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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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Corporate Information

EXECUTIVE DIRECTORS

Mr. Lau Chiu Pui (Chairman & Managing director)

Mr. Lai Shu Pui, Fergus

Mr. Wong Kit Mei

NON-EXECUTIVE DIRECTOR

Mr. Chiu Raymond Yim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Ngan Hing, Edith

Mr. Chan Wai Choi, Glenn

COMPANY SECRETARY

Mr. Fung Yiu Fai, AHKSA, ACCA, BBA

AUTHORISED REPRESENTATIVES

Mr. Lau Chiu Pui

Mr. Lai Shu Pui, Fergus

COMPLIANCE OFFICER

Mr. Wong Kit Mei

QUALIFIED ACCOUNTANT

Ms. Li Ching Wah, AHKSA, AICPA, BBA

AUDIT COMMITTEE

Ms. Kwan Ngan Hing, Edith

Mr. Chan Wai Choi, Glenn

Mr. Wong Kit Mei

SPONSOR

Core Pacific - Yamaichi Capital Limited

36th Floor, Cosco Tower

Grand Millennium Plaza

183 Queen's Road Central

Central

Hong Kong

LEGAL ADVISERS

Victor Chu & Co – as to Hong Kong Law

19th Floor, Tower 2

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

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

37th Floor, Hennessy Centre

500 Hennessy Road

Causeway Bay

Hong Kong

REGISTERED OFFICE

Cedar House, 41 Cedar Avenue, Hamilton HM 12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2007-9, China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Website : <http://www.cyberm.com.hk>

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

Computershare Hong Kong Investor Services Limited

Rooms 1901-1905 19th Floor, Hopewell Centre

183 Queen's Road East, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

	2003 HK\$'000	2002 HK\$'000
Turnover	13,701	14,145
Net loss attributable to shareholders	2,584	12,224
Loss per share	HK1.0 cent	HK4.9 cents

	Turnover		(Loss) Profit from operation	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Development of customised software and sales of related computer equipment	4,863	6,585	51	(3,301)
Sales and lease of packaged software	4,497	3,482	(689)	(3,839)
Technical support and maintenance services	4,202	3,946	828	(1,462)
Lease of property	139	132	139	(18)
Unallocated corporate expenses	–	–	(3,026)	(3,662)
	13,701	14,145	(2,697)	(12,282)

There is improvement in the results of the CyberM International (Holdings) Limited for the year. Net loss attributable to shareholders decreased to HK\$2,584,000 (2002: HK\$12,224,000) while the loss per share drop to HK1.0 cent (2002: loss of HK4.9 cents). The improvement is mainly attributable to the success of the Group's cost control plan. Staff remuneration decreased by 30% from HK\$12.1 million in 2002 to HK\$8.5 million in 2003 resulting from a series of internal measures including operations streamlining, structure simplification and pay deductions. Other operating costs also decreased by 45% to HK\$4.1 million. On the other hand, sales revenue remains sluggish due to the poor business environment. This is particularly true for sales in system upgrade and enhancement in a period when budgets are generally tight and spending highly cautious. Fortunately, revenue from maintenance continued to be the Group's steady income stream.

As at 31st March, 2003, the Group had sales contracts on hand amounting to approximately HK\$1.6 million (2002: HK\$2.7 million), which will be booked as revenue upon delivery and implementation of the relevant products.

NEW PRODUCTS

Research and development has long been the Group's focus. The main idea is to develop products that bring convenience and enhance efficiencies to our customers. During the year, several new products have been completed and launched in the market.

Chairman's Statement, Management Discussion and Analysis

CyberM Registration System

A system designed to help exhibition and conference organizers in speeding up and simplifying the registration and access logistic processes. The system allows exhibition and conference attendees to conduct online registration as well as onsite registration during the course of events. Having their smart cards read by the readers at the entrances, attendees can have speedy access to the event without the bother of filling in forms. The system can also handle admission fee payment with smart cards, thus eliminating the hassle in handling cash. In addition, the system enhances data capture and analytical processes in a more effective and efficient manner.

SchoolPlus Message System

A new bulk message dispatch feature in the SchoolPlus system, a campus "Octopus" card system, to provide easy communication channel between schools and parents, to meet their routine and emergency communication. The system, with the support of mobile phone network operators, allows parents to receive short messages on their mobile phones when their children have checked in or out at school using Octopus cards. Schools can also use the system to dispatch bulk messages to parents for various communications purposes especially in emergency situations such as when typhoon or black rainstorm signals are hoisted. The system is also a good option for sending school notices and reminders to parents. It provides an effective tool for parents to monitor their children's performance and activities in school, such as whether they go to school on time; the kind of books they borrow from the school library and the kind of food they purchase from tuck shops.

M-Plus System

The first mobile point-of-sales (POS) system with 'Octopus' function in Hong Kong, which includes a specially designed handheld device providing 'Octopus' payment function, through the use of the latest wireless technology. In addition to all the functions that were required for a POS system like handling of sales transactions, inventory control and providing product information, the most unique feature of the system is its mobile handheld device which allows retailers to use 'Octopus' payment function to conduct sales activities anywhere, whether in a retail shop or outdoors. It facilitates retailers with extra flexibility in providing better customer-centric services. For example, in a fast-food restaurant, the handheld device, which can be used by a staff moving around the stores to collect payment, can be a good supplement to the cashier counter. It does not occupy any floor space and yet it can effectively help minimizing the queuing time of customers especially during the rush hours. The system also suits industries that involve outdoor sales activities such as fast-food home delivery, newspaper retailers, short-term promotion counters in shopping malls or flea markets.

FINANCIAL RESOURCES, LIQUIDITY, CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31st March, 2003, the Group had a cash and bank balance of approximately HK\$6,018,000 (2002: HK\$8,442,000). The Group's current assets are approximately 2.1 times (2002: 3.5 times) over its current liabilities while the gearing ratio, representing long-term liabilities divided by shareholders funds, was maintained at a very low level of 0.20% (2002: 0.43%).

The Group has pledged its fixed deposits amounted to HK\$5,500,000 to secure a banking facility granted to the Group. As at 31st March, 2003, none of the facilities has been utilized. A subsidiary of the Company had received a writ of summons during the year ended 31st March, 2003 in relation to disputes with a customer on a project implementation. The total amount claimed under the writ is HK\$440,814. The subsidiary has counter-claimed the customer for HK\$157,500, being the unpaid amount in relation to the project.

Saved as disclosed above, as at 31st March, 2003, the Group has no other contingent liability or charge on assets.

FOREIGN CURRENCY EXPOSURE

The reporting currency adopted by the Group is Hong Kong dollars. As most of the Group's sales, expenditures, assets and liabilities were denominated in Hong Kong dollars, the Group's exposure to foreign currencies fluctuation is minimal and therefore, no hedging against foreign currency exposure is considered necessary.

