# Interim Report 2011

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.**



*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.*

## 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 2011, together with the comparative figures.

The unaudited turnover of the Group for the three months and six months ended 31 May 2011 was HK$4,885,000 and HK$8,909,000, respectively (Three months and six months ended 31 May 2010: HK$3,520,000 and HK$7,777,000 respectively). The unaudited net loss for the three months and six months ended 31 May 2011 was HK$1,081,000 and HK$3,010,000, respectively (Three months and six months ended 31 May 2010: net loss of HK$1,816,000 and HK$2,489,000 respectively). Unaudited basic loss per share for the three months and six months ended 31 May 2011 was HK$0.67 cents and HK$1.87 cents, respectively (Three months and six months ended 31 May 2010: basic loss per share of HK$1.13 cents and HK$1.55 cents, respectively.)

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 MAY 2011*

| | | (Unaudited) Three months ended 31 May | | (Unaudited) Six months ended 31 May | |
|---|---|---|---|---|---|
| | | **2011** | 2010 | **2011** | 2010 |
| | Notes | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover | 3 | **4,885** | 3,520 | **8,909** | 7,777 |
| Cost of sales | | **(1,604)** | (1,151) | **(2,654)** | (2,152) |
| Gross profit | | **3,281** | 2,369 | **6,255** | 5,625 |
| Other revenue | 3 | **1** | – | **1** | – |
| Software research and development expenses | | **(2,008)** | (1,651) | **(4,080)** | (3,223) |
| Royalty expenses | | **(17)** | – | **(17)** | (12) |
| Selling and marketing expenses | | **(272)** | (203) | **(609)** | (503) |
| Administrative expenses | | **(1,695)** | (1,754) | **(3,265)** | (3,263) |
| Unrealised exchange gain/(loss) | | **99** | (146) | **(339)** | (265) |
| Loss from operating activities | 5 | **(611)** | (1,385) | **(2,054)** | (1,641) |
| Finance costs | 6 | **(470)** | (431) | **(956)** | (848) |
| Loss before taxation | | **(1,081)** | (1,816) | **(3,010)** | (2,489) |
| Taxation | 7 | **–** | – | **–** | – |
| Loss for the period | | **(1,081)** | (1,816) | **(3,010)** | (2,489) |

| | Notes | (Unaudited) Three months ended 31 May 2011 HK$'000 | 2010 HK$'000 | (Unaudited) Six months ended 31 May 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|---|---|
| Other comprehensive income | | | | | |
| Exchange differences on translating foreign operations | | **(215)** | 158 | **(400)** | 213 |
| Other comprehensive (expenses)/ income for the period, net of tax | | **(215)** | 158 | **(400)** | 213 |
| **Total comprehensive expenses for the period** | | **(1,296)** | (1,658) | **(3,410)** | (2,276) |
| Loss for the period attribute to owners of the Company | | **(1,081)** | (1,816) | **(3,010)** | (2,489) |
| Total comprehensive expenses for the period attributable to owners of the Company | | **(1,296)** | (1,658) | **(3,410)** | (2,276) |
| | | **HK cents** | HK cents | **HK cents** | HK cents |
| **Loss per share** | | | | | |
| – Basic and diluted | 9 | **(0.67)** | (1.13) | **(1.87)** | (1.55) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 31 MAY 2011 AND 30 NOVEMBER 2010*

| | Notes | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **486** | 552 |
| **Current assets** | | | |
| Work in progress | 10 | **867** | 577 |
| Trade and other receivables | 11 | **1,811** | 1,421 |
| Cash and cash equivalents | | **1,963** | 6,490 |
| | | **4,641** | 8,488 |
| **Total assets** | | **5,127** | 9,040 |
| **Capital and reserves** | | | |
| Share capital | | **16,059** | 16,059 |
| Reserves | 15 | **(66,763)** | (63,353) |
| **Equity attributable to owners of the Company** | | **(50,704)** | (47,294) |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Promissory notes and interest payable to the related companies | 13 | **32,760** | 34,529 |
| Amount due to the former ultimate holding company | 14 | **230** | – |
| Amount due to a shareholder | 14 | **5,834** | 5,467 |
| Amount due to a related party | 14 | **4,158** | 3,927 |
| | | **42,982** | 43,923 |

