

abcmultiactive

abc Multiactive Limited

辰罡科技有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 8131)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31ST MAY 2005**

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

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

** For the purpose of identifying only*

INTERIM RESULTS

The board of directors (the “Board”) of abc Multiactive Limited (the “Company”) presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the three months and six months ended 31st May 2005, together with the comparative figures.

The turnover of the Group for the three and six months ended 31st May 2005 was HK\$4,797,000 and HK\$10,469,000, respectively (Three and six months ended 31st May 2004: HK\$5,722,000 and HK\$10,622,000, respectively). The net loss for the three and six months ended 31st May 2005 was HK\$2,238,000 and HK\$2,833,000, respectively (Three and six months ended 31st May 2004: net loss of HK\$2,755,000 and HK\$951,000, respectively). Basic loss per share for the three and six months ended 31st May 2005 was HK\$1.39 cents and HK\$1.76 cents, respectively (Three and six months ended 31st May 2004: basic loss per share of HK\$1.72 cents and HK\$0.59 cents, respectively.)

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31ST MAY 2005

		(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	Note	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	4,797	5,722	10,469	10,622
Cost of sales		<u>(1,678)</u>	<u>(2,295)</u>	<u>(4,402)</u>	<u>(4,160)</u>
Gross profit		3,119	3,427	6,067	6,462
Other revenues	2	5	16	7	31
Software research and development expenses		(1,060)	(900)	(2,102)	(1,769)
Royalty expenses		(53)	(78)	(119)	(156)
Selling and marketing expenses		(942)	(859)	(1,846)	(1,821)
Administrative expenses		(1,859)	(1,791)	(3,596)	(3,823)
Unrealised exchange loss		(1,168)	(3,062)	(709)	(83)
Gain on disposal of subsidiary		<u>–</u>	<u>780</u>	<u>–</u>	<u>780</u>
Operating loss	4	(1,958)	(2,467)	(2,298)	(379)
Finance costs	5	<u>(280)</u>	<u>(288)</u>	<u>(535)</u>	<u>(572)</u>
Loss before taxation		(2,238)	(2,755)	(2,833)	(951)
Taxation	6	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss for the period		<u>(2,238)</u>	<u>(2,755)</u>	<u>(2,833)</u>	<u>(951)</u>
		HK cents	HK cents	HK cents	HK cents
Basic loss per share	8	<u>(1.39)</u>	<u>(1.72)</u>	<u>(1.76)</u>	<u>(0.59)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 31ST MAY 2005 AND 30TH NOVEMBER 2004

		(Unaudited) 31st May 2005 HK\$'000	(Audited) 30th November 2004 HK\$'000
	Note		
Non-current assets			
Fixed assets		<u>337</u>	<u>329</u>
Current assets			
Inventories		33	50
Work in progress		1,335	1,048
Trade and other receivables	9	2,331	2,891
Cash and Bank balances		<u>773</u>	<u>1,526</u>
		<u>4,472</u>	<u>5,515</u>
Less: Current liabilities			
Trade and other payables	10	8,085	7,302
Deferred revenue		<u>2,845</u>	<u>3,036</u>
		<u>10,930</u>	<u>10,338</u>
Net current liabilities		<u>(6,458)</u>	<u>(4,823)</u>
Total assets less current liabilities		<u>(6,121)</u>	<u>(4,494)</u>
Non-current liabilities			
Promissory note payable to a shareholder	11	9,500	9,500
Promissory note payable to a related company	11	4,634	4,634
Amount due to the ultimate holding company	14	<u>6,199</u>	<u>6,021</u>
		20,333	20,155
Net Liabilities		<u><u>(26,454)</u></u>	<u><u>(24,649)</u></u>
Represented by:			
Share capital		16,059	16,059
Reserves	13	<u>(42,513)</u>	<u>(40,708)</u>
Shareholders' deficit		<u><u>(26,454)</u></u>	<u><u>(24,649)</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*FOR THE SIX MONTHS ENDED 31ST MAY 2005*

	(Unaudited)	
	Six months ended	
	31st May	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(628)	(397)
Net cash (used in)/from investing activities	<u>(125)</u>	<u>31</u>
Decrease in cash and cash equivalents	(753)	(366)
Cash and cash equivalents at the beginning of period	<u>1,526</u>	<u>4,162</u>
Cash and cash equivalents at the end of period	<u><u>773</u></u>	<u><u>3,796</u></u>
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	<u><u>773</u></u>	<u><u>3,796</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*FOR THE SIX MONTHS ENDED 31ST MAY 2005*