EMPLOYEES

As at 31st March, 2003, the Group had 53 employees (2002: 64) in Hong Kong and Guangzhou. The total remuneration paid to employees, including that to the executive Directors, for the year ended 31st March, 2003 amounted to approximately HK\$8.5 million (2002: HK\$12.1 million). Remuneration is commensurate with individual performance and experience. Employees in Hong Kong are also entitled to provident fund contributions, medical coverage and share options. For employees in Guangzhou, the Group is required to contribute to a stated-sponsored retirement plan for them at certain prescribed rates of their basic salaries.

To maintain the standard of services and for staff development, the Group provided comprehensive on-the-job trainings to its staff. The Group also subsidized those taking part in job-related training courses provided by certain recognized institutions.

ACQUISITION AND DISPOSAL

There was no material acquisition, disposal of subsidiaries and affiliated companies or material investment held during the year ended 31st March, 2003.

FUTURE PROSPECTS

In the coming years, the Group will focus on developing the China market. It is now negotiating with a potential partner and the Hunan provincial government with a view to developing a "smart" city in Changsha, the municipal city of Hunan Province. In addition, the Group is preparing to distribute its CyberM Beauty System in Hunan Province with the help of the Hunan Provincial Women's Organization.

Mr. Lau Chiu Pui, Duncan, the Chairman and Managing Director of the Company, is an appointed member of the Changsha Municipal People's Government Foreign Economic Advisory Committee, and an advisor to both the Hunan Chinese Cultural Institute and the Hunan Provincial Women's Talent Development Federation. Through these connections, the Group is developing the two projects and exploring further opportunities with the intention to appreciate returns to shareholders.

Comparison of Actual Business Progress to Business Objectives

Key business objectives for the six months ended 31st March, 2003 (Note)

Actual business progress

(Note: The actual business progress of the Group, as compared with its business objectives during the period between 1st April, 2002 and 30th September, 2002 was set forth in the Company's interim report dated 12th November, 2002.)

Revenue and Business Development

Continue the business development activities from the previous six months ended 30th September, 2002.

Hong Kong

The stagnant condition in Hong Kong had made the Group's business development difficult. Sales were slow to pick up. In the coming periods, more effort will be put in developing the markets in China, especially those in central China.

Taiwan

Because of the unfavourable conditions in Taiwan, the Group has diverted its resources to develop the market in central China.

The PRC

The Group has switched its focus to central China. The Group is negotiating to have a joint venture set up in Hunan.

Subject to the setting up of the relevant joint venture(s), conduct marketing activities in northern China.

Subject to the feasibility studies of the northern China market and the setting up of the relevant joint venture(s), establish a customer service system in northern China.

Focus of the Group has been switched to the central China. The Group is now negotiating with a potential partner and the Hunan provincial government with a view to developing a "smart" city in Changsha, the municipal city of Hunan Province. In addition, the Group is preparing to distribute its CyberM Beauty System in Hunan Province with the help of the Hunan Provincial Women's Organization.

Nevertheless, the Group is still exploring and hopes to identify investment opportunities in northern China.

Comparison of Actual Business Progress to Business Objectives

Key business objectives for the six months ended 31st March, 2003 (Note)

Actual business progress

(Note: The actual business progress of the Group, as compared with its business objectives during the period between 1st April, 2002 and 30th September, 2002 was set forth in the Company's interim report dated 12th November, 2002)

Products and Services

Continue the products and services activities from the previous six months ended 30th September, 2002.

Besides those solutions developed by the Group, during the period under review, the Group started to distribute and implement a world leading ERP (Enterprise Resources Planning) solution. The Group's customer base was broadened with this new line of business.

Subject to the setting up of the relevant joint venture(s), launch CyberM Business Series and CyberM Mobile Series in northern China.

Focus of the Group had been switched to the central China. The Group is now negotiating with a potential partner and the Hunan provincial government with a view to developing a "smart" city in Changsha, the municipal city of Hunan Province. In addition, the Group is preparing to distribute its CyberM Beauty System in Hunan Province with the help of the Hunan Provincial Women's Organization.

Nevertheless, the Group is still exploring and hopes to identify investment opportunities in northern China.

Comparison of Actual Business Progress to Business Objectives

Key business objectives for the six months ended 31st March, 2003 (Note)

Actual business progress

(Note: The actual business progress of the Group, as compared with its business objectives during the period between 1st April, 2002 and 30th September, 2002 was set forth in the Company's interim report dated 12th November, 2002)

Research and Development

Continue the R&D activities from the previous six months ended 30th September, 2002

During the period under review, the Group focused on developing application software that brings convenience to customers by using contactless smart cards. The CyberM Registration System that helps exhibition and conference organizers in speeding up and simplifying the registration and access logistic processes was launched during the year.

Subject to the result of the feasibility studies, carry out the R&D in the development of vertical B2B eBusiness solutions on an ASP approach for selected industries in the Greater China Region.

Due to the low rate of acceptance of ASP, the development of ASP had slowed down until the concept of business on-line is more widely accepted and efficiency of the network infrastructure has been improved. By then, ASP would be more popular.

Expansion and Business Alliance

Continue the expansion and business alliance activities from the previous six months ended 30th September, 2002.

Explore alliance opportunities with local bodies and organizations in northern China to promote CyberM Business Series and CyberM Mobile Series.

Focus of the Group has been switched to the central China. The Group is now negotiating with a potential partner and the Hunan provincial government with a view to developing a "smart" city in Changsha, the municipal city of Hunan Province. In addition, the Group is preparing to distribute its CyberM Beauty System in Hunan Province with the help of the Hunan Provincial Women's Organization.

Nevertheless, the Group is still exploring and hopes to identify investment opportunities in northern China.

Establish new alliances with ASP(s) to host and promote CyberM Business Series and CyberM Mobile Series in northern China.

Due to the low rate of acceptance of ASP, the development of ASP had slowed down until the concept of business on-line is more widely accepted and efficiency of the network infrastructure has been improved. By then, ASP would be more popular.

Comparison of Actual Business Progress to Business Objectives

USE OF PROCEEDS

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

	Notes	For the six months ended 31st March, 2003		Accumulated amount up to 31st March, 2003	
		Budgeted as in Prospectus dated 11th August, 2000 HK\$million	Actual HK\$million	Budgeted as in Prospectus dated 11th August, 2000 HK\$million	Actual HK\$million
R&D in the technology, new functions and customization of B2B eBusiness solutions	1	–	–	1.91	2.27
Promotion of CyberM Business Series	1	–	–	4.27	3.56
R&D in the new functions and customization of mobile computing technologies	1	–	–	2.72	3.07
Promotion of CyberM Mobile Series	1	–	–	2.45	2.35
R&D and promotion of a B2B enterprise portal	2	–	–	1.65	1.06
Set up and expand new offices in Hong Kong	3	–	0.29	1.00	0.29
Expand into the Greater China Region		1.25	3.38	7.50	7.57
		1.25	3.67	21.50	20.17

Note 1: Resources were diverted from promotion and marketing activities to R&D, as the Group considered that product functions and qualities would be the most important factors to the Group's success.

Comparison of

Actual Business Progress to Business Objectives

Note 2: As a result of the slow-down in the internet market, the Group had suspended most of the promotion activities of the B2B enterprise portal until the internet businesses are more widely accepted.