| | Notes | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Other payables and accruals | 12 | **7,124** | 6,291 |
| Deferred revenue | | **4,121** | 4,008 |
| Amount due to customers | 10 | **1,604** | 2,112 |
| | | **12,849** | 12,411 |
| **Total liabilities** | | **55,831** | 56,334 |
| **Total equity and liabilities** | | **5,127** | 9,040 |
| **Net current liabilities** | | **(8,208)** | (3,923) |
| **Total assets less current liabilities** | | **(7,722)** | (3,371) |
| **Net liabilities** | | **(50,704)** | (47,294) |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*FOR THE SIX MONTHS ENDED 31 MAY 2011*

| | (Unaudited) Six months ended 31 May | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Net cash used in operating activities | **(1,695)** | (471) |
| Net cash used in investing activities | **(35)** | (368) |
| Net cash used in financing activities | **(2,797)** | – |
| Net decrease in cash and cash equivalents | **(4,527)** | (839) |
| Cash and cash equivalents at the beginning of period | **6,490** | 5,205 |
| Cash and cash equivalents at the end of period | **1,963** | 4,366 |
| Analysis of balances of cash and cash equivalents: | | |
| Cash and bank balances | **1,963** | 4,366 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*FOR THE SIX MONTHS ENDED 31 MAY 2011*

| | Attributable to owners of the company | | | | | |
|---|---|---|---|---|---|---|
| | (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 2009 | 16,059 | 106,118 | 37,600 | (13,869) | (188,451) | (42,543) |
| Other comprehensive income for the period | – | – | – | 213 | – | 213 |
| Loss for the period | – | – | – | – | (2,489) | (2,489) |
| As at 31 May 2010 | 16,059 | 106,118 | 37,600 | (13,656) | (190,940) | (44,819) |
| Balance as at 1 December 2010 | **16,059** | **106,118** | **37,600** | **(14,110)** | **(192,961)** | **(47,294)** |
| Other comprehensive expenses for the period | **–** | **–** | **–** | **(400)** | **–** | **(400)** |
| Loss for the period | **–** | **–** | **–** | **–** | **(3,010)** | **(3,010)** |
| As at 31 May 2011 | **16,059** | **106,118** | **37,600** | **(14,510)** | **(195,971)** | **(50,704)** |

# 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 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 six months ended 31 May 2011

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

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

1 Effective for annual periods beginning on 1 January 2010, as appropriate

2 Effective for annual periods beginning on or after 1 January 2010

3 Effective for annual periods beginning on or after 1 February 2010

4 Effective for annual periods beginning on or after 1 July 2010

5 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 follows:

| | (Unaudited) Three months ended 31 May | | (Unaudited) Six months ended 31 May | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| **Turnover** | | | | |
| Sales of computer software licences, software rental and provision of related services | **3,040** | 1,644 | **5,107** | 4,017 |
| Provision of maintenance services | **1,822** | 1,820 | **3,670** | 3,610 |
| Sales of computer hardware | **23** | 56 | **132** | 150 |
| | **4,885** | 3,520 | **8,909** | 7,777 |
| **Other revenue** | | | | |
| Interest Income on bank deposit | **1** | – | **1** | – |

## 4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 December 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor standard HKAS 14 Segment Reporting required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was the business segment.

The Group was engaged in two business segments, Financial Solutions and CRM Solutions (formerly known as eFinance and eBusiness), during the six months ended 31 May 2011 and 31 May 2010. The allocation of resources to segments is the same as previous year despite the change in segment names. The chief operating decision maker regularly reviews the nature of their operations and the products and services. 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 the other business segments.

