



CyberM International (Holdings) Limited

美域數碼國際（控股）有限公司

(Incorporated in Bermuda with limited liability)



Annual Report 2001

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The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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This report, for which the directors (the “Directors”) of CyberM International (Holdings) Limited (the “Company”) collectively and individually accept 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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EXECUTIVE DIRECTORS

Mr. Lau Chiu Pui (Chairman & Managing director)

Mr. Yip Ho Pong

Mr. Lai Shu Pui, Fergus

Mr. Wong Kit Mei

Mr. Fung Yiu Fai

NON-EXECUTIVE DIRECTOR

Mr. Chiu Raymond Yim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Yeung

Ms. Kwan Ngan Hing, Edith

COMPANY SECRETARY

Mr. Fung Yiu Fai, AHKSA, ACCA, BBA

AUTHORISED REPRESENTATIVES

Mr. Lau Chiu Pui

Mr. Fung Yiu Fai, AHKSA, ACCA, BBA

COMPLIANCE OFFICER

Mr. Fung Yiu Fai, AHKSA, ACCA, BBA

QUALIFIED ACCOUNTANT

Miss Li Ching Wah, AHKSA, AICPA, BBA

AUDIT COMMITTEE

Mr. Chan Siu Yeung

Miss Kwan Ngan Hing, Edith

Mr. Yip Ho Pong

SPONSOR

Core Pacific - Yamaichi Capital Limited

1902-03, Bank of America Tower,

12 Harcourt Road,

Central,

Hong Kong.

LEGAL ADVISERS

Victor Chu & Co. – as to Hong Kong Law

19th Floor, Tower II,

The Gateway,

Harbour City,

Kowloon,

Hong Kong.

Appleby Spurling & Kempe – as to Bermuda Law

5511, The Center,

99 Queen's Road Central,

Central,

Hong Kong.

AUDITORS

Arthur Andersen & Co

Certified Public Accountants

21st Floor, Edinburgh Tower,

The Landmark,

15 Queen's Road Central,

Hong Kong.

REGISTERED OFFICE

Cedar House, 41 Cedar Avenue, Hamilton HM 12,

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 5-7, 26th Floor, Laws Commercial Plaza,

788 Cheung Sha Wan Road, Kowloon, Hong Kong

Website : <http://www.cyberm-sw.com>

PRINCIPAL BANKER

Hang Seng Bank Limited

10 Nassau Street, Mei Foo Sun Chuen,

Kowloon, Hong Kong.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Reid Management Limited

4th floor Windsor Place, 22 Queen Street,

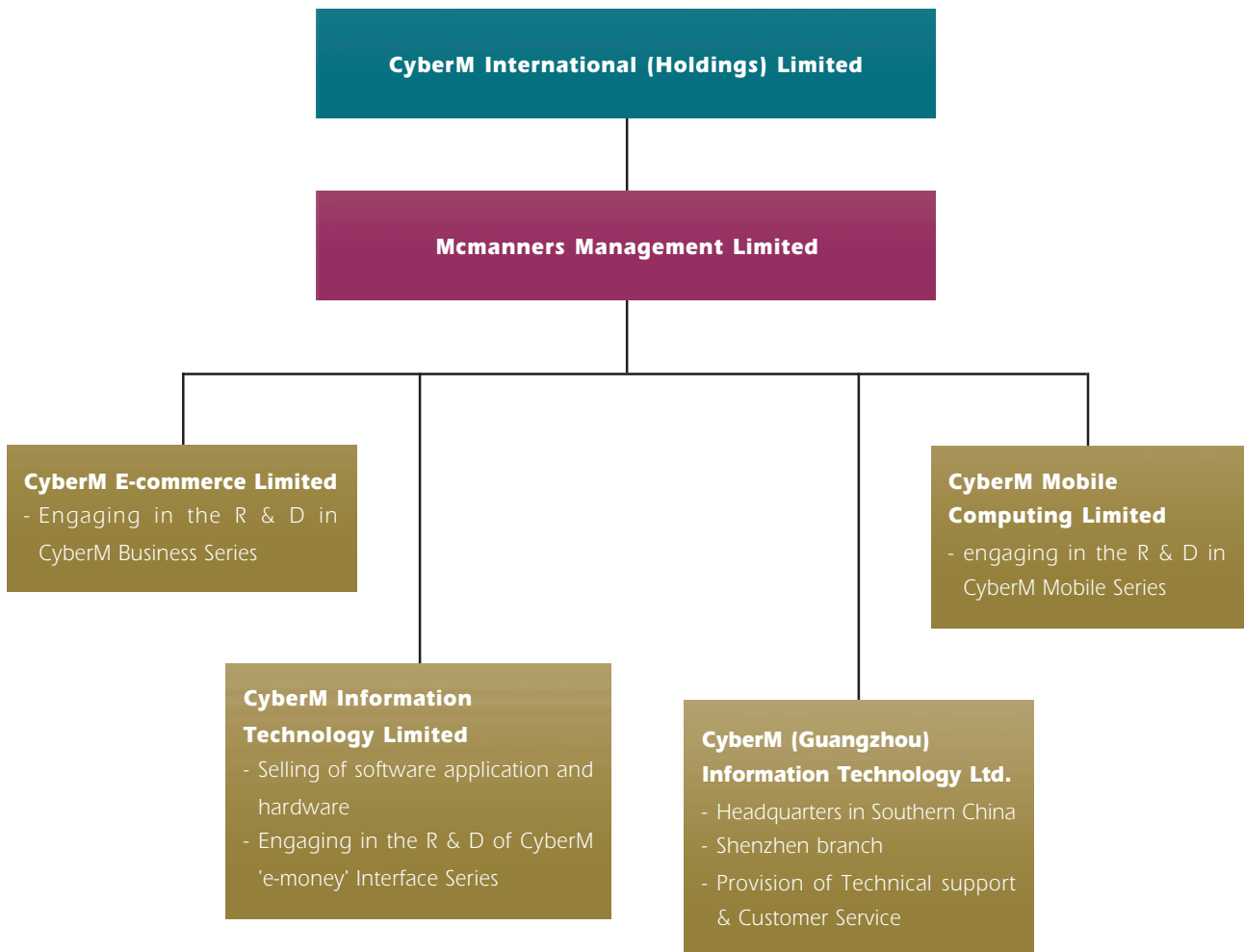
Hamilton HM 11, Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited

Rooms 1712-1716, 17th floor, Hopewell Centre,

183 Queen's Road East, Hong Kong.



Note : - all are 100%-owned subsidiaries



FINANCIAL AND HUMAN RESOURCES HIGHLIGHT

FINANCIAL

	2001	2000
	HK\$'000	HK\$'000
Turnover	19,385	18,720
(Loss) Profit from operations	(2,422)	2,171
(Loss) Profit before taxation	(3,207)	1,929
Taxation	59	(387)
(Loss) Profit attributable to shareholders	(3,148)	1,542
(Loss) Earnings per share – basic	HK(1.3) cents	HK0.7 cents
Net asset value	27,027	1
Cash and bank balances	20,315	2,217
Current ratio	5.3 : 1	1.3 : 1
Gearing ratio (%)	0.69	49.64

HUMAN RESOURCES

	2001	2000
	No. of staff	No. of staff
Management	5	5
Sales and marketing	8	6
Technical/Engineering	6	7
Finance, Human Resources and Administration	8	3
R&D	24	13
Customer Services	6	4
	57	38



The successful listing of the Company on the GEM of the Exchange on 17th August, 2000 was a milestone, which certainly helped widen our shareholders base and increase transparency of the Company to the public. I hereby present the first annual report of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2001 to shareholders.



While the business world moves on towards the cyber age, business agility requires

flexible technologies and the proliferation of computing power. As the e-business focus drives enterprises to externalise their systems, we find the market niche lies in the developing of a comprehensive mobile B2B eBusiness solutions service. The new generation of mobile and wireless networking will provide indoor and outdoor connectivity to the Internet globally.

Asia will see an unabated growth in the IT industry. The Greater China region will outstrip its neighbouring countries due to opportunities sustained by demands from an immense small and medium enterprises ("SMEs") market and currently a low penetration rate. To capitalise on the growing trend, we will commit further resources to the Greater China region.

Our ability to continually evolve and our commitment to deliver quality business application solutions to SMEs have determined our success. These are our competitive advantages as the Group has been already a step ahead.