Note 3: The original plan of setting up a new office at the Cyber-Port was not pursued due to the unfavourable traffic condition there. Instead, the Group had moved to its existing new office in Wan Chai.



MR. LAU CHIU PUI, DUNCAN, aged 46, is the Chairman and Managing Director of CyberM International (Holdings) Limited. With over 20 years IT experience, Mr. Lau has been participating actively in the IT development in Hong Kong. Mr. Lau is responsible for the overall strategic planning, direction and business development of the Group. Mr. Lau is recognized as a leader in the IT industry. He advocates quality and professionalism and under his leadership, CyberM acquired ISO9001 certification in 1997, one of the first Hong Kong based software companies awarded the ISO9001 certificate. In 2000, the Group was awarded the 'New World Mobility M-Commerce Application Award' and Standard Quality Assurance in 2001.

Mr. Lau has been appointed as a member of various advisory boards of the HKSAR. He is a member of the Information Infrastructure Advisory Committee of Commerce, the Industry and Technology Bureau, the IT Projects Vetting Committee of Innovation and Technology Commission, the Information and Communication Services Advisory Committee of Hong Kong Trade Development Council, Sin Chung Kai Legislative Councilor (IT) Advisory Committee and the IT Directors Committee of the Hong Kong Productivity Council.

Mr. Lau has been actively developing the IT industry in the PRC. He has also been appointed a member of the Changsha Municipal People's Government Foreign Economic Advisory Committee, an advisor to each of the Hunan Chinese Cultural Institute and the Hunan Provincial Women's Talent Development Federation.

Mr. Lau is elected the Chairman of Hong Kong Wireless Technology Industry Association. He is one of the founders and the Vice Chairman of the Information and Software Industry Association. Mr. Lau was born and brought up in Hong Kong. He holds a bachelor degree in science from the University of Toronto, Canada.



MR. LAI SHU PUI, FERGUS, aged 38, 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 38, 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 more than 10 years.

of Management

NON-EXECUTIVE DIRECTOR

MR. CHIU RAYMOND YIM, aged 52, 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 Anywhere Solution Inc., a subsidiary of Sybase Inc.. Mr. Chiu has over 28 year's experience in the technology industry. His experience ranges from product development, operations management, business development, sales and marketing to venture investments. He was appointed on 20th July, 2000.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CHAN WAI CHOI, GLENN, aged 42, holds a diploma in mechanical engineering. He is currently a director and the general manager of a company engaged in the trading of farm produce in Canada. He has over 15 years experience in international sales and marketing. He was appointed on 17th June, 2002.

MS. KWAN NGAN HING, EDITH, aged 54, has over 30 year's experience in the IT industry. 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 the Hong Kong Computer Society. She holds an MBA degree from the University of Warwick, Coventry, United Kingdom. She was appointed on 20th July, 2000.

SENIOR MANAGEMENT

MR. LEUNG MAN KIT, aged 31, 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.

MR. CHAN TSE KIN, aged 30, 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.

MS. POON SIU SIN, aged 44, joined the Group as a project manager in 2001. Ms. Poon holds a high diploma in marketing management. She has over 15 years' experience in marketing and project consultancy.

MS. LI CHING WAH, aged 30, 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.

The Directors are pleased to present their annual 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, 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

An analysis of the Group’s performance for the year by business and geographical segments is set out in note 11 to the accompanying financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March, 2003, the five largest customers accounted for approximately 38% (2002 – 51%) of the Group’s total turnover, while the five largest suppliers of the Group accounted for approximately 56% (2002 – 57%) of the Group’s total purchases. The largest customer accounted for approximately 14% (2002 – 17%) of the Group’s total turnover while the largest supplier accounted for approximately 19% (2002 – 26%) of the Group’s total purchases.

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 and suppliers of the Group.

RESULTS AND APPROPRIATIONS

Details of the Group’s results for the year ended 31st March, 2003 are set out in the consolidated income statement on page 24 of this annual report.

The Directors do not recommend the payment of a final dividend.

SHARE CAPITAL

Details of share capital of the Company are set out in notes 21 to the accompanying financial statements.

of the Directors

RESERVES

Movements in reserves of the Group and the Company during the year are set out in note 23 to the accompanying financial statements.

As at 31st March, 2003, 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 listed 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.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 62.

SUBSIDIARIES

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in notes 13 to the accompanying financial statements.

COMMITMENTS

Particulars of commitments as at 31st March, 2003 are set out in note 25 to the accompanying financial statements.

PENSION SCHEMES

Details of the Group's pension schemes are set out in note 27 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
 Mr. Lai Shu Pui, Fergus
 Mr. Wong Kit Mei
 Mr. Yip Ho Pong (Resigned on 7th August, 2002)

NON-EXECUTIVE DIRECTOR

Mr. Chiu Raymond Yim

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Kwan Ngan Hing, Edith
 Mr. Chan Wai Choi, Glenn (Appointed on 17th June, 2002)
 Mr. Chan Siu Yeung (Resigned on 14th June, 2002)

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. The non-executive director and the independent non-executive director did not enter into any service contract with the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2003, 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") (see the remark on page 21), 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 5.58 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%
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%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

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 the Cayman Islands. Mr. Lau and his spouse, Mr. Lai, Mr. Wong, Mr. Fung Yiu Fai (Mr. Fung) and Mr. Yip Ho Pong (Mr. Yip), (both Mr. Fung and Mr. Yip were executive directors of the Company whose respective resignation became effective on 18th July, 2001 and 7th August, 2002) 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 spouses of their issue **
- (vi) Mr. Chan Wing Fuk, his spouse, their issue and 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%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (Continued)

- * 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. Lai and Mr. Wong is therefore taken to have an interest in the 191,250,000 shares held by Noble Class Group Limited under the SDI Ordinance (see the remark on page 21).

Save as disclosed above, none of the Director, 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 (see the remark on page 21).

SHARE OPTION SCHEME

The Company adopted a share option scheme on 1st August, 2000 (the "Scheme"). The purpose of the Scheme is to enable the Company to grant options to full-time employees of the Group (including executive directors of the Company) (the "Eligible Persons") to subscribe for shares in the Company not exceeding 10% of the issued share capital of the Company as at the date of listing of its securities on the Growth Enterprise Market of the Exchange (i.e. 25,000,000 shares in the Company representing approximately 10% of the issued share capital of the Company as at the date of this report).

Under the Scheme, the Board of Directors may, during the scheme period commencing on 1st August, 2000 and expiring at the close of business on the business day preceding the tenth anniversary thereof, grant options to the Eligible Persons and HK\$1 is payable by the Eligible Person to the Company immediately upon his acceptance of the offer of options.

The subscription price for shares under the Scheme will be a price determined by the board and notified to each grantee and will be the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) average closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

On 4th September, 2000, options were granted to certain executive directors and full-time employees of the Group to subscribe for an aggregate of 19,880,000 shares in the Company at an exercise price of HK\$1.18 per share. Such options are exercisable during the option period from 4th September, 2000 to 3rd September, 2010. No option may be granted to any employee which, if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.