### *Segment revenue and results*

*The following is an analysis of the Group's revenue and results by reportable segment:*

| | (Unaudited) Six months ended 31 May | | | | | |
|---|---|---|---|---|---|---|
| | Financial Solutions | | CRM Solutions | | Consolidated | |
| | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover | **8,190** | 7,371 | **719** | 406 | **8,909** | 7,777 |
| Segment results | **1,610** | 1,929 | **(61)** | (42) | **1,549** | 1,887 |
| Other revenue | | | | | **1** | – |
| Exchange loss | | | | | **(339)** | (265) |
| Central administration costs | | | | | **(3,265)** | (3,263) |
| Finance costs | | | | | **(956)** | (848) |
| Loss before taxation | | | | | **(3,010)** | (2,489) |
| Taxation | | | | | **–** | – |
| Loss for the period | | | | | **(3,010)** | (2,489) |

*Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the period (2010: Nil)*

*Segment results represent the profit/(loss), earned/(suffered) by each segment without allocation of other revenue, exchange loss, central administration costs, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.*

### *Segment assets and liabilities*

| | (Unaudited) Six months ended 31 May | | | | | |
|---|---|---|---|---|---|---|
| | Financial Solutions | | CRM Solutions | | Consolidated | |
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| **Assets and liabilities** | | | | | | |
| Segment assets | **2,650** | 2,735 | **563** | 552 | **3,213** | 3,287 |
| Unallocated assets | | | | | **1,914** | 3,342 |
| Consolidated total assets | | | | | **5,127** | 6,629 |
| Segment liabilities | **15,261** | 13,999 | **7,243** | 6,273 | **22,504** | 20,272 |
| Unallocated liabilities | | | | | **33,327** | 31,176 |
| Consolidated total liabilities | | | | | **55,831** | 51,448 |
| **Other segment information** | | | | | | |
| Depreciation | **107** | 138 | **3** | 5 | **110** | 143 |
| Capital expenditure | **35** | 368 | **–** | – | **35** | 368 |

For the purposes of monitoring segment performance and allocating resources between segments, the group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

All assets are allocated to reportable segments other than unallocated corporate assets (mainly include cash and cash equivalents that are used by the investment holding companies and other receivables that are receivable by the investment holding companies).

All liabilities are allocated to reportable segments other than unallocated corporate liabilities (mainly include other payables and accruals borne by the investment holding companies).

**Geographical segments**

The Group operates in two principal geographical areas – the PRC and Hong Kong.

The Group's revenue generated from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| | Six months ended 31 May | | Six months ended 31 May | |
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| PRC | **–** | 124 | **228** | 282 |
| Hong Kong | **8,909** | 7,653 | **258** | 309 |
| | **8,909** | 7,777 | **486** | 591 |

**Information about major customers**

No single customer contributed 10% or more to the Group's revenue for both six months ended 31 May 2011 and 2010.

## 5. LOSS FROM OPERATING ACTIVITIES

| | (Unaudited) Three months ended 31 May | | (Unaudited) Six months ended 31 May | |
|---|---|---|---|---|
| | **2011 HK$'000** | 2010 HK$'000 | **2011 HK$'000** | 2010 HK$'000 |
| **Loss from operating activities is stated at after charging:** | | | | |
| Depreciation on owned property, plant and equipment | **53** | 72 | **110** | 143 |
| Operating leases payments in respect of | | | | |
| – land and buildings | **397** | 427 | **794** | 825 |
| – plant and equipment | **8** | 8 | **16** | 16 |
| Staff costs (excluding directors' remuneration) | | | | |
| – salaries and allowances | **3,929** | 3,150 | **7,627** | 6,200 |
| – retirement benefits costs | **111** | 101 | **225** | 204 |
| Cost of computer hardware sold | **14** | 118 | **90** | 176 |
| Unrealised exchange loss | **44** | 146 | **501** | 265 |
| Loss on disposal of fixed assets | **23** | 23 | **23** | 23 |
| **and after crediting:** | | | | |
| Unrealised exchange gain | **143** | – | **162** | – |
| Recovery of impairment loss recognised in respect of trade receivables | **–** | – | **72** | – |

## 6. FINANCE COSTS

| | (Unaudited) Three months ended 31 May | | (Unaudited) Six months ended 31 May | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Interest on promissory notes – wholly repayable within five years | **410** | 384 | **838** | 754 |
| Interest on amount due to the former ultimate holding company – wholly repayable within five years | **–** | 47 | **–** | 94 |
| Interest on amount due to a shareholder – wholly repayable within five years | **36** | – | **72** | – |
| Interest on amount due to a related party – wholly repayable within five years | **24** | – | **46** | – |
| | **470** | 431 | **956** | 848 |

## 7. TAXATION

No provision for Hong Kong 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 profits for the period (2010: Nil).