YEAR IN REVIEW

For the year ended 31st March, 2001, The Group's turnover was HK\$19,385,000 (2000: HK\$18,720,000), representing an increase of 3.6 %. Net loss attributable to shareholders amounted to HK\$3,148,000 (2000: net profit HK\$1,542,000). Loss per share was HK1.3 cents per share (2000: earnings per share was HK0.7 cents per share). The



loss for the year was attributable to the increase in resources allocated to research and development and

expansion in the sales & marketing team. Further, we have established the regional headquarters in Guangzhou, and expanded the technical support and customer service center in Shenzhen. We have adopted a conservative approach in assessing the value of the long-term investments and

recoverability of accounts receivable. In addition, the usage of the ASP approach is still in the initial stage, the revenue from ASP business is below our expectation. As we are one of the pioneers in providing internet-based B2B eBusiness and mobile and wireless computing solutions, we look forward to seeing promising return in the coming years and our market position strengthened.

BUSINESS DEVELOPMENT

Despite that the ASP approach is a new idea in the Greater China region, CyberM Business Series and CyberM Mobile Series were successfully launched in the year under review. The market acceptance of CyberM Business Series under ASP approach was below our expectation. The CyberM Mobile Series was well recognised by the market. Recently, the Group has incorporated its CyberM Mobile Series in several reputable retail chain stores and trading companies. Encouraging feedback has been received from customers.

In response to technological advancement and emerging industry practices, CyberM Mobile Series has brought in value-added features to assist SMEs in conducting mobile e-commerce. Information or data can be synchronised from the personal digital assistants ("PDAs") to mobile phones and ASP server. Users can proceed their daily work such as processing sales orders, making purchase requisitions, invoicing, stock-taking and delivery via their PDAs anytime and anywhere. Costs can be reduced while efficiency and productivity increased.

Supported by SMEloan Hong Kong, the Group has made special offers for SMEs using CyberM Accounting Series Version V3.0a, a module of CyberM Business



Series. The package is well received and has paved the way for launching other modules in the future. In addition, the Group has been developing different versions of products to meet the specifications of various industries.

RESEARCH AND DEVELOPMENT

The Group will continue the R&D on the application of mobile and wireless computing technologies to upgrade the capability of CyberM Mobile Series.

The solutions are expected to be interactive with Internet-based B2B



eBusiness solutions. Apart from supporting the PDAs, they will also support mobile computing devices like Window CE and WAP phones. In order to provide more valued-added features to the customers, the Group keeps abreast of the hectic development in Bluetooth technology and 3G mobile communication. Another direction of the Group is to exploit the "e-money" market which will bring more convenience to people's daily life.

BUSINESS ALLIANCE

In May 2000, the Group signed a collaboration agreement with Sybase Hong Kong Limited for the application of mobile



and wireless computing technologies to the Group's Internet-based B2B eBusiness solutions. The strategic alliance has greatly enhanced its R&D capabilities. Besides, the Group is one of the partners of the Asian Solutions Centre ("ASC") which was established by Hong Kong Productivity Council ("HKPC"). Through ASC's network, the Group's product solutions can be promoted both in local and Asian markets. The Group will continue to seek appropriate business and

technical alliance with established international IT companies and local business partners.

SALES AND MARKETING

Apart from the marketing channel of ASC, the Group promotes its corporate image and brand name by



participation in IT Expo, seminars and tradeshows both locally and abroad. The Hong

Kong Wireless Technology Industry Association ("HKWTIA") was co-founded by the Group in May 2001. HKWTIA can not only create a unifying effect in the industry, but also arouse public awareness in mobile and wireless technologies.

To strengthen the market presence in the Greater China region, the Group opened the first PRC office in Shenzhen in December 2000. The Group has also set up an office in Guangzhou to extend its market coverage in the PRC.

ACCREDITATION

CyberM has devoted resources to the development of IT capabilities which have elevated its market recognition. During the year, the Group was granted Sybase Innovation Award, New World Mobility – Most Opportunity Award and Software Quality Assurance Certificate of Quality by HKPC. These awards underscore the Group's on-going innovative spirits. The Group has made great effort to deliver top quality solutions and will continue to maintain the highest standard.

PROSPECTS

Parallel to the global development in e-commerce, opportunities have risen for enterprises to access business information through Internet-based system. CyberM has clearly directed its focus on the high growth SMEs market. The Group has positioned itself as a mobile B2B eBusiness solutions provider, and at the same time, placed great emphasis on customer services by providing training, maintenance and technical support.

Recognising the potentials of the vast Greater China market, the Group has formulated a forward-looking expansion plan to establish footholds in



the PRC. This includes implementing enhancement work to respond to technological changes and formation of business alliance to enlarge market influence. The Group anticipates that the impending opening of the Internet industry following the PRC's accession to the World Trade Organisation will bring ample business opportunities to the Group. That will ultimately help boosting the Group's growth in the years to come.

APPRECIATION

On behalf of the board of directors, I would like to take this opportunity to express my sincere thanks to the staff for their dedication and the shareholders for their support. Our passion for innovation will bring the best benefits to our shareholders.



Q: WHAT IS CyberM's INSIGHT INTO WIRELESS COMMUNICATION TECHNOLOGY ?

A: We have seen tough times for dot com but opportunity in e-marketplace. Citing the impact of the Internet and emerging world of e-commerce, software of the future will be the natural extension of traditional application. Quick access to information any time, any place will



drive demand for wireless communication, thus raising the popularity of devices

such as PDAs and cellular phones. The mobile wireless space is too broad for any user to dominate and will be the trend in the coming years. The value of mobility should always exceed its costs.

Q: WHAT ARE CyberM's STRENGTH AND ADVANTAGES ?

A: Our success stems from competitive advantages. CyberM is well recognised for its technological strength in terms of its R&D capabilities. With persistent commitment to

R&D, the Group has currently over 30 professionals to develop B2B eBusiness solutions under the name of CyberM. The brand name CyberM has an outstanding status in the industry for quality and reliability.



CyberM has over 11 years of experience in the development of business application solutions. Its technological development will be further enhanced by the close relationship with Hong Kong Productivity Council, Sybase HK limited and Magic Software Enterprises. CyberM prides itself on the forward-looking management. Their in-depth knowledge of the business and innovative spirits help the Group maintaining its competitiveness in the industry.

Q: HOW DO CyberM's SOLUTIONS HELP THE SMES ?

A: CyberM provides customers with solutions for their day-to-day operation. Approaching each customer, the Group has the priority to provide cost effective and dependable



solutions, which enable customers to achieve their business goals.

Mobile eBusiness solutions allow easy



access to information anytime and anywhere. CyberM also designs products tailored to local business environment and standardised for local SMEs. The Group will continue to focus on the development of business solutions to meet the needs of SMEs, which have formed a huge market in Asia.

Q: WHAT ARE CyberM’s STRATEGIC PLANS ?

A: CyberM’s strategic plans are (a) to open platform interface, mobile features, Internet-based on existing core



products, (b) to improve customer satisfaction through continuous product enhancement and

development, (c) to expand into the PRC market and capture more market share, (d) to build brand name for corporate image

Q: HOW DOES THE COMPANY GEAR UP FOR THE GREATER CHINA MARKET ?

A: Increasing computerisation throughout the PRC has resulted in rising demand for business solutions. The boom will accelerate the pace to upgrade to mobile and wireless devices. To cater for the growing trend, CyberM has established regional headquarters in Guangzhou, R&D centre in Shenzhen and will strengthen the sales and marketing forces.

Q: WHAT IS THE VIEW ON INVESTOR RELATIONS ?

A: The Group aims to widen the investor base and maintain close relationship with existing investors. We welcome company visits at our office



and host financial presentations for fund managers, research analysts and brokers. Liaison with financial journalists is pursued. This is supported by arranging media interviews and briefings.



COMPARISON OF ACTUAL BUSINESS PROGRESS TO BUSINESS OBJECTIVES

KEY BUSINESS OBJECTIVES FOR THE SIX MONTHS ENDED 31ST MARCH, 2001

Revenue and Business Development

Continue the business development activities from the previous six months ended 30th September, 2000.

Study the framework for the development of the B2B enterprise portal.

Products and services

Continue the products and services activities from the previous six months ended 30th September, 2000.

Launch CyberM Mobile Series supporting mobile computing devices including Windows CE.

Research and develop interface with banks, shipping companies and/or freight forwarders in Taiwan and Southern China.

ACTUAL BUSINESS PROGRESS

Hong Kong

One additional staff has been recruited to strengthen the Group's Sales & Marketing and Business Development team. More sales channels were sought to promote CyberM Business Series and CyberM Mobile Series. The Group focuses on building corporate brandname to increase publicity of the Group's products.

Taiwan

Feasibility study of Taiwan market is still in progress.

The PRC

The regional headquarters has been set up in Guangzhou. The R & D and customer service centre in Shenzhen is in full operation.

A B2B enterprise portal prototype for the educational sector has been developed. The pilot run will be launched before September 2001.

The Group is seeking to develop new series of CyberM products specifically tailored to meet the needs of particular industries such as food and beverage and educational sectors.