	(Unaudited)	(Unaudited)
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total equity as at 1st December	(24,649)	(22,441)
Exchange differences arising on translation of the financial statements of foreign subsidiaries	1,028	331
Net loss for the period	<u>(2,833)</u>	<u>(951)</u>
Total equity as at 31st May	<u><u>(26,454)</u></u>	<u><u>(23,061)</u></u>

NOTES TO 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.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the six months ended 31st May 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

The unaudited consolidated results for the six months ended 31st May 2005 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 for the six months ended 31st May 2005 are consistent with those used in the Company’s annual financial statements for the year ended 30th November 2004.

2. Turnover and revenues

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

	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	2005 HK\$’000	2004 HK\$’000	2005 HK\$’000	2004 HK\$’000
Turnover				
Sales of computer software licence and provision of related services	3,133	3,436	6,404	6,708
Provision of maintenance services	1,647	1,497	3,342	3,035
Sales of computer hardware	17	789	723	879
	<u>4,797</u>	<u>5,722</u>	<u>10,469</u>	<u>10,622</u>
Other revenues				
Bank interest income	<u>5</u>	<u>16</u>	<u>7</u>	<u>31</u>
Total revenues	<u>4,802</u>	<u>5,738</u>	<u>10,476</u>	<u>10,653</u>

3. Segment information

(a) Business segments

	(Unaudited) Six months ended 31st May					
	eFinance		eBusiness		Consolidated	
	2005	2004	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>6,565</u>	<u>6,252</u>	<u>3,904</u>	<u>4,370</u>	<u>10,469</u>	<u>10,622</u>
Segment result	<u>1,421</u>	<u>1,618</u>	<u>(1,167)</u>	<u>(272)</u>	<u>254</u>	<u>1,346</u>
Other revenues					7	31
Exchange loss					(709)	(83)
Disposal of subsidiary					–	780
Unallocated expenses					<u>(1,850)</u>	<u>(2,453)</u>
Operating loss					(2,298)	(379)
Finance costs					<u>(535)</u>	<u>(572)</u>
Loss before taxation					(2,833)	(951)
Taxation					<u>–</u>	<u>–</u>
Loss for the period					<u>(2,833)</u>	<u>(951)</u>

(b) Geographical segments

The Group's segment turnover, segment profit/(loss), segment assets and capital expenditure for the period, analysed by geographical market, are as follows:

	(Unaudited) Six months ended 31st May 2005			
	Segment turnover	Segment profit/(loss)	Segment assets	Capital Expenditure
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	6,797	(1,291)	3,199	–
Australia and New Zealand	3,672	(1,542)	1,611	–
Southeast Asia	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>10,469</u>	<u>(2,833)</u>	<u>4,810</u>	<u>–</u>

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

4. Operating loss

Operating loss is stated after charging and crediting the following:

	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss from operating activities is stated after charging the following:				
Provision for doubtful debts	29	55	40	67
Unrealised exchange loss	1,168	3,062	709	83
Depreciation on owned assets	51	247	102	528
Loss on disposal of fixed assets	19	–	19	–
Operating leases in respect of land and buildings	208	256	419	525
Staff costs (excluding directors' remuneration):				
– Salaries and allowances	3,533	3,354	6,996	6,661
– Retirement benefits costs	193	169	374	362
Cost of computer hardware	<u>12</u>	<u>716</u>	<u>653</u>	<u>782</u>
and after crediting:				
Reversal of provision for Doubtful debts	<u>9</u>	<u>–</u>	<u>45</u>	<u>–</u>

5. Finance costs

	(Unaudited) Three months ended 31st May		(Unaudited) Six months ended 31st May	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on promissory notes				
– wholly repayable within five years	225	197	425	389
Interest on amount due to the ultimate holding company				
– wholly repayable within five years	55	91	110	183
	<u>280</u>	<u>288</u>	<u>535</u>	<u>572</u>

6. 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 profit for the six months ended 31st May 2005 (2004: Nil).

No Australian income tax has been provided by an Australian subsidiary of the Group as the Australian subsidiary incurred a taxation loss for the period.