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

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

The potential unaudited deferred tax asset of HK$15,887,000 (As at 31 May 2010: HK$13,321,000) relating to tax losses available for carry forward and other timing differences as at 31 May 2011 has not been recognized due to the unpredictability of the future profit streams.

## 8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 31 May 2011 (2010: Nil).

## 9. LOSS PER SHARE

The calculation of unaudited basic loss per share for the three months and six months ended 31 May 2011 was based on the unaudited net loss for the period of approximately HK$1,081,000 and HK$3,010,000, respectively (Three months and six months ended 31 May 2010: net loss of HK$1,816,000 and HK$2,489,000 respectively), 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 and six months ended 31 May 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 was anti-dilutive.

## 10. CONSTRUCTION CONTRACTS

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Amounts due from customers for contract work | **867** | 577 |
| Amounts due to customers for contract work | **(1,604)** | (2,112) |
| | **(737)** | (1,535) |

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Contract costs incurred plus recognised profits less recognised losses to date | **2,337** | 2,068 |
| Less: Progress billings | **(3,074)** | (3,603) |
| | **(737)** | (1,535) |

## 11. TRADE AND OTHER RECEIVABLES

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Trade receivables | **2,860** | 2,648 |
| Less: impairment loss recognised in respect of trade receivables | **(1,625)** | (1,697) |
| Trade receivables – net | **1,235** | 951 |
| Prepayment, deposits and other receivables | **576** | 470 |
| | **1,811** | 1,421 |

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

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Current | **1,045** | 549 |
| 31 – 60 days | **53** | 164 |
| 61 – 90 days | **6** | 32 |
| Over 90 days | **131** | 206 |
| | **1,235** | 951 |

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

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| 31 – 60 days | **53** | 164 |
| 61 – 90 days | **6** | 32 |
| Over 90 days | **131** | 206 |
| | **190** | 402 |

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 reporting 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. OTHER PAYABLES AND ACCRUALS

| | (Unaudited) 31 May 2011 HK$'000 | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Accruals | 2,211 | 1,951 |
| Receipts in advance | 3,900 | 3,235 |
| Other payables | 1,013 | 1,105 |
| | 7,124 | 6,291 |

## 13. PROMISSORY NOTES AND INTEREST PAYABLE TO THE RELATED COMPANIES

As at 31 May 2011, the unaudited promissory notes of HK$29,726,000 (2010: HK$26,440,000) payable to the related companies are interest bearing at Hong Kong prime rate (2010: Hong Kong prime rate).

Active Investments Capital Limited, a related company owned by the chief executive officer of the Company, has agreed that it will not demand repayment of the promissory note and the interest related to the promissory note in the amount of approximately CAD$544,000 (approximately to HK$4,355,000) within the next twelve months after 30 November 2010. On 26 November 2010, Active Investments Capital Limited had agreed to further extend the maturity date of the promissory note in the amount of CAD$485,000 (approximately to HK$3,887,000) together with the accrued interest of approximately CAD$59,000 (approximately to HK$469,000) to 25 November 2012. Interest for the promissory note incurred for the six months ended 31 May 2011 was being approximately CAD$14,000 (approximately to HK$106,000) (2010: CAD$13,000 (approximately to HK$96,000)) (Note 6).

Active Investments Capital 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$20,634,000 within the next twelve months after 30 November 2010. On 26 November 2010, Active Investments Capital Limited had agreed to extend the maturity date of the promissory note in the amount of approximately HK$18,205,000 together with the accrued interest of approximately HK$2,429,000 to 31 May 2012. Interest for the promissory note incurred for the six months ended 31 May 2011 was being approximately HK$507,000 (2010: HK$482,000) (Note 6).