Three modules of CyberM Mobile Series have been launched. Two new modules are in the prototype development stage.

The Group has commenced the development of interfaces with several retail industries in southern China. The Group is looking for appropriate partners in shipping and freight forwarding industries in Taiwan and southern China.

Research and Development

Continue the R&D activities from the previous six months ended 30th September, 2000.

The Group is doing research on applying some new advance technologies like Bluetooth and 3G mobile communications to the products.

Carry out product version upgrade and further enhancement of CyberM Business Series and CyberM Mobile Series.

11 additional talented local and overseas IT professionals have been recruited to upgrade and enhance features of CyberM Business Series and CyberM Mobile Series such as electronic payment interface.

Research and study the customisation of CyberM Business Series for the Taiwan Market and the southern China market.

Several customised CyberM Business Series solutions have been implemented in southern China. The Group is negotiating with some potential customers in Taiwan.

Research and study the B2B enterprise portal interface with CyberM Business Series and CyberM Mobile Series.

A B2B enterprise portal prototype for the educational sector has been developed. The pilot run will be launched before September 2001.

Expansion and business alliance

Continue the expansion and business alliance activities from the previous six months ended 30th September, 2000.

Memoranda of understanding and partnership agreements for enhancing the technical features of the Group's products have been entered into with business partners specialised in e-commerce, mobile and wireless technologies and data management.

Explore the possibility of setting up a joint venture and/or a local sales, marketing and customers services team in Taiwan.

At the initial stage of negotiation with several ISPs and customers in Taiwan for the distribution of CyberM Business Series and CyberM Mobile Series.

Subject to the setting up of the relevant joint venture(s) in China, establish local customer service team(s) and sales office(s) in southern China and a regional headquarters in Guangzhou.

The Group's regional headquarters in Southern China has been established in Guangzhou. The Group's technical center and customer service team in Shenzhen are in full operation.

USE OF PROCEEDS

The net proceeds from the public listing had been applied in the following areas:

For the six months ended 31st March, 2001	Budgeted	Actual
	HK\$ million	HK\$ million
R&D in the technology, new functions and customisation of		
B2B eBusiness solutions (note 1)	0.32	0.90
Promotion of CyberM Business Series (note 2)	0.80	0.62
R&D in the new functions and customisation of mobile and wireless mobile		
computing technologies (note 3)	0.68	0.30
Promotion of CyberM Mobile Series (note 2)	0.80	0.26
Expand into the Greater China Region (note 4)	0.40	0.90
	3.00	2.98

Notes : The variances from budgeted use of proceeds are due to:

1. Acceleration of development of CyberM Business series applied to educational sector and incorporation of electronic payment interface to CyberM Business Series.
2. Delayed in launching promotion campaigns after reassessing market conditions and redefining marketing strategies.
3. Early completion of planned product developments leading to resources shifted to development of CyberM Business series.
4. More fundings injected to the Group's offices in Guangzhou and Shenzhen to meet the needs of the expanding markets.





MR. LAU CHIU PUI, DUNCAN, aged 44, is the Chairman and CEO of CyberM International (Holdings) Limited. Being the founder of the Group with over 20 years IT experience, Mr. Lau is an active

advocator in promoting the IT development in Hong Kong. Mr. Lau has been responsible for the overall strategic planning and business development of the Group since its establishment in Hong Kong.

Mr. Lau is the Chairman of Hong Kong Wireless Technology Industry Association. He shares the mission of the Association, which is to unit the IT industry in order to accelerate the development and usage of wireless technology locally and globally. He is also the co-founder and council member of the Information and Software Industry Association. In 2000, Mr. Lau was honored with the “New World Mobility M-Commerce Application Award”.

Mr. Lau holds a bachelor degree in science from the University of Toronto, Canada.



MR. YIP HO PONG, aged 35, is an executive director of the Company. He holds a bachelor degree in science. He is responsible for the Group’s overall strategic planning and formulation of corporate strategy for the Sales

and Marketing operation for 10 years.



MR. LAI SHU PUI, FERGUS, aged 36, is an executive director of the Company. He is responsible for the customer and technical service operations of the Group. He is now focusing on the SMEs sector. He joined the group in

1992 and has ten years of experience in IT industry.



MR. WONG KIT MEI, aged 36, is an executive director of the Company. He holds a bachelor degree in manufacturing engineering. He is responsible for the overall technical research and software development functions of

the group. He has been working with the group for 10 years.



MR. FUNG YIU FAI, aged 39, is an executive director of the Company. He joined the group in 2000. He is responsible for the Group’s corporate and financial planning, formulation and implementation of the business

policies of the group. He holds a bachelor degree in business administration.

NON-EXECUTIVE DIRECTOR

CHIU RAYMOND YIM, aged 50, holds a bachelor degree in Electronics Engineering Technology from California Polytechnics State University at San Luis Obispo, California and an MBA from Pepperdine University. He is currently the vice president of Business Development Asia Pacific and Japan of Ianywhere Solution Inc., a subsidiary of Sybase Inc.. Mr. Chiu has over 26 year's experience in the technology industry. His experience ranges from product development, operations management, business development, sales and marketing to venture investments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN SIU YEUNG, aged 43, holds a bachelor degree in business administration with honours, a master of business administration degree in finance, a master of science degree in information systems, and a Ph.D in accounting. He is currently an academic and a business and information systems researcher affiliated with Hong Kong Baptist University. Dr. Chan has 9 years' experience in banking and accounting. He also has extensive consultancy and training experience in the Philippines, Singapore and Hong Kong. He is a chartered certified accountant in both Hong Kong and the United Kingdom, an associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

KWAN NGAN HING, EDITH, aged 52, has over thirty year's IT experiences. Ms. Kwan previously held directorship and senior management positions in the Hong Kong Jockey Club, NCR Limited, AT & T Asia/Pacific Inc., the Hong Kong Polytechnic University, and the Dow Chemical Pacific Limited.

She acted as a member of the Management Committee of the Joint Universities Computer Centre in Hong Kong. She is now playing an active role in Hong Kong Computer Society. She holds an MBA degree from the University of Warwick, Coventry, United Kingdom.

SENIOR MANAGEMENT

LEUNG MAN KIT, aged 29, joined the Group in 1997, He is the project manager of the Group. He holds a bachelor degree in computing and information systems from the University of London, United Kingdom.

CHAN TSE KIN, aged 28, joined the Group in 1997, He is the senior technical Analyst of the Group. He holds a bachelor degree in computer science from the Victoria University of Technology, Australia.

SHEK HO FAI, aged 30, joined the Group in 1999, He is the senior system analyst of the Group. He holds a bachelor degree in computing from the Oxford Brookes University, United Kingdom.

LI CHING WAH, aged 28, joined the Group as a finance manager in 2000. Ms. Li holds a bachelor degree in business administration and she is an associate member of the Hong Kong Society of Accountants.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CyberM International (Holdings) Limited (the “Company”) will be held at Tai Tam Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 23rd August, 2001 at 4:00 p.m. for the following purposes:

1. To receive and consider the Audited Consolidated Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31st March, 2001.
2. To re-elect retiring Directors.
3. To authorise the Board of Directors to fix Directors’ remuneration.
4. To reappoint Auditors and authorise the Board of Directors to fix their remuneration.
5. By way of special business, to consider and if thought fit, pass with or without modifications, the following resolution as Ordinary Resolutions:

A. **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue or deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and / or employees of the Company and / or any of its subsidiaries of shares or rights

to acquire shares of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company in force from time to time; or (iv) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this Resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution:

“Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda (as amended) or any other applicable law to be held; or
- (iii) the passing of an ordinary resolution by the members of the Company in general meeting revoking or varying the authority given to the Directors of the Company under this Resolution;

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrant, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of shares as at that date (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

B. **“THAT:**

- (a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to paragraph (b) below, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. Of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” shall have the same meaning as assigned to it under Ordinary Resolution 5A of this notice.”

C. **“THAT:**

Conditional upon Resolution 5.A and 5.B above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in Resolution 5.B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 5.A., provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution.”

By the order of the Board

Lau Chiu Pui
Chairman

26th June, 2001, Hong Kong

Registered Office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Head Office and Principal Place of Business:

Units 05-07, 26/F, Laws Commercial Plaza
788 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Central Registration Hong Kong Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.
3. A form of proxy for the meeting will be enclosed with the annual report.
4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. In relation to proposed Resolution 5 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the allotment and issue of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). The Directors wish to state that they have no immediate plans to issue any new shares or to repurchase any existing shares of the Company pursuant to the said general mandate other than shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company or any scrip dividend scheme. The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to members together with the annual report.