The potential unaudited deferred tax asset of HK\$14,713,000 (As at 31st May 2004: HK\$18,448,000) relating to tax losses available for carry forward and other timing differences as at 31st May 2005 has not been recognised due to the unpredictability of the future profit streams.

7. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 31st May 2005 (2004: Nil).

8. Basic loss per share

The calculation of basic loss per share for the three months and six months ended 31st May 2005 was based on the unaudited net loss for the period of approximately HK\$2,238,000 and HK\$2,833,000, respectively (Three months and six months ended 31st May 2004: net loss of HK\$2,755,000 and HK\$951,000 respectively), and the weighted average of 160,590,967 (2004: 160,590,967) ordinary shares of HK\$0.10 each in issue during the period.

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

9. Trade and other receivables

	(Unaudited) 31st May 2005 HK\$'000	(Audited) 30th November 2004 HK\$'000
Trade receivables	1,457	1,914
Prepayments and deposits	874	977
	<u>2,331</u>	<u>2,891</u>

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

	(Unaudited) 31st May 2005 HK\$'000	(Audited) 30th November 2004 HK\$'000
Current	714	1,075
30 – 60 days	614	676
61 – 90 days	115	76
Over 90 days	14	87
	<u>1,457</u>	<u>1,914</u>

10. Trade and other payables

	(Unaudited) 31st May 2005 HK\$'000	(Audited) 30th November 2004 HK\$'000
Trade payables	19	–
Accruals	4,822	4,212
Receipt in advance	2,342	2,241
Other payables	902	849
	<u>8,085</u>	<u>7,302</u>

11. Promissory note payable to a shareholder/related company

As at 31st May 2005, the promissory notes payable to a shareholder and a related company are interest bearing at Hong Kong prime rate and is repayable on 22nd May 2006 and 21st February 2006 respectively.

12. Share option

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

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

Details of the options granted by the Company pursuant to the Scheme and the options outstanding as at 31st May 2005 were as follows:

Category of participant	Date of grant	Exercise price	Granted Exercisable period	Options held as at 1st December 2004	Lapsed	Options held as at 31st May 2005
Executive directors	17th April 2001	HK\$3.625	17th April 2002 to 16th April 2011	670,080	(190,080)	480,000
	28th May 2001	HK\$4.675	28th May 2002 to 27th May 2011	67,008	(19,008)	48,000
Continuous contract employees	17th April 2001	HK\$3.625	17th April 2002 to 16th April 2011	1,741,999	(211,200)	1,530,799
	28th May 2001	HK\$4.675	28th May 2002 to 27th May 2011	159,510	(20,544)	138,966

These options expire ten years from the date of grant and are exercisable over four years from the date of grant, with one quarter exercisable on each anniversary date from the date of grant.

The exercise in full of the above options outstanding at 31st May 2005 would, under the present capital structure of the Company, result in the issue of 2,197,765 additional ordinary shares of HK\$0.10 each.

13. Movements of reserves

	(Unaudited)				
	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st December 2003	106,118	37,600	(10,507)	(171,711)	(38,500)
Exchange difference	—	—	331	—	331
Loss for the period	—	—	—	(951)	(951)
At 31st May 2004	<u>106,118</u>	<u>37,600</u>	<u>(10,176)</u>	<u>(172,662)</u>	<u>(39,120)</u>
	(Unaudited)				
	Share premium HK\$'000	Contributed surplus HK\$'000	Exchange difference HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st December 2004	106,118	37,600	(13,279)	(171,147)	(40,708)
Exchange difference	—	—	1,028	—	1,028
Loss for the period	—	—	—	(2,833)	(2,833)
At 31st May 2005	<u>106,118</u>	<u>37,600</u>	<u>(12,251)</u>	<u>(173,980)</u>	<u>(42,513)</u>

The contributed surplus arises from a share for share exchange in acquiring a subsidiary. The amount represents the difference between the nominal value of the Company's shares issued and the fair value of net assets of the subsidiary. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

14. Amount due to the ultimate holding company

The amount due to the ultimate holding company mainly represents payables for development costs, purchases of software merchandise, royalty fee and expenses paid by the ultimate holding company on behalf of the Group. The balance is unsecured and carries interest at the annual Canadian prime rate as quoted by the Hong Kong and Shanghai Banking Corporation Limited plus 2% compounded monthly (2004: 1.5% per month). The ultimate holding company has confirmed that it will not demand repayment within twelve months from the balance sheet date.

