held by Maximizer International Limited ("MIL"). Both PEL and MIL are 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.

(b) Associated Corporation:

Name of director	Number of common shares in Maximizer Software Inc.			Total	Percentage of issued share capital
	Personal interests	Family interests	Other interests		
Mr. Kau Mo Hui	-	36,475,319	26,191,804	62,667,123	100%

*Note:*

Maximizer Software Inc. is held as to 58.2% by The City Place Trust and 41.8% indirectly held by Mr. Kau Mo Hui.

**Long positions in underlying shares**

(a) The Company:

				Options in the Company (Unlisted and physically settled equity derivatives)		
				Number of options		
Name	Date of grant	Exercise price	Exercisable period	Outstanding	Lapsed during the period	Outstanding as at 28 February 2011
				as at 1 December 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 28 February 2011, 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 of the GEM Listing Rules.

## INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 28 February 2011, 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	Beneficial owner	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)</i>	Trustee	Corporate	99,201,110	61.78%

*Note:*

Royal Bank of Canada Financial Corporation is the trustee of The City Place Trust which wholly owns holds Maximizer International Limited, which holds 56.38% interest in the Company and Pacific East Limited, which holds 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, the related company of the Company. MSI is engaged in the business of the design and development of CRM Solutions, 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 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. William Keith Jacobsen is the chairman of the audit committee for the year.

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 three months ended 28 February 2011, the audit committee held a meeting 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 28 February 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

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

During the three months ended 28 February 2011, 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, 31 March 2011