The Directors are pleased to present their first report together with the audited financial statements of CyberM International (Holdings) Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31st March, 2001.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 3rd March, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a reorganisation scheme of the Group in preparation for the listing of the Company's shares on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 1st August, 2000. The Company's shares were listed on the GEM on 17th August, 2000.

Details of the Group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in development and trading of computer software, trading of computer hardware and provision of computer consultancy services.

An analysis of the Group's turnover by product category for the year ended 31st March, 2001 is as follows:

	Turnover
	HK\$'000
Fees for development of customised software and sales of related computer equipment	11,349
Sales and lease of packaged software	4,532
Fees for technical support and maintenance services	3,372
Rental income	132
	19,385

Substantially all of the Group's sales were made to customers in Hong Kong.

No analysis of loss from operations by product category is presented as it is generally in line with the distribution of turnover set out above.

CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases attributable to the Group's major customers and suppliers are as follows:

	2001 (%)	2000 (%)
Sales		
– the largest customer	26	20
– five largest customers combined	52	45
Purchases		
– the largest supplier	27	27
– five largest suppliers combined	83	70

As far as the Directors are aware, none of the directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the five largest customers or suppliers of the Group.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st March, 2001 are set out in the consolidated income statement on page 24 of this annual report.

The Directors do not recommend the payment of a dividend.

SHARE CAPITAL AND SHARE OPTIONS

Details of shares capital and share options of the Company are set out in Notes 20 and 21 to the accompanying financial statements.

RESERVES AND ACCUMULATED DEFICIT

Movements in reserves of the Group and the Company during the year are set out in Note 22 to the accompanying financial statements. Movements in accumulated deficit of the Group during the year are set out in the consolidated income statement on page 24 of this annual report.

As at 31st March, 2001, the Company had no reserves available for distribution to its shareholders.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws and the laws in Bermuda in relation to the issue of new shares by the Company.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 14 to the accompanying financial statements.

FURNITURE AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in furniture and equipment and investment property during the year are set out in Notes 10 and 11 to the accompanying financial statements.

BANKING FACILITIES

Particulars of banking facilities as at 31st March, 2001 are set out in Note 26 to the accompanying financial statements.

COMMITMENTS AND CONTINGENT LIABILITIES

Particulars of commitments and contingent liabilities as at 31st March, 2001 are set out in Note 24 to the accompanying financial statements.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 25 to the accompanying financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Lau Chiu Pui	(Appointed on 6th March, 2000)
Mr. Yip Ho Pong	(Appointed on 20th July, 2000)
Mr. Lai Shu Pui, Fergus	(Appointed on 20th July, 2000)
Mr. Wong Kit Mei	(Appointed on 20th July, 2000)
Mr. Fung Yiu Fai	(Appointed on 6th March, 2000) (will resign with effect from 18th July, 2001)

Mr. Fung Yiu Fai has tendered his resignation as an Executive Director of the Company due to personal reasons. The Company agreed with the termination of the service agreement with Mr. Fung with effect from 18th July, 2001. No compensation for loss of office will be paid by the Company.

NON-EXECUTIVE DIRECTORS

Mr. Chiu Raymond Yim (Appointed on 20th July, 2000)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Siu Yeung (Appointed on 20th July, 2000)
Ms. Kwan Ngan Hing, Edith (Appointed on 20th July, 2000)

In accordance with the Bye-Laws of the Company. Mr. Wong Kit Mei and Ms. Kwan Ngan Hing, Edith retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of two years commencing 17th August, 2000. The service contracts shall continue thereafter until terminated by either party giving the other not less than three months' notice after the expiration of the said initial fixed term.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2001, the following directors of the Company had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.40 to 5.59 of the Rules governing the Listing of Securities on GEM (the "GEM Listing Rules").

Name of Directors	Type of Interest	Number of shares	Percentage of shareholdings
Lau Chiu Pui (Mr. Lau)	Discretionary trust (Note)	191,250,000	76.48%
Yip Ho Pong (Mr. Yip)	Discretionary trust (Note)	191,250,000	76.48%
Lai Shu Pui, Fergus (Mr. Lai)	Discretionary trust (Note)	191,250,000	76.48%
Wong Kit Mei (Mr. Wong)	Discretionary trust (Note)	191,250,000	76.48%
Fung Yiu Fai (Mr. Fung)	Discretionary trust (Note)	191,250,000	76.48%

Note: The 191,250,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9,000,000 only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:

- (i) Prophecy Associates Limited *
- (ii) Mr. Yip, his spouse, their issue and spouses of their issue **
- (iii) Mr. Lai, his spouse, their issue and spouses of their issue **
- (iv) Mr. Wong, his spouse, their issue and spouses of their issue **
- (v) Mr. Fung, his spouse, their issue and the spouses of their issue **
- (vi) Mr. Chan Wing Fuk, his spouse, their issue and the spouses of their issue **

The discretionary trust described above is subject to a non-binding arrangement that any distribution of trust funds will be in the following proportions:

Discretionary objects	Proportion
Prophecy Associates Limited*	86.68%
Mr. Yip (upon his death, his spouse, and upon the death of Mr. Yip and his spouse, their children)	3.33%
Mr. Lai (upon his death, his spouse, and upon the death of Mr. Lai and his spouse, their children)	3.33%
Mr. Wong (upon his death, his spouse, and upon the death of Mr. Wong and his spouse, their children)	3.33%
Mr. Fung (upon his death, his spouse, and upon the death of Mr. Fung and his spouse, their children)	3.33%

* All the issued ordinary shares of Prophecy Associates Limited are held by AMS Trustees Limited, a corporate trustee of a discretionary trust, the discretionary objects of which are the lineal descendants of the paternal and maternal grandfathers of Mr. Lau and his spouse but exclude, inter alia, residents of Canada.

** The families of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong, Mr. Fung and Mr. Chan Wing Fuk as described above are not relatives of each other. Mr. Chan Wing Fuk is the godfather of Mr. Lau's spouse.

Each of Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung is therefore taken to have an interest in the 191,250,000 shares held by Noble Class Group Limited under the SDI Ordinance.

Save as disclosed above, none of the Directors, chief executives or their associates had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company had been notified of the following substantial shareholders' interests, being 10 percent or more of the Company's issued share capital.

Number of Name	Percentage of shares held	shareholdings
Noble Class Group Limited (see Note above)	191,250,000	76.48%
Sunrise International (Holdings) Limited (see Note above)	191,250,000	76.48%
Arawak Trust Company Limited (see Note above)	191,250,000	76.48%

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance as having an interest in 10 percent or more of the issued share capital of the Company as at 31st March, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company adopted a share option scheme on 1st August, 2000 ("Share Option Scheme"), pursuant to which it may grant options to full-time employees of the Group, including

executive directors of the Company, to subscribe for shares in the Company. Pursuant to the Share Option Scheme, options were granted on 4th September, 2000 to certain executive directors and certain full-time employees of the Group to subscribe for an aggregate of 19,880,000 shares in the Company at a price of HK\$1.18 per share, during the option period from 4th September, 2000 to 3rd September, 2010.

Details of the options granted to the executive directors of the Company during the year ended 31st March, 2001 are as follows:

Name	Date of grant	Exercise period	Exercise price per share	Number of options		
				Beginning of year	Granted during the year	End of year
Yip Ho Pong (Note 1)	4th September, 2000	4th September, 2000 to 3rd September, 2010	HK\$1.18	-	1,060,000	1,060,000
Lai Shui Pui, Fergus	4th September, 2000	4th September 2000 to 3rd September, 2010	HK\$1.18	-	1,000,000	1,000,000
Wong Kit Mei (Note 2)	4th September, 2000	4th September 2000 to 3rd September, 2010	HK\$1.18	-	1,044,000	1,044,000
Fung Yiu Fai	4th September, 2000	4th September 2000 to 3rd September, 2010	HK\$1.18	-	1,000,000	1,000,000
				-	4,104,000	4,104,000

Notes:

- 60,000 of the options were granted to the spouse, who is also a full-time employee of the Group, of Mr. Yip Ho Pong.
- 44,000 of the options were granted to the spouse, who is also a full-time employee of the Group, of Mr. Wong Kit Mei.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any of the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the directors their spouses or children under the age of 18 had any right to subscribe for these securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 3 to the accompanying financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Limited ("Core Pacific - Yamaichi"),

neither Core Pacific - Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 31st March 2001 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 11th August, 2000 entered into between the Company and Core Pacific - Yamaichi, Core Pacific - Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 17th August, 2000 to 31st March, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with the GEM Listing Rules except that non-executive directors are not appointed for a specific term. The non-executive directors of the Company are subject to retirement by rotation and re-election at the annual general meeting of the company in accordance with the provisions of the Bye-Laws of the Company. In the opinion of the Directors, this meets the same objective as the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee on 1st August, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting and internal control system of the Group. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

The audit committee comprises two independent non-executive directors, namely Mr. Chan Siu Yeung and Ms. Kwan Ngan Hing, Edith, and an executive director, namely Mr. Yip Po Hong. The Committee has met three times since its establishment with the management to discuss and review the Group's various internal controls and audit issues with a view to further improve the Group's corporate governance.