Active Investments Capital Limited has also agreed that it will not demand repayment of promissory note and the interest related to the promissory note in the amount of approximately HK$3,078,000 within the next twelve months after 30 November 2010. On 26 November 2010, Active Investments Capital Limited had agreed to extend the maturity date of the promissory note in the amount of HK$3,000,000 and the interest related to the promissory note in the amount of approximately HK$78,000 to 25 May 2012. Interest for the promissory note incurred for the six months ended 31 May 2011 was being approximately HK$76,000 (2010: Nil) (Note 6).

Furthermore, a party connected to a non-executive director of the Company, Wickham Group Limited, has also agreed that it will not demand repayment of the promissory note and the interest related to the promissory note in the amount of approximately HK$4,693,000 within the next twelve months after 30 November 2010. On 26 November 2010, 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$58,000 to 21 May 2012. Interest for the promissory note incurred for the six months ended 31 May 2011 was being approximately HK$149,000 (2010: HK$176,000) (Note 6).

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

| | **(Unaudited) 31 May 2011 HK$'000** | (Audited) 30 November 2010 HK$'000 |
|---|---|---|
| Promissory notes and interest payable to the related companies | **32,760** | 34,529 |

## 14. AMOUNT DUE TO THE FORMER ULTIMATE HOLDING COMPANY/A SHAREHOLDER/A RELATED PARTY

The amount due to the former ultimate holding company represents mainly payables for development costs, purchases of software merchandise, royalty fee and expenses paid on behalf of the Group. As at 31 May 2011, the balance is unsecured and HK$230,000 of which carry interest at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (2010: Annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly).

The amount due to a shareholder of the Company, The City Place Trust, had confirmed that they will not demand repayment of the balance together with the accrual interest in the amount of approximately HK$5,834,000 within the next twelve months after 30 November 2010. The accrued interest for the six months ended 31 May 2011 was being approximately HK$72,000 (2010: Nil). (Note 6). The balance is unsecured and carry interest at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (2010: Annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly).

The amount due to a related party of the Company, Maximizer (Barbados) Management Inc., had confirmed that they will not demand repayment of the balance together with the accrual interest in the amount of approximately HK$4,158,000 within the next twelve months after 30 November 2010. The accrued interest for the six months ended 31 May 2011 was being approximately HK$46,000 (2010: Nil). (Note 6). The balance is unsecured and carry interest at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (2010: Annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly).

## 15. RESERVES

The amounts of the Group's unaudited reserves and the movements therein for the current and the same period of pervious year are presented in the 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:

| | (Unaudited) Six months ended 31 May | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$'000** | HK$'000 |
| Software merchandises purchased from MSI for resale *(note a)* | **8** | 55 |
| Professional service fee payable to a subsidiary of MSI *(note b)* | **159** | – |
| Interest payable to the related companies on promissory notes payable *(note 13)* | **838** | 754 |
| Interest payable to MSI *(note 14)* | **–** | 94 |
| Interest payable to a shareholder *(note 14)* | **72** | – |
| Interest payable to a related party *(note 14)* | **46** | – |
| Consultancy fee payable to a related party | **24** | 24 |
| Consultancy fee payable to Jinjian Wing Hong *(note c)* | **–** | 20 |
| Management fee income received from Beijing Railsmedia *(note d)* | **–** | 20 |
| Rental fee income received from Wing Hong Interior *(note e)* | **78** | – |

*Notes:*

(a) The Group purchased software, in the normal course of business, from MSI for re-sale 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 expiry 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.

Mr. Kau Mo Hui and Mr. Terence Chi Yan Hui had interests in the transaction with MSI to the extent that Mr. Terence Chi Yan Hui is the chairman of MSI and that the issued shares of MSI are indirectly owned by Mr. Kau Mo Hui and his family as at 31 May 2011.

(b) One-off professional service fee payable to an Australian subsidiary of MSI for the provision of a professional service with a Hong Kong based airline for its upgraded Maximizer product in its Australia outport.