15. Related parties transactions

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

	(Unaudited) Six months ended 31st May 2005 HK\$'000	(Unaudited) Six months ended 31st May 2004 HK\$'000
Software merchandises purchased from MSI for resale (<i>note a</i>)	849	1,002
Interest payable to a shareholder on promissory note payable (<i>note 11</i>)	291	267
Interest payable to a related company on promissory note payable (<i>note 11</i>)	134	122
Interest payable to MSI (<i>note 14</i>)	<u>110</u>	<u>183</u>

Note:

- (a) The Group purchased software merchandise, 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 by the Company and its ultimate holding company on 5 February 2004 and 28 June 2004 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of approximately HK\$4,797,000 for the three months ended 31st May 2005, a 16% decrease from approximately HK\$5,722,000 for the same period of the previous year. Of the total turnover amount, HK\$2,133,000 or 44.5% was generated from software license sales, HK\$1,000,000 or 21% was generated from professional services, HK\$17,000 or 0.5% was generated from hardware sales and HK\$1,647,000 or 34% was generated from maintenance services. At 31st May 2005, the Group had approximately HK\$2,733,000 worth of contracts that were in progress. The net loss attributable to shareholders for the three months ended 31st May 2005 was HK\$2,238,000, whereas the Group recorded a loss of approximately HK\$2,755,000 for the same period of the previous year.

Operating expenditures amounted to HK\$3,861,000 for the three months ended 31st May 2005, a 9% increase from HK\$3,550,000 for the same period of the previous year. The increase was mainly attributed to salary adjustment and increase in headcount during the period.

As most of the fixed asset in the Group was fully depreciated in previous years, depreciation expenses decreased from approximately HK\$247,000 for the three months ended 31st May 2004 to approximately HK\$51,000 in the current period.

During the current period, the Group invested approximately HK\$1,060,000 in developing new modules for its OCTO Straight Through Processing (“STP”) system and completed the development of Fortune Maker, a download application for Equity Web Trading System.

As at 31st May 2005, a provision of approximately HK\$1,465,000 was made for long outstanding trade receivables. The directors were uncertain whether the amount would ultimately be collected due to the sluggish economy and considered that it was prudent to make such a provision.

Total staff costs (including directors’ remuneration) amounted to approximately HK\$3,726,000 for the three months ended 31st May 2005, a 6% increase from approximately HK\$3,523,000 for the same period of the previous year. The increase was mainly attributed to increase in headcount and salary adjustment early this year.

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

The Group operates a conservative set of treasury policies to ensure that no unnecessary risks are taken with the Group’s assets. No investments other than cash and other short-term bank deposits are currently permitted.

As at 31st May 2005, the Group had outstanding borrowings of approximately HK\$6,199,000 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 30th November 2004); HK\$9,500,000 representing a shareholder's loan from Pacific East Limited which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 22nd May 2006; and approximately HK\$4,634,000 representing a loan from Wickham Group Limited, a party connected to a non-executive director of the Company, which was unsecured, interest bearing at the Hong Kong prime rate and maturing on 21st February 2006. The Group did not have any mortgage or charge at 31st May 2005.

As at 31st May 2005, 20 employees who had completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment with the Group. The Group is only liable to make such payments where termination meets the required circumstances specified in the Ordinance. As at 31st May 2005, the estimated contingent liabilities not provided for in the accounts for such purpose amounted to HK\$1,208,000.

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollars, Canadian dollars, or Australian dollars. Except for the current account between the Company and its Australian subsidiaries which is denominated in Hong Kong dollars, it is the Group's policy for each operating entity to borrow in local currencies where necessary in order to minimise currency risk.

The Group expresses its gearing ratio as a percentage of long term debts over total assets. At 31st May 2005, the Group's gearing ratio was 4.23.

The Group has not held any significant investment for the three months ended 31st May 2005 and made no material acquisitions or disposals during the current period. At 31st May 2005, the Group had no material capital commitments and no future plans for material investments or capital assets.

Operation Review

For the three months ended 31st May 2005, e-Finance turnover amounted to HK\$2,852,000, an decrease of 18% when compared to HK\$3,495,000 for the same period of the previous year. The decrease mainly attributed from less hardware sales in the current period. The Group benefited from the increased turnover in the stock markets, as financial institutions have increased their budgets for IT spending. As a result, the Group was able to sign 2 new contracts from existing customer and secure another 2 letters of intent from two banks to acquire and implement its OCTO STP solution during this quarter.