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co. A resolution for the re-appointment of Messrs. Arthur Andersen & Co as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lau Chiu Pui

Chairman

Hong Kong,

26th June, 2001



ARTHUR ANDERSEN



Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditors' Report to the Shareholders of CyberM International (Holdings) Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 24 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the

significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March, 2001 and of the loss and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

Hong Kong,
26th June, 2001.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st March, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Turnover	4	19,385	18,720
Material and equipment		(6,634)	(7,062)
Staff costs	5	(7,590)	(5,175)
Amortisation and write-off of development expenditures		(883)	–
Depreciation of furniture and equipment		(585)	(246)
Provision for bad and doubtful debts		(1,003)	(1,307)
Other operating expenses		(5,112)	(2,759)
(Loss) Profit from operations		(2,422)	2,171
Provision for impairment in value of a long-term investment	13	(1,350)	–
Deficit on revaluation of an investment property		(50)	–
Interest income		771	14
Interest expense		(156)	(256)
(Loss) Profit before taxation	5	(3,207)	1,929
Taxation	7	59	(387)
(Loss) Profit attributable to shareholders	8	(3,148)	1,542
Accumulated deficit, beginning of year		(76)	(1,618)
Accumulated deficit, end of year		(3,224)	(76)
(Loss) Earnings per share – Basic	9	HK (1.3) cents	HK 0.7 cents

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st March, 2001

	Note	2001 HK\$'000	2000 HK\$'000
Loss not recognised in the consolidated income statement			
– Translation adjustments	22	(27)	–
(Loss) Profit attributable to shareholders		(3,148)	1,542
Total recognised (losses) gains		(3,175)	1,542

	Note	Consolidated		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS					
Furniture and equipment	10	1,769	1,022	-	-
Investment property	11	1,650	1,700	-	-
Development expenditures	12	1,839	-	-	-
Long-term investments	13	830	330	-	-
Investment in subsidiaries	14	-	-	11,972	-
Total non-current assets		6,088	3,052	11,972	-
CURRENT ASSETS					
Inventories	15	676	269	-	-
Prepayments, deposits and other current assets	16	1,177	1,005	243	-
Trade receivables	17	3,363	2,569	-	-
Other investment	18	494	-	494	-
Cash and bank deposits		20,315	2,217	14,512	-
Total current assets		26,025	6,060	15,249	-
CURRENT LIABILITIES					
Short-term bank loan		(279)	-	-	-
Long-term bank loan, current portion		-	(242)	-	-
Finance lease obligations, current portion	19	(154)	(133)	-	-
Trade payables		(2,389)	(2,980)	-	-
Accruals and other payables		(1,092)	(794)	(180)	-
Receipts in advance		(951)	(43)	-	-
Taxation payable		-	(396)	-	-
Total current liabilities		(4,865)	(4,588)	(180)	-
Net current assets		21,160	1,472	15,069	-
Total assets less current liabilities		27,248	4,524	27,041	-

	Note	Consolidated		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
NON-CURRENT LIABILITIES					
Long-term bank loan, non-current portion		-	(1,837)	-	-
Finance lease obligations, non-current portion	19	(221)	(376)	-	-
Due to a director	3	-	(2,310)	-	-
Total non-current liabilities		(221)	(4,523)	-	-
Net assets		27,027	1	27,041	-
Represented by:					
SHARE CAPITAL	20	25,006	77	25,006	-
RESERVES	22	5,245	-	5,613	-
ACCUMULATED DEFICIT		(3,224)	(76)	(3,578)	-
		27,027	1	27,041	-

Approved by the Board of Directors on 26th June 2001:

LAU CHIU PUI

Chairman

FUNG YIU FAI

Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2001

	Note	2001 HK\$'000	2000 HK\$'000
NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES	23.a	(1,716)	3,129
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		771	14
Interest paid		(156)	(256)
		615	(242)
TAXATION			
Hong Kong profits tax paid		(337)	(346)
INVESTING ACTIVITIES			
Additions of furniture and equipment		(1,341)	(390)
Proceeds from disposal of furniture and equipment		1	–
Increase in development expenditures		(2,722)	–
Proceeds from disposal of investment in an associate		–	78
Additions of long-term investments		(1,850)	–
Addition of other investment		(527)	–
Proceeds from disposal of other investment		42	–
Translation adjustments		(24)	–
		(6,421)	(312)
Net cash (outflow) inflow before financing		(7,859)	2,229

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st March, 2001

	Note	2001 HK\$'000	2000 HK\$'000
FINANCING	23.b		
Issue of shares		34,946	–
Share issuance expenditures		(7,055)	–
New short-term bank loan		279	–
Repayment of long-term bank loan		(2,079)	(221)
Advance from a director		–	2,263
Repayment of amount due to a director		–	(2,719)
Repayment of capital element of finance lease obligations		(134)	(122)
		25,957	(799)
Increase in cash and bank deposits		18,098	1,430
CASH AND BANK DEPOSITS, beginning of year		2,217	787
CASH AND BANK DEPOSITS, end of year		20,315	2,217

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

CyberM International (Holdings) Limited (the “Company”) was incorporated in Bermuda on 3rd March, 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the Growth Enterprise Market (“the GEM”) of The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) since 17th August, 2000.

On 1st August, 2000, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (“the Reorganisation”) which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 31st March, 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31st March, 2000 have been presented on the same basis.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”). Principal accounting policies are summarised below:

a. BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investment property and other investment.

b. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries (together “the Group”). The results of subsidiaries acquired or disposed of during the year (other than those included in the Reorganisation described in Note 1 above) are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

c. SUBSIDIARIES

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

d. TURNOVER AND REVENUE RECOGNITION

Turnover comprises (i) fees for development of customised software and sales of related computer equipment, (ii) the net invoiced value for sales and leasing of packaged software, after allowance for returns and discounts, (iii) fees for technical support and maintenance services, and (iv) rental income.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with a transaction will flow to the Group, on the following bases:

(i) Development of customised software and sales of related computer equipment

The Group enters into contracts with customers whereby development of customised software and sales of related computer equipment are bundled together in one contract. Revenue from development of customised software and sales of related computer equipment is recognised by reference to the stage of completion of the related customisation work. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. No work-in-progress was recognised during the year ended 31st March, 2001 as there were no material direct costs attributable to these services.

(ii) Sales and leasing of packaged software

Revenue from sales of packaged software is recognised when the merchandise is delivered and title has passed. Revenue from leasing of packaged software is recognised when the leasing income becomes due and receivable.

(iii) Technical support and maintenance services

Fees for technical support and maintenance services are recognised ratably over the terms of the respective service contracts.

(iv) Rental income

Rental income is recognised when the rental becomes due and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)***d. TURNOVER AND REVENUE RECOGNITION** *(Continued)***(v) Interest income**

Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

Advance payments received from customers prior to delivery of merchandise or provision of services are recorded as receipts in advance.

e. TAXATION

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

f. ADVERTISING AND PROMOTION

The costs of advertising and promotion are expensed as incurred.

g. STAFF RETIREMENT BENEFITS

The costs of staff retirement benefits are recognised as an expense in the period in which they are incurred.

h. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

i. FURNITURE AND EQUIPMENT AND DEPRECIATION

Furniture and equipment are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of furniture and equipment which will result in future economic benefits are capitalised, while expenditures on maintenance and repairs are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Leasehold improvements	50% (over unexpired lease term)
Furniture and fixtures	25%
Computer equipment	25%
Motor vehicle	25%

The carrying value of furniture and equipment is assessed periodically or when factors indicating an impairment are present. Individual items of furniture and equipment carried at cost less accumulated depreciation are reduced to their recoverable amount if this is lower than net book value, with the difference charged to the income statement. In determining the recoverable amount of individual items of furniture and equipment, expected future cash flows are not discounted to their present value.

Gains and losses on disposal of furniture and equipment are recognised in the income statement based on the net disposal proceeds less the carrying amount of the assets.

Furniture and equipment held under finance leases are recorded and depreciated on the same basis as described above.

j. INVESTMENT PROPERTY

Investment property is an interest in leasehold land and building held for its long-term investment potential. Investment property is included in the balance sheet at its open market value on the basis of an annual valuation by independent qualified valuers. All changes in the value of investment property are dealt with in the investment property revaluation reserve unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the net deficit is charged to the income statement. When an investment property is disposed of, previously recognised revaluation surpluses are reversed and the gain or loss on disposal reported in the income statement is determined based on the net disposal proceeds less the original cost.