SHARE OPTION SCHEME (Continued)

No options were granted pursuant to the Scheme during the year ended 31st March, 2003. Subsisting options granted to the executive directors of the Company and other full-time employees of the Group as at 31st March, 2003 are as follows:

Name	Date of grant	Exercise period	Exercise price per share	Number of ordinary shares available for issue upon exercise of subsisting options		
				Beginning of year	Movement during the year	End of year
Executive Directors						
Lai Shu Pui, Fergus	4th Sept, 2000	4th Sept, 2000 to 3rd Sept, 2010	HK\$1.18	1,000,000	–	1,000,000
Wong Kit Mei	4th Sept, 2000	4th Sept, 2000 to 3rd Sept, 2010	HK\$1.18	1,000,000	–	1,000,000
				2,000,000	–	2,000,000
Other participants						
Full-time employees	4th Sept, 2000	4th Sept, 2000 to 3rd Sept, 2010	HK\$1.18	7,608,000	(8,000)	7,600,000 (Note 1)
				9,608,000	(8,000)	9,600,000

Note:

- The 7,600,000 share options in the Company include 1,000,000 shares options granted to Mr. Yip Ho Pong ("Mr. Yip"), former executive director of the Company who resigned as executive director on 7th August, 2002 but remained a full-time employee of the Group as at 31st March, 2003, and 60,000 shares options granted to Mr. Yip's spouse (who is also a full-time employee of the Group). As Mr. Yip resigned as director of the Company, his interest and his spouse's interest ceased to be discloseable information (i.e. director's rights to acquire shares or options to subscribe for shares in the Company) pursuant to the GEM Listing Rules and the SDI Ordinance (see the remark on page 21).

During the year ended 31st March, 2003, options to subscribe for 8,000 shares in the Company granted to certain full time employees have lapsed upon their resignation and none of the options being granted to executive Directors have been exercised or cancelled.

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.

SHARE OPTION SCHEME (Continued)

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.

At the forthcoming annual general meeting, ordinary resolutions will be proposed for (a) termination of the existing Scheme and (b) adoption of a new option scheme. This is to bring the Company's share option scheme in line with the new requirements of Chapter 23 of the GEM Listing Rules which took effect on 1st October, 2001. Upon termination of the existing Scheme, no further options shall be offered or granted thereunder. However, the provisions of the Scheme shall remain in full force in all other aspects and the subsisting options granted prior to the termination shall remain valid and exercisable in accordance with its terms.

DIRECTORS' INTERESTS IN CONTRACTS

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.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance (see the remark on page 21) showed that the Company had been notified of the following substantial shareholders' interests, being ten percent or more of the issued share capital of the Company.

Name	Number of shares held	Percentage of shareholdings (%)
Noble Class Group Limited	191,250,000	76.48%*
Sunrise International (Holdings) Limited	191,250,000	76.48%*
Arawak Trust Company Limited	191,250,000	76.48%*
Mr. Fung Yiu Fai	191,250,000	76.48%*
Mr. Yip Ho Pong	191,250,000	76.48%*

* Duplication, all shareholdings are under a discretionary trust as stated above.

Save as disclosed above, no other person was recorded in the register kept pursuant to Section 16(1) of the SDI Ordinance (see the remark on page 21) as having an interest in ten percent or more of the issued share capital of the Company as at 31st March, 2003.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interests in a business which competes or may compete with the business of the Group or had any other conflicts of interest with 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 interests in the share capital of the Company as at 31st March, 2003 pursuant to Rule 6.35 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. Upon expiry of the agreement, Core Pacific – Yamaichi has ceased to be the retained sponsor of the Company.

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, in particular Rules 5.28 to 5.39 pertaining to board practices and procedures, throughout the year except that non-executive directors are not appointed on 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 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group.

AUDIT COMMITTEE (Continued)

The audit committee comprises two independent non-executive directors and an executive director. Mr. Yip Ho Pong, who for personal reasons, resigned as an executive director and member of the audit committee of the Company on 7th August, 2002 and Mr. Wong Kit Mei, an existing executive director, was appointed on the same date as a member of the audit committee of the Company. Mr. Kwan Ngan Hing, Edith and Mr. Chan Wai Choi, Glenn, the independent non-executive director, remain as the audit committee members of the Group throughout the financial year. The committee had met four times during the year with the management to discuss and review the Group's various internal control and audit issues with a view to further improve the Group's corporate governance. The Group's audited results for the year ended 31st March, 2003 have been reviewed by the audit committee at its meeting held on 20th June, 2003. Members of the committee were of the opinion that the preparation of such results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

AUDITORS

On 19th March, 2003, Messrs. PricewaterhouseCoopers resigned as auditors of the Group. Messrs. Charles Chan, Ip & Fung CPA Ltd. were appointed as the new auditors with effect from the same date to hold office until the conclusion of the next annual general meeting.

The accompanying financial statements were audited by Messrs. Charles Chan, Ip & Fung CPA Ltd.. A resolution for the re-appointment of Charles Chan, Ip & CPA Ltd. as the Company's auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lau Chiu Pui

Chairman

Hong Kong,
25th June, 2003

Remark:

The SDI Ordinance was repealed on 1st April, 2003. Certain disclosure requirements in the SDI Ordinance have been incorporated in Part XV of the Securities and Futures ordinance (the "SFO") which came into force on 1st April, 2003. Information about the relevant interests held by certain persons for the year ended 31st March, 2003 are therefore disclosed in this Annual Report pursuant to the SDI Ordinance.



Charles Chan, Ip & Fung CPA Ltd.
37th Floor, Hennessy Centre
500 Hennessy Road
Causeway Bay, 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 61 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 Company's and the Group's circumstances, 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, 2003 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Charles Chan, Ip & Fung CPA Ltd.

Certified Public Accountants

Hong Kong

25th June, 2003

Chan Wai Dune, Charles

Practising Certificate Number P00712

Consolidated

Income Statement

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

	Note	2003 '000	2002 '000
Turnover	3	13,701	14,145
Material and equipment		(4,003)	(4,730)
Staff costs		(6,175)	(10,479)
Depreciation and impairment			
Loss of property, plant and equipment		(662)	(1,070)
Amortisation and impairment loss			
of development expenditures		(1,458)	(2,442)
Write back of/(provision for) bad and doubtful debts		20	(16)
Deficit on revaluation of an investment property		-	(150)
Other operating expenses		(4,120)	(7,540)
Loss from operations		(2,697)	(12,282)
Provision for impairment in value			
of an investment in securities		-	(250)
Interest income	3	68	347
Interest expense		(32)	(39)
Loss before taxation	4	(2,661)	(12,224)
Taxation	5	-	-
Net loss after taxation		(2,661)	(12,224)
Minority interests		77	-
Loss attributable to shareholders	8	(2,584)	(12,224)
Dividend	9	-	-
Loss per share			
Basic	10	(HK1.0 cent)	(HK4.9 cents)
Diluted		N/A	N/A

The notes on pages 31 to 61 form an integral part of these financial statements.