During the period, the Group continued to invest in the development of additional add-on modules for its OCTO STP trading system and furthered the development of its OCTOWEB trading module. During this period, the Group had completed the development of Fortune Maker, a download application for Equity Web Trading System. The Fortune Maker is a more efficient and stable web trading application designed for professional investor. Without heavy download burden of graphics and data from internet, Fortune Maker can process trade order more efficiently through internet as compared to traditional web page trading system. The first implementation of Fortune Maker to customer is scheduled being completed in third quarter of this year. The Group continued to enhance its extensive array of solutions and capabilities through product to improve the ability to streamline and automate processing and information flows.

For the three months ended 31st May 2005, e-Business turnover amounted to HK\$1,945,000, an 13% decrease compared to HK\$2,228,000 for the same period of the previous year. During the period, the Group increased its marketing activities in the region and participated in the Cebit Exhibition held in Shanghai in May 2005. At the same Cebit Exhibition, the Group also soft lunched the newly Maximizer Enterprise simplified Chinese version in China market. During this quarter, the Group also focus on appointing additional resellers in Singapore, Hong Kong and China to build up a more strong and comprehensive reseller channel in the region. As a result of its marketing activities during the quarter, the Group successfully secured new contracts by an insurance company in Singapore and commenced discussions with an airline company in Hong Kong to deliver customer relationship management (“CRM”) solution.

Prospects

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

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

At 31st May 2005, 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 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	Corporate interests	Total	
Mr. Kau Mo Hui (<i>note 1</i>)	–	8,666,710	–	8,666,710	5.40%

Note:

- These shares are held by Pacific East Limited, which is wholly owned by The City Place Trust. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Yuen Lam Chu. Mr. Chi Yung Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. Yuen Lam Chu are deemed to be part of the interest of Mr. Kau Mo Hui.

(b) *Associated Corporation:*

Name of directors	Number of common shares in Maximizer Software Inc.				Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Total	
Mr. Terence Chi Yan Hui	2,237,153	–	–	2,237,153	3.57%
Mr. Joseph Chi Ho Hui	17,295	10,000 ⁽¹⁾	–	27,295	0.04%
Mr. Kau Mo Hui	70,000	40,949,625 ⁽²⁾	–	41,019,625	66.46%

Notes:

1. These shares are held by Mr. Joseph Chi Ho Hui's spouse, Ms. Susanna Chow. The interest held by Ms. Susanna Chow is deemed to be part of the interest of Mr. Joseph Chi Ho Hui.
2. These shares are held by The City Place Trust and Multiactive Technologies Partnership. The City Place Trust holds 36,475,319 shares of Maximizer Software Inc., representing approximately 58.20% of the issued share capital of Maximizer Software Inc.. The City Place Trust is a discretionary trust and its beneficiaries are Mr. Chi Yung Hui and Ms. Yuen Lam Chu. Mr. Chi Yung Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Mr. Chi Yung Hui and Ms. Yuen Lam Chu are deemed to be part of the interest of Mr. Kau Mo Hui.

Multiactive Technologies Partnership holds 4,474,306 shares of Maximizer Software Inc., representing approximately 7.14% of the issued share capital of Maximizer Software Inc.. The interest in Multiactive Technologies Partnership is owned as to 1% by Multiactive Technologies Inc., a company controlled by Mr. Terence Chi Yan Hui and 99% by Adex Enterprises Inc., a company controlled by Ms. Yuen Lam Chu. Mr. Terence Chi Yan Hui and Ms. Yuen Lam Chu are, respectively, the son and spouse of Mr. Kau Mo Hui. The interests held by Ms. Yuen Lam Chu are deemed to be part of the interest of Mr. Kau Mo Hui.

Long positions in underlying shares

(a) The Company:

Options in the Company (Unlisted and physically settled equity derivatives)

Name of directors	Date of grant	Exercise price	Exercisable period	Number of options		
				At 1st December 2004	Granted	At 31st May 2005
Mr. Terence Chi Yan Hui	17th April 2001	HK\$3.625	17th April 2002 to 16th April 2011	480,000	–	480,000
	28th May 2001	HK\$4.675	28th May 2002 to 27th May 2011	48,000	–	48,000

These options expire ten years from the date of grant and are exercisable over four years from the date of grant, with one quarter of the options granted exercisable on each anniversary date from the date of grant.