(c) Monthly consultancy fee for Shanghai Office payable to Shanghai Jinjiang Wing Hong Contracting Co. Limited ("Jinjiang Wing Hong"). Mr. Kau Mo Hui and Mr. Kwong Sang Liu are the executive director and the independent non-executive director of China Railsmedia Corporation Limited, which is the ultimate holding company of Jinjiang Wing Hong.

(d) Monthly management fee income received from Beijing Railsmedia Advertisement Company Limited ("Beijing Railsmedia"). Mr. Kau Mo Hui and Mr. Kwong Sang Liu are the executive director and the independent non-executive director of China Railsmedia Corporation Limited, which is the ultimate holding company of Beijing Railsmedia.

(e) Monthly rental income received from Wing Hong Interior Construction Limited ("Wing Hong Interior"). Mr. Kau Mo Hui and Mr. Kwong Sang Liu are the executive director and the independent non-executive director of China Railsmedia Corporation Limited, which is the ultimate holding company of Wing Hong Interior.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

The Group recorded an unaudited turnover of approximately HK$4,885,000 for the three months ended 31 May 2011, a 39% increase from approximately HK$3,520,000 for the corresponding period of the previous year. Of the total unaudited turnover amount, approximately HK$3,040,000 or 62% was generated from software license sales and professional service income, approximately HK$1,822,000 or 37.5% was generated from maintenance services and HK$23,000 or 0.5% was generated from sales of computer hardware. As at 31 May 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 31 May 2011 was HK$1,081,000 whereas the Group recorded an unaudited net loss of approximately HK$1,816,000 for the same period of the previous year.

The unaudited operating expenditures amounted to approximately HK$3,992,000 for the three months ended 31 May 2011, a 11% increase from approximately HK$3,608,000 for the corresponding period of the previous year. The increases were mainly attributed to overall increment in salary expenditure 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, unaudited depreciation expenses decreased from approximately HK$72,000 for the three months ended 31 May 2010 to approximately HK$53,000 in the current period.

During the current period, the Group invested approximately HK$2,008,000 in developing new modules for its OCTO Straight Through Processing ("STP") system.

For the three months ended 31 May 2011, the Group has no provision made for impairment of trade receivables.

Total unaudited staff costs (excluding directors' remuneration) are approximately HK$4,040,000 for the three months ended 31 May 2011, a 24% increase from approximately HK$3,251,000 for the same period of the previous year. The increases were mainly attributed to increase in headcounts and overall salary increment during the period.

**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 2011, the Group's borrowings were repayable as follows:

| | Bank borrowings and overdrafts | | Other loans | |
|---|---|---|---|---|
| | **(Unaudited) 31 May 2011 HK$'000** | (Audited) 30 November 2010 HK$'000 | **(Unaudited) 31 May 2011 HK$'000** | (Audited) 30 November 2010 HK$'000 |
| Within 1 year | **–** | – | **–** | – |
| Between 1 and 2 years | **–** | – | **32,760** | 34,529 |
| Between 2 and 5 years | **–** | – | **–** | – |
| Wholly repayable within 5 years | **–** | – | **32,760** | 34,529 |
| Over 5 years | **–** | – | **–** | – |
| | **–** | – | **32,760** | 34,529 |

At 31 May 2011, the Group had outstanding of approximately HK$230,000 due to Maximizer Software Inc., the former ultimate holding company. The amount due to MSI was mainly payables for development costs, purchases of software merchandise, royalty fee and expenses paid on behalf of the Group, 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; HK$5,467,000 representing a loan from The City Place Trust, a shareholder of the 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. The City Place Trust had confirmed that they will not demand repayment within the next twelve months after 30 November 2010; HK$3,927,000 representing a loan from Maximizer (Barbados) Management Inc., a related party of the 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 (Barbados) Management Inc had confirmed that they will not demand repayment within

the next twelve months after 30 November 2010; 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 2012; CAD$485,000 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 2012; 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 2012; and HK$3,000,000 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 May 2012. The Group expresses its gearing ratio as a percentage of borrowings and long term debts over total assets. As at 31 May 2011, the Group's gearing ratio was 8.38.