Balance Sheets

As at 31st March, 2003
(Expressed in Hong Kong dollars)

	Note	Consolidated		Company	
		2003 '000	2002 '000	2003 '000	2002 '000
ASSETS					
Non-current assets					
Development expenditures	12	3,939	1,987	–	–
Property, plant and equipment	13	2,578	2,762	–	–
Investments in subsidiaries	14	–	–	13,429	15,400
Investments in securities	15	580	580	–	–
		7,097	5,329	13,429	15,400
Current assets					
Prepayments, deposits and other receivables		698	820	222	241
Inventories	16	634	644	–	–
Trade receivables	17	3,105	3,432	–	–
Fixed deposits		5,530	6,783	–	–
Cash and bank balance		488	1,659	12	15
		10,455	13,338	234	256
LIABILITIES					
Current liabilities					
Current portion of obligations under finance leases	19	39	158	–	–
Trade payables	18	726	800	–	–
Other payables and accruals		3,138	1,611	1,431	839
Receipts in advance		1,158	1,208	–	–
Taxation payable		2	–	–	–
		5,063	3,777	1,431	839
Net current assets/(liabilities)		5,392	9,561	(1,197)	(583)
Total assets less current liabilities		12,489	14,890	12,232	14,817

Balance

Sheets

As at 31st March, 2003
(Expressed in Hong Kong dollars)

	Note	Consolidated		Company	
		2003 '000	2002 '000	2003 '000	2002 '000
Non-current liabilities					
Obligations under finance leases	19	25	64	–	–
Minority interests		223	–	–	–
NET ASSETS		12,241	14,826	12,232	14,817
CAPITAL AND RESERVES					
Issued capital	21	25,006	25,006	25,006	25,006
Reserves	23	(12,765)	(10,180)	(12,774)	(10,189)
		12,241	14,826	12,232	14,817

Approved and authorised for issue by the board of directors on 25th June, 2003

On behalf of the board of directors

Lau Chiu Pui
Director

Wong Kit Mei
Director

The notes on pages 31 to 61 form an integral part of these financial statements.

Statement of changes in Equity

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

	Share capital '000	Share premium '000	Merger reserve '000	Cumulative translation adjustments '000	Accumulated losses '000	Total '000
Balance as at 1/4/2001	25,006	5,613	(341)	(27)	(3,224)	27,027
Net loss for the year	–	–	–	–	(12,224)	(12,224)
Translation adjustments	–	–	–	23	–	23
Balance as at 31/3/2002	25,006	5,613	(341)	(4)	(15,448)	14,826
Net loss for the year	–	–	–	–	(2,584)	(2,584)
Translation adjustments	–	–	–	(1)	–	(1)
Balance as at 31/3/2003	25,006	5,613	(341)	(5)	(18,032)	12,241

The notes on pages 31 to 61 form an integral part of these financial statements.

Consolidated

Cash Flow Statement

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

	2003 '000	2002 '000
CASH INFLOWS/(OUTFLOWS) FROM OPERATING ACTIVITIES		
Loss from ordinary activities before taxation	(2,661)	(12,224)
Adjustments for:		
Depreciation and impairment loss of property, plant and equipment	662	1,070
Loss on disposal of property, plant and equipment	1	–
Deficit on revaluation of an investment property	–	150
Provision for impairment in value of an investment in securities	–	250
Realised gain on other investments	–	(6)
Interest income	(68)	(347)
Interest expenses	19	10
Interest expenses on obligations under finance leases	13	29
Amortisation and impairment loss of development expenditures	1,458	2,442
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(576)	(8,626)
Decrease in prepayments, deposits and other receivables	122	357
Decrease in inventories	10	32
Decrease/(increase) in trade receivables	327	(69)
Decrease in trade payables	(74)	(1,589)
Increase in other payables and accruals	1,527	519
(Decrease)/increase in receipts in advance	(50)	257
Increase in tax payable	2	–
CASH GENERATED FROM/(USED IN) OPERATIONS	1,288	(9,119)
Interest received	68	347
Interest paid	(19)	(10)
Interest paid for finance leases	(13)	(29)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	1,324	(8,811)

Cash Flow StatementFor the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

	2003 '000	2002 '000
CASH OUTFLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(486)	(568)
Proceeds from disposal of property, plant and equipment	7	10
Increase in development expenditures	(3,410)	(2,590)
Formation of subsidiaries (a)	300	–
Sale of other investments	–	500
NET CASH USED IN INVESTING ACTIVITIES	(3,589)	(2,648)
CASH OUTFLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term bank loan	–	(279)
Capital element of finance leases repaid	(158)	(153)
NET CASH USED IN FINANCING ACTIVITIES (b)	(158)	(432)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,423)	(11,891)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1)	18
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,442	20,315
CASH AND CASH EQUIVALENTS AT END OF YEAR (c)	6,018	8,442

The notes on pages 31 to 61 form an integral part of these financial statements.

Consolidated

Cash Flow Statement

For the year ended 31st March, 2003
(Expressed in Hong Kong dollars)

Notes to cash flow statement:

(a) Formation of subsidiaries

	2003 '000	2002 '000
Cash contributed by the Group upon formation	(450)	–
Cash balances of subsidiaries upon formation	750	–
Net cash inflow contributed by minority interest	300	–

(b) Analysis of changes in financing during the year

	Share capital including premium		Short-term bank loan		Obligations under finance leases	
	2003 '000	2002 '000	2003 '000	2002 '000	2003 '000	2002 '000
At beginning of the year	30,619	30,619	–	279	222	375
Repayment of short-term bank loan	–	–	–	(279)	–	–
Repayment of capital element of finance lease obligations	–	–	–	–	(158)	(153)
At end of the year	30,619	30,619	–	–	64	222

(c) Analysis of the balances of cash and cash equivalents

	2003 '000	2002 '000
Fixed deposits	5,530	6,783
Cash and bank balances	488	1,659
	6,018	8,442

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. BASIS OF PREPARATION**A. ORGANISATION AND PRINCIPAL ACTIVITIES**

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.

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

B. GROUP ACCOUNTS

The group accounts include the accounts of the company and its subsidiaries made up to 31st March, 2003. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAP”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment, investment properties and investments in securities. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”). A summary of the significant accounting policies adopted by the Group is set out below.

A. ADOPTION OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

During the year ended 31 March, 2003, the Group adopted, for the first time, the following Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

B. 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 lease 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. Revenue is recognised 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, 2003 as there were no material direct costs attributable to these services.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**B. REVENUE RECOGNITION (Continued)****(ii) Sales and lease of packaged software**

Revenue from sales of packaged software is recognised when the significant risks and rewards of ownership of goods have been transferred to customers. Revenue from the lease 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) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(v) Rental income

Rental income is recognised on an accrual basis.

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

C. RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures are expensed as incurred, except where the product or process is clearly defined and the costs attributable to the product or process can be separately identified and measured reliably; is technically feasible; the company intends to produce and market, or use, the product or process; the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness to the company can be demonstrated; and adequate resources exist, or their availability can be demonstrated to complete the project and market or use the product or process. Such development expenditures are recognised as an asset to the extent of the amount that, taken together with further development costs, related production costs, and selling and administrative costs directly incurred in marketing the product, is probable of being recovered from related future economic benefits. The excess amount is written off as incurred.