No depreciation is provided on the investment property unless the unexpired lease term is 20 years or less, in which case depreciation is provided on the then carrying value over the unexpired lease term.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

k. RESEARCH AND DEVELOPMENT EXPENDITURES

Research expenditures are written off as incurred. Development expenditures are charged against income in the period incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and where they comply with the following criteria: (i) the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (v) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Capitalised development expenditures are amortised on a straight-line basis over the period of three years in which the related products are expected to be sold, starting from the commencement of sales, or the processes are expected to be used.

I. INVESTMENTS

(i) Long-term investments

Long-term investments are stated at cost less provision for any impairment in value. Income from long-term investments is accounted for to the extent of dividends received or receivable.

The carrying value of the investments is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying value. When such a decline has occurred, the carrying value is reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. Provisions against the carrying value of the investments are reversed to the income statement when the circumstances and events that led to the write-down or write-off cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Upon disposal of the investments, any profit or loss thereon is accounted for in the income statement.

(ii) Other investments

Securities other than investment securities or held-to-maturity securities are classified as other investments and are carried at fair value in the balance sheet. Any unrealised holding gain or loss for other investments is recognised in the income statement in the period when it arises.

Upon disposal of other investments, any profit or loss thereon is accounted for in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

m. INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method of costing and includes costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business, less the estimated costs necessary to make the sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

n. LEASES

Finance leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets are transferred to the Group. Furniture and equipment held under finance leases are initially recorded at the present value of the minimum payments at the inception of the leases, with equivalent liabilities categorised as appropriate under current or non-current liabilities. Interest expense, which represents the difference between the minimum payments at the inception of the finance leases and the corresponding fair value of the assets acquired, is allocated to accounting periods over the period of the relevant leases to produce a constant rate of charge on the outstanding balances.

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

o. FOREIGN CURRENCY TRANSLATION

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual subsidiaries, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statements of the individual companies.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

o. FOREIGN CURRENCY TRANSLATION *(Continued)*

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; income and expense items are translated into Hong Kong dollars at the average applicable rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the year, the amount due to Mr. Lau Chiu Pui, a director of the Company, amounting to approximately \$2,310,000 was assigned to Noble Class Group Limited, a substantial shareholder of the Company. The amount was then capitalised on 1st August, 2000 (see Note 20).

4. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2001	2000
	\$'000	\$'000
Fees for development of customised software and sales of related computer equipment	11,349	11,651
Sales and lease of packaged software	4,532	4,211
Fees for technical support and maintenance services	3,372	2,847
Rental income	132	11
Total turnover	19,385	18,720
Interest income	771	14
Total revenue	20,156	18,734

Substantially all of the Group's turnover was made to customers in Hong Kong. Approximately 52% (2000 – 45%) of the Group's turnover for the year ended 31st March, 2001 was derived from the top five customers.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation was determined after charging and crediting the following items:

	2001	2000
	\$'000	\$'000
After charging:		
Staff costs (including directors' emoluments)	10,312	5,175
Less: Amount capitalised as development expenditures	(2,722)	–
	7,590	5,175
Operating lease rentals of premises	902	356
Advertising and promotion costs	344	244
Depreciation of furniture and equipment		
– owned assets	429	176
– assets held under finance leases	156	70
Net loss on disposal of furniture and equipment	5	–
Provision for slow-moving and obsolete inventories	170	–
Interest expense		
– bank loan wholly repayable within five years	114	–
– bank loan not wholly repayable within five years	–	230
– finance leases	42	26
Net exchange loss	11	–
Auditors' remuneration	480	168
After crediting:		
Gain on disposal of other investment	9	–
Rental income less outgoings	132	11
Interest income from bank deposits	771	14

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments are:

	2001	2000
	\$'000	\$'000
Fees for executive directors	–	–
Fees for non-executive directors	–	–
Other emoluments for executive directors		
– Basic salaries and allowances	1,385	689
– Bonuses *	108	54
– Pension scheme contributions	73	61
Other emoluments for non-executive directors	–	–
	1,566	804

* The executive directors are entitled to a fixed sum bonus equal to one month's salary or pro rata thereof in case of an incomplete year.

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the year. (2000 – three shareholders of Mcmanners Management Limited, a subsidiary, transferred certain shares at nil consideration to Mr. Fung Yiu Fai as inducement to him to join the Group as an executive director. Upon completion of the Reorganisation as mentioned in Note 1, such shares were converted into an effective interest of 6,375,000 shares in the Company held through Noble Class Group Limited, the substantial shareholder of the Company.)

Analysis of directors' emoluments by number of directors and emolument range is as follows:

	Number of individuals	
	2001	2000
Executive directors		
– Nil to \$1,000,000	5	5
Non-executive directors		
– Nil to \$1,000,000	3	–
	8	5

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

b. Details of emoluments of the five highest paid individuals (including directors and other employees) are:

	2001	2000
	\$'000	\$'000
Basic salaries and allowances	1,861	1,283
Bonuses	79	107
Pension scheme contributions	65	51
	2,005	1,441

One (2000 – one) of the highest paid individuals was a director of the Company, whose emoluments have been included in Note 6.a above.

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of all of the five highest paid individuals (including directors and other employees) fall within the range of Nil to \$1,000,000.

7. TAXATION

Taxation consisted of:

	2001	2000
	\$'000	\$'000
Current Hong Kong profits tax		
– Current year	–	(387)
– Overprovision in prior year	59	–
	59	(387)

7. TAXATION *(Continued)*

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at 16% (2000 – 16%) of the estimated assessable profit arising in or derived from Hong Kong. CyberM (Guangzhou) Information Technology Limited (“CyberM GZ”), a subsidiary, is a new-and-high technology enterprise established in a New-and-High Technology Development Zone in Mainland China. It is subject to Mainland China enterprise income tax at 33% (30% state unified income tax and 3% local income tax) on its taxable income determined according to Mainland China tax laws. Upon successful application for the new-and-high technology enterprise status, CyberM GZ can be exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years’ tax losses and then subject to a 50% reduction in income tax for the next five years. As at 31st March, 2001, CyberM GZ was in a loss position and was in the process of applying for the new-and-high technology enterprise status.

There was no significant unprovided deferred taxation as at 31st March, 2001.

8. (LOSS) PROFIT ATTRIBUTABLE TO SHAREHOLDERS

During the year ended 31st March, 2001, the consolidated loss attributable to shareholders included a loss of approximately \$3,578,000 (2000 – Nil) dealt with in the financial statements of the Company.

9. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share was based on the consolidated loss attributable to shareholders of approximately \$3,148,000 (2000 – profit attributable to shareholders of approximately \$1,542,000) and on the weighted average number of approximately 235,956,000 shares (2000 – 212,500,000 shares) deemed to be in issue during the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

No diluted loss per share is presented as the outstanding share options were anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. FURNITURE AND EQUIPMENT

Movements of furniture and equipment (consolidated) were:

	2001					2000
	Leasehold improvements	Furniture and fixtures	Computer equipment	Motor vehicle	Total	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost						
Beginning of year	260	438	876	457	2,031	3,874
Additions	284	336	721	-	1,341	1,021
Disposals	-	-	(10)	-	(10)	(599)
Transferred to investment property	-	-	-	-	-	(2,265)
Translation differences	(1)	(1)	(1)	-	(3)	-
End of year	543	773	1,586	457	3,359	2,031
Accumulated depreciation						
Beginning of year	11	207	724	67	1,009	1,927
Provision for the year	193	108	167	117	585	246
Disposals	-	-	(4)	-	(4)	(599)
Transferred to investment property	-	-	-	-	-	(565)
End of year	204	315	887	184	1,590	1,009
Net book value						
End of year	339	458	699	273	1,769	1,022
Beginning of year	249	231	152	390	1,022	1,947

10. FURNITURE AND EQUIPMENT (Continued)

Certain furniture and equipment were purchased under finance leases. Details of the assets are as follows:

	2001			2000
	Furniture and fixtures \$'000	Motor vehicle \$'000	Total \$'000	Total \$'000
Cost	174	457	631	631
Less: Accumulated depreciation	(43)	(184)	(227)	(71)
Net book value	131	273	404	560

11. INVESTMENT PROPERTY

Movements of investment property (consolidated) were:

	2001 \$'000	2000 \$'000
Beginning of year	1,700	–
Transferred from self-use property	–	1,700
Deficit on revaluation	(50)	–
End of year	1,650	1,700

The investment property is located in Hong Kong and is held under a medium-term lease on the basis of the rights of extension by virtue of the New Territories Leases (Extension) Ordinance 1998. It is stated at its open market value of \$1,650,000 as at 10th May, 2001 as determined by A. G. Wilkinson & Associates, independent qualified valuers.