**Pledge of Assets**

The Group did not have any mortgage or charge as at 31 May 2011.

**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 and the promissory note from a related company which is denominated in Canadian 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 2011, 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 2011.

### Significant Investments

The Group has not held any significant investment for the three months ended 31 May 2011 and made no material acquisitions or disposals during the current period.

### Major Events

As at 31 May 2011, 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 2011, the Group had employed 43 staffs in Hong Kong and 31 staffs in PRC China. Total staff costs for the three months ended 31 May 2011 under review amounted to approximately HK$4,040,000.

As at 31 May 2011, 15 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$924,000.

### 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 2011, the unaudited retirement benefit scheme contributions borne by the Group amounted to HK$111,000 (2010: HK$101,000). No forfeited contribution for the Group is available to reduce the contribution payable in the future years. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries which operate in PRC are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

**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 2011 were as follows:

| | Date of grant | Exercise price | Exercisable period | Options held as at 1 December 2010 | Lapsed During the period | Options held as at 31 May 2011 |
|---|---|---|---|---|---|---|
| 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 | 535,507 | (535,507) | – |
| | 28 May 2001 | HK$4.675 | 28 May 2002 to 27 May 2011 | 40,781 | (40,781) | – |

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 2011 would, under the present capital structure of the Company, result in the issue of no 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 2011 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 2011, Financial Solutions unaudited turnover is HK$4,250,000, an increase of 29% when compared to HK$3,286,000 for the corresponding period of the previous year. The increase was mainly attributed to speedup of the projects delivery to customers during the period. Benefiting from the new RMB Equity Trading Function launched by the Stock Exchange of Hong Kong Limited, the Group was able to conclude more new sales contracts with several brokerage firms to implement this new enhancement in the second quarter. Furthermore, following the new AMS3.8 system upgrade by the Stock Exchange of Hong Kong Limited, the Group believed it can generate more new sales with brokerage firms in the second half year. 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 especially in the China market. During the period, the Group had closely negotiating with PRC brokerage firms for the development of its financial solution.

For the three months ended 31 May 2011, CRM Solutions unaudited turnover is HK$635,000, a 171% increase compared to HK$234,000 for the same period of the previous year. During the period, the Group had signed a professional service project with a Hong Kong based airline to upgrade its Maximizer licenses in their global outports. The Group continues its focus on marketing activities in the region and builds up a stronger reseller channel in Greater China 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 to cope with the new financial products launched 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 a 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 31 May 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:*

| | Number of ordinary shares | | | | |
|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests | Other interests | Total | Percentage of issued share capital |
| 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:*

| | Number of common shares in Maximizer Software Inc. | | | | |
|---|---|---|---|---|---|
| Name of director | Personal interests | Family interests | Corporate interests | Total | Percentage of issued share capital |
| 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 as at 1 December 2010 | Lapsed during the period | Outstanding as at 31 May 2011 |
| **Director** | | | | | | |
| 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) | – |
| **Chief Executive** | | | | | | |
| 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 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 31 May 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 *(note)* | Trustee | Corporate | 99,201,110 | 61.78% |

*Note:*

Royal Bank of Canada Financial Corporation is the trustee of The City Place Trust which owns Maximizer International Limited, which holds 56.38% interest in the Company and wholly owns 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 held as to 58.2% by the City Place Trust, which is a discretionary trust and its beneficiaries include the direct family members of Mr. Kau Mo Hui, a non-executive director of the Company, whereas the remaining 41.8% is indirectly held by Mr. Kau Mo Hui. 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 six months ended 31 May 2011, 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 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results is complied with the applicable accounting standard.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31 May 2011, 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 2011, 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 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 | *(Executive Director)* |
| Mr. Joseph Chi Ho HUI | *(Executive Director)* |
| Mr. Kau Mo HUI | *(Non-executive Director)* |
| Mr. Kwong Sang LIU | *(Independent Non-executive Director)* |
| Mr. Edwin Kim Ho WONG | *(Independent Non-executive Director)* |
| Mr. William Keith JACOBSEN | *(Independent Non-executive Director)* |

Hong Kong, 30 June 2011