The development expenditures, recognised as an asset, are amortized on a straight-line basis over a period of 3 years to reflect the pattern in which the related economic benefits are recognised.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

D. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than investment properties, are stated in the balance sheet at cost less accumulated depreciation (see note 2(K)) and impairment losses (see note 2(L)).

Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement amount on the date of retirement or disposal.

E. INVESTMENT PROPERTY

Investment property is interest in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential with rental income being negotiated at arm's length.

Investment property is stated at its open market value on the basis of an annual valuation by independent qualified valuers. Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

Changes in the value of investment property are treated as movements 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 amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged. Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the retained earnings.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

F. SUBSIDIARIES

A subsidiary is a company in which the group or company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

Investments in subsidiaries in the Company's balance sheet are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted to the extent of dividends received and receivable. Subsidiaries acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the company, are stated at fair value with changes in fair value recognised in the income statement as they arise.

G. INVESTMENTS IN SECURITIES

Investments in debt and equity securities (other than held-to-maturity securities) which are intended to be held for an identified long-term purpose on a continuing basis, are classified as investment securities and are included in the balance sheet at cost less impairment loss.

The carrying amounts of investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. The impairment loss is recognized as an expense in the income statement. This impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**H. INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and 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.

I. TRADE RECEIVABLE

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

J. ASSETS UNDER LEASES**(i) Finance leases**

Leases that substantially transfer to the company all the rewards and risks of ownership of assets are accounted for as finance leases. At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements. Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(L).

(ii) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals receivables and payables under such operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**K. DEPRECIATION**

Plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment loss over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	33 $\frac{1}{3}$ % or over the lease term, if shorter
Furniture and fixtures	25%
Computer equipment	25%
Motor vehicles	25%

L. IMPAIRMENT OF ASSETS

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exists or has decreased. The reversal is recorded in the income statement.

M. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for liabilities of uncertain timing or amount when the company or group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

N. DEFERRED TAXATION

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

O. TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as movement in exchange fluctuation reserves.

P. RETIREMENT COSTS

The group operates a defined benefit retirement scheme and the regular cost of providing retirement benefits is charged to the income statement over the expected service lives of the members of the scheme on the basis of level percentages of pensionable pay.

Contributions to the Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the income statement when incurred.

Q. BORROWING COSTS

Borrowing costs are interests and other costs incurred in connection with the borrowings of funds. The borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)**R. RELATED PARTIES**

Two 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, or vice versa. Parties are also considered to be related if they are subject to common control or common significant influence.

S. SEGMENT REPORTING

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the group's internal financial reporting, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

3. TURNOVER AND OTHER REVENUE

Turnover comprises (i) fees for development of customised software and sales of related computer equipment; (ii) the net invoiced value for sales and lease of packaged software, after allowance for returns and discounts; (iii) fees for technical support and maintenance services, and (iv) rental income. Other revenue represents interest income. The amount of each significant category of revenue recognised in turnover and other revenue during the year is as follows:

	2003 '000	2002 '000
Turnover		
Fees for development of customised software and sales of related computer equipment	4,863	6,585
Sales and lease of packaged software	4,497	3,482
Fees for technical support and maintenance services	4,202	3,946
Rental income	139	132
Total turnover	13,701	14,145
Other revenue		
Interest income	68	347
Total revenue	13,769	14,492

Substantially all of the Group's turnover was made to customers in Hong Kong. Approximately 38% (2002 – 51%) of the Group's turnover for the year ended 31st March, 2003 was derived from the top five customers.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	2003 '000	2002 '000
Crediting		
Net Rental income	139	132
Interest income	68	347
Gain on disposal of other investments	–	6
Write back of provision for bad and doubtful debts	20	–
Net exchange gain	1	11
Charging		
Auditors' remuneration	229	400
Advertising and promotion costs	367	1,745
Provision for bad and doubtful debts	–	16
Staff costs (including directors' emoluments of HK\$1,107,000 2002: HK\$1,555,000)	8,883	13,069
Less: amount capitalised as development expenditures	(2,708)	(2,590)
	6,175	10,479
Borrowing costs/finance costs		
Interest expenses on bank loans, overdrafts and other loans wholly repayable within 5 years	19	10
Interest expenses on obligations under finance leases	13	29
Depreciation		
Owned assets	619	708
Assets held under finance leases	43	162
Amortisation and impairment loss of development expenditures	1,458	2,442
Provision for slow-moving and obsolete inventories	–	130
Loss on disposal of property, plant and equipment	1	–
Operating leases charges in respect of properties	654	1,363
Less: amount capitalised as development expenditures	(164)	–
	490	1,363

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5. TAXATION

No Hong Kong profits tax has been provided for in the financial statements as the group has no assessable profits for the year.

No provision for deferred taxation has been made for the year as the effect of all timing differences is not material.

The company is exempted from taxation in Bermuda until 2016. No provision for Hong Kong profits tax was made since the Group had no assessable profits 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 a rate of 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, followed by a 50% reduction in income tax for the next five years. As at 31st March, 2003, CyberM GZ was in a loss position and was in the process of applying for the new-and-high technology enterprise status.

6. DIRECTORS' REMUNERATION

Remuneration of the Company's directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2003 '000	2002 '000
Fees	–	–
Other emoluments		
Salaries (including benefits in kind)	1,043	1,464
Retirement scheme contribution	64	91
	1,107	1,555

No directors' remuneration was paid to the independent non-executive directors and the non-executive directors during the year.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. DIRECTORS' REMUNERATION (Continued)

For the year ended 31st March, 2003, the four executive directors individually received emoluments of approximately HK\$360,000 (2002: HK\$514,000), HK\$297,000 (2002: HK\$297,000) HK\$296,000 (2002: HK\$289,000), HK\$90,000 (2002: HK\$325,000) and HK\$nil (2002: HK\$130,000) respectively.

The remuneration of the directors is within the following bands:

	2003 Number of directors	2002 Number of directors
HK\$Nil – HK\$1,000,000	4	5

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.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2002: one) is a director whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other four (2002: four) individuals are as follows:

	2003 '000	2002 '000
Salaries and other emoluments	1,896	2,080
Retirement scheme contributions	70	73
	1,966	2,153

The emoluments of the four (2002: four) individuals with the highest emoluments are within the following bands:

	2003 Number of individuals	2002 Number of individuals
HK\$Nil – HK\$1,000,000	4	4

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

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.

8. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of HK\$2,585,000 (2002: HK\$12,224,000) which has been dealt with in the financial statements of the Company.

9. DIVIDENDS

The directors do not recommend the payment of a dividend.

10. LOSS PER SHARE

A. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of HK\$2,584,000 (2002: HK\$12,224,000) and the weighted average of 250,060,000 ordinary shares (2002: HK\$250,060,000 ordinary shares) in issue during the year.

B. DILUTED LOSS PER SHARE

No diluted loss per share is presented as the exercise of share options would have an anti-dilutive effect.