12. DEVELOPMENT EXPENDITURES

Movements of development expenditures (consolidated) were:

	2001	2000
	\$'000	\$'000
Cost		
Beginning of year	-	-
Additions	2,722	-
Write-off	(454)	-
End of year	2,268	-
Accumulated amortisation		
Beginning of year	-	-
Amortisation	581	-
Write-off	(152)	-
End of year	429	-
Net book value		
End of year	1,839	-
Beginning of year	-	-



13. LONG-TERM INVESTMENTS

Long-term investments (consolidated) consisted of:

	2001	2000
	\$'000	\$'000
Goldtrack Limited (a)	1,850	–
Club debentures	330	330
	2,180	330
Less: Provision for impairment in value (a)	(1,350)	–
	830	330

Note:

- a. During the year, the Group acquired an 18% equity interest in Goldtrack Limited, an investment holding company incorporated in the British Virgin Islands. Goldtrack Limited has a 50% equity interest in Trendly Systems Limited, a company incorporated in Hong Kong, which is a platform provider and engaged in the provision of audiotex and chatline services through telephone communication systems. During the year, the Company's Directors reviewed and evaluated the recoverability of the carrying value of the Group's investment in Goldtrack Limited and determined to recognise an impairment in value of approximately \$1,350,000.

The underlying value of the long-term investments is, in the opinion of the Company's Directors, not less than the carrying value as at 31st March, 2001.

14. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consisted of:

	2001	2000
	\$'000	\$'000
Unlisted shares, at cost	418	–
Due from subsidiaries	15,259	–
Due to a subsidiary	(205)	–
	15,472	–
Less: Provision for impairment in value	(3,500)	–
	11,972	–

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so. The amount due to a subsidiary is unsecured, non-interest bearing and without pre-determined repayment terms.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 31st March, 2001.

14. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 31st March, 2001 were:

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity interest attributable to the Group (Note a)	Principal activities
Mcmanners Management Limited	British Virgin Islands	US\$10,000	100%	Investment holding
CyberM Holdings Limited	Hong Kong	\$10,000	100%	Inactive
CyberM E-commerce Limited	Hong Kong	\$250,000	100%	Provision of application software services
CyberM Information Technology Limited	Hong Kong	\$700,000	100%	Development and trading of computer software, trading of computer equipment and provision of computer consultancy services
CyberM Mobile Computing Limited	Hong Kong	\$2	100%	Inactive
CyberM (Guangzhou) Information Technology Limited (Note b)	Mainland China	Rmb955,080	100%	Provision of computer consultancy services

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2001.

Note:

- a. The shares of Mcmanners Management Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.
- b. CyberM (Guangzhou) Information Technology Limited is a wholly foreign-owned entity established in a New-and-High Technology Development Zone in Mainland China to be operated for ten years up to December 2010.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

15. INVENTORIES

Inventories (consolidated) consisted of:

	2001	2000
	\$'000	\$'000
Inventories	846	269
Less: Provision for slow-moving and obsolete items	(170)	–
	676	269

No inventory was stated at net realisable value as at 31st March, 2001.

16. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

Prepayments, deposits and other current assets consisted of:

	Consolidated		Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Rental and utility deposits	434	205	–	–
Deferred share issuance expenditures	–	777	–	–
Purchase deposits	392	–	–	–
Prepaid operating expenses	351	23	243	–
	1,177	1,005	243	–

17. TRADE RECEIVABLES

Trade receivables (consolidated) consisted of:

	2001	2000
	\$'000	\$'000
Trade receivables	5,939	4,205
Less: Provision for bad and doubtful debts	(2,576)	(1,636)
	3,363	2,569

18. OTHER INVESTMENT

Other investment represents an investment in an unlisted equity-linked note in Hong Kong.

The carrying value of the other investment is, in the opinion of the Company's Directors, not less than the fair value at 31st March, 2001.

19. FINANCE LEASE OBLIGATIONS

Details of finance lease obligations (consolidated), net of future finance charges, were:

	2001	2000
	\$'000	\$'000
Repayable within a period		
– not exceeding one year	154	133
– more than one year but not exceeding two years	157	154
– more than two years but not exceeding five years	64	222
	375	509
Less: Amounts repayable within one year included under current liabilities	(154)	(133)
	221	376

20. SHARE CAPITAL

Movements of share capital were:

	Number of shares	Amount
	'000	\$'000
Authorised (ordinary shares of \$0.10 each)		
Upon incorporation of the Company (a)	1,000	100
Increase in authorised share capital (b)	999,000	99,900
As at 31st March, 2001	1,000,000	100,000
Issued and fully paid (ordinary shares of \$0.10 each)		
Issue of shares arising from the Reorganisation (a and c)	27,280	2,728
Issue of shares through a placing (d)	37,500	3,750
Capitalisation of share premium (e)	185,220	18,522
Issue of shares upon exercise of options	60	6
As at 31st March, 2001	250,060	25,006

As at 31st March, 2000, the share capital shown on the consolidated balance sheet represented the share capital of Mcmanners Management Limited, the then holding company of the Group prior to the Reorganisation (see Note 1).

Note:

- a. Upon incorporation on 3rd March, 2000, the Company had authorised share capital of \$100,000, divided into 1,000,000 shares of \$0.10 each. On the same date, 1,000,000 shares were allotted and issued as nil paid.
- b. On 1st August, 2000, the Company's authorised share capital was increased from \$100,000 to \$100,000,000, by the creation of an additional 999,000,000 shares ranking pari passu with the then existing shares in all respects.
- c. On 1st August, 2000, the Company allotted and issued approximately 26,280,000 new shares of \$0.10 each, credited as fully paid, and credited as fully paid at par of \$0.10 each the 1,000,000 shares issued nil paid on 3rd March, 2000, in exchange for the acquisition by the Company of the entire issued share capital of Mcmanners Management Limited, the then holding company of the Group, pursuant to the Reorganisation (see Note 1) and for the capitalisation of an amount of approximately \$2,310,000 due to Noble Class Group Limited, the substantial shareholder of the Group (see Note 3).

20. SHARE CAPITAL (Continued)

Note: (Continued)

- d. On 18th August, 2000, 37,500,000 shares of \$0.10 each were issued at \$0.93 per share through a placing, resulting in net cash proceeds of approximately \$27,820,000.
- e. Immediately after the aforementioned placing, share premium of approximately \$18,522,000 was capitalised for the issuance of 185,220,000 shares of \$0.10 each on a pro-rata basis to the Company's shareholders immediately before the placing.

21. SHARE OPTIONS

On 1st August, 2000, the shareholders of the Company approved a share option scheme under which its Board of Directors may, at its discretion, invite full-time employees of the Company or any of its subsidiaries, including executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. 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 prices 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 on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's shares on 17th August, 2000.

Movements of share options granted to full-time employees during the year ended 31st March, 2001 were:

Date of grant	Exercise period	Subscription price per share	Beginning of year	Number of share options			End of year
				Granted during the year	Lapsed upon resignation	Exercised during the year	
			'000	'000	'000	'000	'000
4th September, 2000	4th September, 2000 to 3rd September, 2010	\$1.18	–	15,776	(6,972)	(60)	8,744

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

22. RESERVES

Movements in reserves were:

	2001			Total	2000
	Share premium	Merger reserve	Cumulative translation adjustments		
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Beginning of year	-	-	-	-	-
Premium on issue of shares (Note 20)	31,125	-	-	31,125	-
Share issuance expenditures	(7,055)	-	-	(7,055)	-
Capitalisation of share premium (Note 20)	(18,522)	-	-	(18,522)	-
Exercise of share options	65	-	-	65	-
Merger reserve arising from the Reorganisation (a)	-	(341)	-	(341)	-
Translation adjustments	-	-	(27)	(27)	-
End of year	5,613	(341)	(27)	5,245	-
Company					
Beginning of year	-	-	-	-	-
Premium on issue of shares (Note 20)	31,125	-	-	31,125	-
Share issuance expenditures	(7,055)	-	-	(7,055)	-
Capitalisation of share premium (Note 20)	(18,522)	-	-	(18,522)	-
Exercise of share options	65	-	-	65	-
End of year	5,613	-	-	5,613	-

As at 31st March, 2001, the Company had no reserves available for distribution to its shareholders.

Note:

- a. Merger reserve of the Group represents the difference between the nominal value of shares issued to acquire a subsidiary through the share exchange and the nominal value of the shares acquired (see Note 20.c).