No further options can be granted under the Company's share option scheme adopted on 22nd January 2001 until the new requirements of Chapter 23 of the GEM Listing Rules are complied with.

(b) Associated Corporation:

Options in Maximizer Software Inc. (Unlisted and physically settled equity derivatives)

Name of director	Date of grant	Exercise price	Exercisable period	Number of options		
				At 1st December 2004	Granted	At 31st May 2005
Mr. Terence Chi Yan Hui	11th December 2002	CAN\$0.80	7th May 1999 to 6th May 2006	100,000	–	100,000
	11th December 2002	CAN\$0.80	23rd June 2000 to 22nd June 2007	250,000	–	250,000
Mr. Joseph Chi Ho Hui	11th December 2002	CAN\$0.80	7th May 1999 to 6th May 2006	75,000	–	75,000
	11th December 2002	CAN\$0.14	18th March 2002 to 17th March 2009	25,000	–	25,000

These options expire seven years from the date of grant and are exercisable over four years from the date of grant, with one quarter of the options granted exercisable on the first anniversary date and the balance exercisable in an equal number monthly over the remaining three years.

Long positions in debentures

No long positions of directors and chief executives in the debentures of the Company and its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 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 31st May, 2005, none of the directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDER

At 31st May 2005, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Long positions in shares

Name	Capacity	Nature of interest	Number of ordinary shares	Percentage of issued share capital
Maximizer International Limited <i>(note 1)</i>	Beneficial owner	Corporate	90,534,400	56.38%
Maximizer Software Inc. <i>(note 1)</i>	Interest of a controlled corporation	Corporate	90,534,400	56.38%
The City Place Trust <i>(note 2)</i>	Trustee	Corporate	99,201,110	61.78%
UBS AG	Beneficial owner	Corporate	10,985,200	6.84%
Pacific East Limited	Beneficial owner	Corporate	8,666,710	5.40%

Notes:

1. Maximizer International Limited is a wholly owned subsidiary of Maximizer Software Inc.
2. The City Place Trust holds 36,475,319 shares of Maximizer Software Inc. representing approximately 58.20% of the issued share capital of Maximizer Software Inc.. The City Place Trust also wholly owns Pacific East Limited, which directly holds 8,666,710 shares of the Company.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in shares

No short positions of other persons and substantial shareholders in the shares of the Company were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, as at 31st May, 2005, the directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to Rule 11.04 of the GEM Listing Rules:

Mr. Terence Chi Yan Hui, the Chairman and an executive director of the Company, is also the chairman of Maximizer Software Inc. ("MSI"). MSI is engaged in the business of the design and development of e-business and CRM software, and has operations in North America, Europe, and South America. MSI and the Group share the same product lines including Maximizer and Maximizer Enterprise and their respective product lines. The directors believe that the business of MSI and possible future businesses conducted by Maximizer International Limited, which is a wholly owned subsidiary of MSI, may compete with the business of the Group.

In addition, Mr. Terence Chi Yan Hui is involved in a range of business and investment activities that include companies involved in technology investments and incubation. The directors believe that these businesses may, in some respects, compete with the business of the Group.

Save as disclosed above, none of the directors or the initial management shareholders is interested in any business that competes with or is likely to compete with the business of the Group.

AUDIT COMMITTEE

Pursuant to the GEM Listing Rules, an audit committee, comprising three independent non-executive directors, namely Messrs. Ronald Kwok Fai Poon, Clifford Sau Man Ng and Kwong Sang Liu, was established on 22nd January 2001. At 28th September 2004, Kwong Sang Liu was appointed as independent non-executive director and member of audit committee of the Company.

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

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

During the six months ended 31st May 2005, the audit committee held two meeting for the purpose of reviewing the Company's reports and accounts, and providing advice and recommendations to the Board of Directors.

The Group's unaudited condensed interim financial statements for the six months ended 31st May 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standard.

BOARD PRACTICES AND PROCEDURES

During the six months ended 31st May 2005, the Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report on 1st January 2005.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 31st May 2005, the Company had adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings. The Company also had made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31st May 2005, 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. Ronald Kwok Fai POON	<i>(Independent Non-executive Director)</i>
Mr. Clifford Sau Man NG	<i>(Independent Non-executive Director)</i>
Mr. Kwong Sang LIU	<i>(Independent Non-executive Director)</i>

Hong Kong, 14th July 2005

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