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. SEGMENT REPORTING

A. PRIMARY SEGMENT

The Group is organised into four major operating units: (i) development of customised software and sales of related computer equipment, (ii) sales and lease of packaged software, (iii) technical support and maintenance services, and (iv) lease of property. An analysis by business segment is as follows:

	2003		2002	
	External sales '000	Inter-segment sales '000	External sales '000	Inter-segment sales '000
Turnover				
– Development of customised software and sales of related computer equipment	4,863	–	6,585	–
– Sales and lease of packaged software	4,497	–	3,482	–
– Technical support and maintenance services	4,202	–	3,946	–
– Lease of property	139	–	132	–
	13,701	–	14,145	–

	2003 '000	2002 '000
(Loss)/profit from operations		
– Development of customised software and sales of related computer equipment	51	(3,301)
– Sales and lease of packaged software	(689)	(3,839)
– Technical support and maintenance services	828	(1,462)
– Lease of property	139	(18)
– Unallocated corporate expenses	(3,026)	(3,662)
	(2,697)	(12,282)

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. SEGMENT REPORTING (Continued)

A. PRIMARY SEGMENT (Continued)

	2003 '000	2002 '000
Depreciation, amortisation and impairment loss		
– Development of customised software and sales of related computer equipment	580	1,361
– Sales and lease of packaged software	1,426	2,037
– Technical support and maintenance services	–	–
– Lease of property	–	–
– Unallocated corporate expenses	114	114
	2,120	3,512
Capital expenditures		
– Development of customised software and sales of related computer equipment	1,596	1,264
– Sales and lease of packaged software	2,300	1,894
– Technical support and maintenance services	–	–
– Lease of property	–	–
– Unallocated corporate expenditures	–	–
	3,896	3,158
Assets		
– Development of customised software and sales of related computer equipment	3,656	5,807
– Sales and lease of packaged software	5,310	6,330
– Technical support and maintenance services	6,236	4,042
– Lease of property	1,500	1,500
– Unallocated corporate assets	850	988
	17,552	18,667
Liabilities		
– Development of customised software and sales of related computer equipment	748	1,067
– Sales and lease of packaged software	1,259	763
– Technical support and maintenance services	1,366	1,016
– Lease of property	34	31
– Unallocated corporate liabilities	1,681	964
	5,088	3,841

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. SEGMENT REPORTING (Continued)

B. SECONDARY SEGMENT

The Group has business operations in Mainland China and Hong Kong. An analysis by geographical location is as follows:

(i) Analysis by location of customers

	2003 '000	2002 '000
Turnover*		
– Mainland China	261	–
– Hong Kong	13,440	14,145
	13,701	14,145
Loss from operations		
– Mainland China	(1,354)	(1,930)
– Hong Kong	(1,343)	(10,352)
	(2,697)	(12,282)

* Turnover by geographical location is determined mainly on the basis of the destination of delivery of merchandise and rendering of service.

(ii) Analysis by location of assets

	2003 '000	2002 '000
Capital expenditures		
– Mainland China	23	209
– Hong Kong	3,873	2,949
	3,896	3,158
Assets		
– Mainland China	435	795
– Hong Kong	17,117	17,872
	17,552	18,667

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12. DEVELOPMENT EXPENDITURES

Movements of development expenditures (consolidated) are as follows:

	2003 '000	2002 '000
Cost		
At beginning of the year	4,858	2,268
Additions	3,410	2,590
At end of the year	8,268	4,858
Accumulated amortisation		
At beginning of the year	2,871	429
Amortisation for the year	1,458	742
Provision for impairment loss	–	1,700
At end of the year	4,329	2,871
Net book value		
At end of the year	3,939	1,987

During the year, the Company's directors reviewed and evaluated the recoverability of the carrying value of the development expenditures and did not consider necessary to provide for an impairment loss (2002: provision for impairment loss HK\$1,700,000).

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13. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment (consolidated) are as follows:

	2003						2002
	Investment properties	Leasehold improvements	Furniture and fixtures	Computer equipment	Motor vehicles	Total	
	'000	'000	'000	'000	'000	'000	
Cost or valuation							
At beginning of the year	1,500	604	915	1,943	457	5,419	5,009
Additions	-	390	41	55	-	486	568
Disposals	-	-	(1)	(8)	-	(9)	(13)
Translation adjustments	-	-	-	-	-	-	5
Deficit on revaluation	-	-	-	-	-	-	(150)
At end of the year	1,500	994	955	1,990	457	5,896	5,419
Accumulated depreciation							
At beginning of the year	-	509	488	1,362	298	2,657	1,590
Charge for the year	-	78	172	298	114	662	870
Disposals	-	-	(1)	-	-	(1)	(3)
Provision for impairment loss	-	-	-	-	-	-	200
At end of the year	-	587	659	1,660	412	3,318	2,657
Net book value							
At end of the year	1,500	407	296	330	45	2,578	2,762
At beginning of the year	1,500	95	427	581	159	2,762	3,419

The analysis of the cost or valuation at of the above assets is as follows:

	2003						2002
	Investment properties	Leasehold improvements	Furniture and fixtures	Computer equipment	Motor vehicles	Total	
	'000	'000	'000	'000	'000	'000	
At cost	-	994	955	1,990	457	4,396	3,919
At professional valuation	1,500	-	-	-	-	1,500	1,500
	1,500	994	955	1,990	457	5,896	5,419

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

- (a) The Group's interests in the investment property at their net book values are analysed as follows:

	2003 '000	2002 '000
In Hong Kong, held on:		
Leases of between 10 to 50 years	1,500	1,500

- (b) Investment property is revalued at 31st March, 2003 at its open market value by LCH (Asia Pacific) Surveyors Limited, a member of the Hong Kong Institute of Surveyors. The deficit on revaluation of HK\$Nil (2002: HK\$150,000) has been charged to the income statement during the year.
- (c) The Group leases property, plant and machinery under finance leases expiring for a period of two years. At the end of the lease term the Group has the option to purchase the equipment at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. At 31st March, 2003, the carrying amount of property, plant and equipment held by the Group under finance leases amounted to HK\$40,000 (2002: HK\$242,000).
- (d) The Group leases out the investment property under an operating lease. The lease run for a period of two years, with an option to renew the lease after that date at which time all terms are renegotiated. Leases payments are then usually adjusted to reflect market rentals. The lease does not include contingent rentals.