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of (loss) profit before taxation to net cash (outflow) inflow from operating activities:

	2001	2000
	\$'000	\$'000
(Loss) Profit before taxation	(3,207)	1,929
Interest income	(771)	(14)
Interest expense	156	256
Net loss on disposal of furniture and equipment	5	–
Depreciation of furniture and equipment	585	246
Deficit on revaluation of an investment property	50	–
Amortisation and write-off of development expenditures	883	–
Provision for impairment in value of a long-term investment	1,350	–
Gain on disposal of other investment	(9)	–
(Increase) Decrease in inventories	(407)	1,337
Increase in prepayments, deposits and other current assets	(172)	(879)
Increase in trade receivables	(794)	(1,615)
(Decrease) Increase in trade payables	(591)	2,407
Increase in accruals and other payables	298	570
Increase (Decrease) in receipts in advance	908	(386)
Decrease in amount due to a related company	–	(722)
Net cash (outflow) inflow from operating activities	(1,716)	3,129

NOTES TO THE FINANCIAL STATEMENTS

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

b. Analysis of changes in financing is as follows:

	Share capital			Finance			Total
	and share premium	Short-term bank loan	Long-term bank loan	Due to a director	Due to a shareholder	lease obligations	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1st April, 1999	77	–	2,300	2,766	–	–	5,143
Repayment of long-term bank loan	–	–	(221)	–	–	–	(221)
Advance by a director	–	–	–	2,263	–	–	2,263
Repayment of amount due to a director	–	–	–	(2,719)	–	–	(2,719)
New finance leases	–	–	–	–	–	631	631
Repayment of capital element of finance lease obligations	–	–	–	–	–	(122)	(122)
As at 31st March, 2000	77	–	2,079	2,310	–	509	4,975
Assignment to a shareholder (Note 3)	–	–	–	(2,310)	2,310	–	–
Issue of shares through a placing (Note 20)	34,875	–	–	–	–	–	34,875
Share issuance expenditures	(7,055)	–	–	–	–	–	(7,055)
Issue of shares and share exchange upon the Reorganisation (Note 20)	2,728	–	–	–	(2,310)	–	418
Effect of the Reorganisation	(77)	–	–	–	–	–	(77)
Issue of shares upon exercise of share options	71	–	–	–	–	–	71
New short-term bank loan	–	279	–	–	–	–	279
Repayment of long-term bank loan	–	–	(2,079)	–	–	–	(2,079)
Repayment of capital element of finance lease obligations	–	–	–	–	–	(134)	(134)
As at 31st March, 2001	30,619	279	–	–	–	375	31,273

24. COMMITMENTS AND CONTINGENT LIABILITIES

As at 31st March, 2001, the Group had the following significant commitments and contingent liabilities which were not provided for in the financial statements:

a. OPERATING LEASE COMMITMENTS

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Amounts payable within a period of				
– one year	1,163	624	–	–
– one to two years	329	494	–	–
	1,492	1,118	–	–

The commitments payable within the next twelve months are analysed as follows:

	Consolidated		Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Leases expiring with a period				
– not exceeding one year	598	–	–	–
– within two to five years	565	624	–	–
	1,163	624	–	–

b. CONTINGENT LIABILITIES

As at 31st March, 2001, the Company had provided a guarantee of approximately \$279,000 (2000 – Nil) to a bank in respect of banking facilities granted to its subsidiaries (see Note 26).

25. PENSION SCHEMES

Following the introduction of the Mandatory Provident Fund legislation in Hong Kong, the Group participates in two pension schemes for its employees in Hong Kong, one registered under the Occupational Retirement Scheme Ordinance (“the ORSO Scheme”) and one registered under the Mandatory Provident Fund legislation (“the MPF Scheme”).

Under the ORSO Scheme, the Group has arranged for its employees (including certain executive directors) provident fund under a defined contribution scheme managed by an independent trustee. The Group makes monthly contributions to the scheme with an amount ranging from 3% to 7% of the employees’ basic salaries. The employees are entitled to receive 100% of the employers’ contribution and the accrued interest thereon upon retirement or leaving the Group after completing nine years of service or at a reduced scale of between 30% to 90% after completing three to nine years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group’s contribution. This scheme is not available to new employees after 1st December, 2000.

The MPF Scheme was set up on 1st December, 2000 and is a defined contribution scheme managed by an independent trustee. Members of the ORSO Scheme were given a one-time option to choose to transfer to the MPF Scheme or remain in the ORSO Scheme. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. The contributions from employees and Group are subject to a contribution cap of \$12,000 per annum. Any additional contributions in excess of \$12,000 are voluntary.

As stipulated by regulations in Mainland China, CyberM (Guangzhou) Information Technology Limited (“CyberM GZ”), a wholly foreign-owned subsidiary in Mainland China, participates in a state-sponsored retirement plan for all of its employees. CyberM GZ contributes to the retirement plan 11% to 21% of the basic salary of its employees and has no further obligation for actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligation payable to all retired employees.

During the year ended 31st March, 2001, the aggregate contribution made by the Group to the aforementioned pension schemes amounted to approximately \$316,000 (2000 – \$121,000), after deduction of forfeited contributions of approximately \$41,000 (2000 – \$16,000). As at 31st March, 2001, there were no material forfeitures available to offset the Group’s future contributions.

26. BANKING FACILITIES

As at 31st March, 2001, the Group had aggregate banking facilities of approximately \$279,000 (2000 – \$2,079,000) from a bank for loans, all of which was utilised as at the same date. These facilities were guaranteed by the Company.

27. ULTIMATE HOLDING COMPANY

The Directors consider Sunrise International (Holdings) Limited, a company incorporated in the Cayman Islands, to be the ultimate holding company.



THREE YEAR SUMMARY

The results of the Group for the last three financial years are as follows:

	Year ended 31st March,		
	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
			(Note 2)
Turnover	19,385	18,720	12,339
(Loss) Profit before taxation	(3,207)	1,929	1,482
Taxation	59	(387)	(319)
(Loss) Profit attributable to shareholders	(3,148)	1,542	1,163

The assets and liabilities of the Group as at 31st March, 2001 and 2000 are as follows:

	As at 31st March,	
	2001 HK\$'000	2000 HK\$'000
Total assets	32,113	9,112
Total liabilities	(5,086)	(9,111)
Net assets	27,027	1

Note : (1) The results, assets and liabilities of the Group presented above have been prepared on the basis as if the group structure, at the time when the corporate reorganisation as referred to in Note 1 to the financial statements was completed, had been in existence throughout the years concerned.

(2) The Company's shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the results of the Group for year ended 31st March, 1999 were extracted from the Company's prospectus dated 11th August, 2000.



CyberM International (Holdings) Limited

美域數碼國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

FORM OF PROXY FOR ANNUAL GENERAL MEETING TO BE HELD ON 23RD AUGUST, 2001

No. of shares to which this proxy relates ^(Note 1)	
---	--

I/We ^(Note 2) _____
of _____
Shareholder(s) of **CyberM International (Holdings) Limited** (the "Company") hereby appoint ^(Note 3) the
Chairman of the Meeting or _____
of _____
as my/our proxy to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the
Company to be held at Tai Tam Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong
on 23rd August, 2001 at 4:00 p.m. and at any adjournment thereof as hereunder indicated in respect of the
Resolutions set out in the Notice of Annual General Meeting, and, if no such indication is given, as my/our
proxy thinks fit.

	RESOLUTIONS	For ^(Note 4)	Against ^(Note 4)
1.	To receive and consider the audited consolidated financial statements and the reports of the directors and auditors for the year ended 31st March, 2001.		
2.	A. To re-elect Mr. Wong Kit Mei as director.		
	B. To re-elect Ms. Kwan Ngan Hing, Edith as director.		
3.	To authorise the board of directors to fix the remuneration of the directors.		
4.	To re-appoint Messrs. Arthur Andersen & Co as auditors and to authorise the board of directors to fix their remuneration.		
5.	A. To grant a general mandate to the directors to allot shares.		
	B. To grant a general mandate to the directors to repurchase the Company's own shares.		
	C. To add the nominal amount of the shares repurchased under resolution 5.B. to the mandate granted to the directors under resolution 5.A..		

Dated this _____ day of _____ 2001. Signature(s) ^(Note 5) _____

Notes:

- Please insert the number of shares registered in your name(s) to which the proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
- Please insert the full name(s) and address(es) in **BLOCK CAPITALS**.
- If any proxy other than the Chairman of the Meeting is preferred, delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. A member may appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE DULY INITIALED.**
- IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTION, PLEASE TICK IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST ANY RESOLUTION, TICK IN THE BOX MARKED "AGAINST".** If you do not indicate how you wish your proxy to vote your proxy will be entitled to exercise his discretion. Your proxy will also be entitled to vote at his discretion on any resolutions properly put to the Meeting other than those referred to in the Notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must either be executed under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. But if more than one of such joint holders is present at the Meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or other authority, must be deposited at the Company's share registrar, Central Registration Hong Kong Limited, at 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.