The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2003 '000	2002 '000
Within 1 year	133	139
After 1 year but within 5 years	143	12
	276	151

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14. INVESTMENTS IN SUBSIDIARIES

In the Company's balance sheet, investments in subsidiaries consist of:

	2003 '000	2002 '000
Investments at cost:		
Unlisted shares	418	418
Due from subsidiaries	29,393	29,900
Due to a subsidiary	(205)	(205)
	29,606	30,113
Impairment loss	(16,177)	(14,713)
	13,429	15,400

Notes:

- (a) The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.
- (b) The amount due to subsidiary is unsecured, interest free and not repayable before 1st April, 2004.
- (c) The following is a list of the subsidiaries at 31st March, 2003:

Name	Place of incorporation and operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group
				(Note a)
Mcmanners Management Limited	British Virgin Islands	Investment holding	US\$10,000	100%
CyberM Holdings Limited	Hong Kong	Inactive	HK\$10,000	100%
CyberM E-commerce Limited	Hong Kong	Investment holding	HK\$250,000	100%

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group
				(Note a)
CyberM Information Technology Limited	Hong Kong	Development and trading of computer software, trading of computer equipment, provision of computer consultancy services and property investment	HK\$700,000	100%
CyberM Wireless Limited (formerly known as CyberM Mobile Computing Limited)	Hong Kong	Inactive	HK\$2	100%
CyberM (Guangzhou) Information Technology Limited (Note b)	The People's Republic of China	Provision of computer consultancy services	HK\$1,750,000	100%
Schoolplus Limited	Hong Kong	Development and trading of computer software, trading of computer equipment and provision of computer consultancy services	HK\$2	100%

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14. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Principal activities	Issued and fully paid share capital	Percentage of equity interest attributable to the Group
				(Note a)
MagicPlus Solutions Limited	Hong Kong	Development and trading of computer software	HK\$750,000	60%
Shileese Management Consultant Limited	Hong Kong	Inactive	HK\$10	60%

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March, 2003.

Notes:

- (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 enterprise established in a New-and-High Technology Development Zone in Mainland China to be operated for ten years up to December 2010.
- (c) 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, 2003.

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15. INVESTMENTS IN SECURITIES

Unlisted investment securities (consolidated) consist of:

	2003	2002
	'000	'000
Goldtrack Limited (Note a)	1,850	1,850
Club debentures	330	330
	2,180	2,180
Less: Provision for impairment losses	(1,600)	(1,600)
	580	580

Note:

- (a) The Group holds a 18% equity interest in Goldtrack Limited, an investment holding company incorporated in the British Virgin Islands. Goldtrack Limited holds a 50% equity interest in Trendly Systems Limited, a company incorporated in Hong Kong, which is engaged in the provision of audiotex and chatline services through telephone communication systems.

The underlying value of the investments in securities is, in the opinion of the Company's directors, not less than the carrying value as at 31st March, 2003.

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16. INVENTORIES

Inventories (consolidated) consist of:

	2003 '000	2002 '000
Inventories - Computer equipment and software licenses	934	944
Less: Provision for slow-moving and obsolete inventories	(300)	(300)
	634	644

At 31st March, 2003, the carrying amount of inventories that are carried at net realisable value amounted to HK\$934,000 (2002: HK\$944,000).

17. TRADE RECEIVABLES

The Group normally grants to its customers credit periods for sale of goods ranging from 0 to 14 days. Consideration in respect of contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services is payable pursuant to the terms of the respective contracts. Rentals in respect of leased properties are payable by tenants on a monthly basis.

An aging analysis of trade receivables (consolidated) is as follows:

	2003 '000	2002 '000
Within 3 months	2,493	2,084
More than 3 months overdue but less than 6 months	269	452
More than 6 months overdue but less than 1 year	533	2,041
More than 1 year overdue but less than 2 years	936	454
Over 2 years	454	-
	4,685	5,031
Less: Provision for bad and doubtful debts	(1,580)	(1,599)
	3,105	3,432

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18. TRADE PAYABLES

An aging analysis of trade payables (consolidated) is as follows:

	2003 '000	2002 '000
Within 3 months	320	570
Due after 3 months but within 6 months	365	75
Due after 6 months but within 1 year	–	155
Due after 1 year but within 2 years	41	–
	726	800

19. OBLIGATIONS UNDER FINANCE LEASES

Details of finance lease obligations (consolidated) are as follows:

	Minimum lease payment		Present value of lease payment	
	2003 '000	2002 '000	2003 '000	2002 '000
Repayable within one year classified under current liabilities	43	182	39	158
Repayable in the second to fifth years inclusive	32	53	25	64
	75	235	64	222
Less: Finance charges	(11)	(13)	–	–
	64	222	64	222

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(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. DEFERRED TAXATION

	The Group		The Company	
	2003 '000	2002 '000	2003 '000	2002 '000
The potential deferred tax liability/(asset) not provided for in the accounts amounts to:				
Accelerated depreciation allowances	(161)	(106)	–	–
Tax losses	(2,637)	(1,965)	(395)	(182)
	(2,798)	(2,071)	(395)	(182)

At the balance sheet date, there was no material unprovided deferred tax liabilities. Deferred tax assets arising from tax losses has not been recognised as it is uncertain that such an asset will be crystallised in the foreseeable future. At the balance sheet date, the amount of deferred tax asset in respect of tax losses not recognised in the financial statement of the Group and the Company amounted to HK\$2,637,000 (2002: HK\$1,965,000) and HK\$395,000 (2002: HK\$182,000) respectively.

21. ISSUED CAPITAL

	2003 '000	2002 '000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	100,000	100,000
Issued and fully paid:		
250,060,000 ordinary shares of HK\$0.1 each	25,006	25,006

22. 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 price of the company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares on the five trading days immediately preceding the date of offer of the options.

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22. SHARE OPTIONS (Continued)

Movements of share options during the year ended 31st March, 2003 are as follows:

Date of grant	Exercise period	Subscription price per share	Number of share options				End of year
			Beginning of year	Granted	Lapsed	Exercised	
			'000	'000	'000	'000	'000
4th September, 2000	4th September, 2000 to 3rd September, 2010	1.18	9,608	-	(8)	-	9,600

23. RESERVES

Movements in reserves are as follows:

Group	2003					2002
	Share premium	Merger reserve (note a)	Cumulative translation adjustments	Accumulated loss	Total	Total
	'000	'000	'000	'000	'000	'000
At beginning of the year	5,613	(341)	(4)	(15,448)	(10,180)	2,021
Loss for the year	-	-	-	(2,584)	(2,584)	(12,224)
Translation adjustments	-	-	(1)	-	(1)	23
At end of the year	5,613	(341)	(5)	(18,032)	(12,765)	(10,180)

Company	2003					2002
	Share premium	Merger reserve (note a)	Cumulative translation adjustments	Accumulated loss	Total	Total
	'000	'000	'000	'000	'000	'000
At beginning of the year	5,613	-	-	(15,802)	(10,189)	2,035
Loss for the year	-	-	-	(2,585)	(2,585)	(12,224)
At end of the year	5,613	-	-	(18,387)	(12,774)	(10,189)

As at 31st March, 2003, the Company had no reserves available for distribution to its shareholders.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. RESERVES (Continued)

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

24. CONTINGENT LIABILITIES

During the year, a subsidiary of the Company received a writ of summons in relation to disputes with a customer on a project implementation. The total amount claimed under the writ is HK\$440,814. The subsidiary has counter-claimed the customer for HK\$157,500 being the unpaid amount in relation to the project. The Company's directors consider that no provision is necessary for the disputes.

25. COMMITMENT UNDER OPERATING LEASES

At 31st March, 2003, the company had commitments for future minimum lease payables under non-cancellable operating leases in respect of properties which fall due as follows:

	2003 '000	2002 '000
Within one year	495	532
In the second to fifth years inclusive	862	440
	1,357	972

26. CHARGES ON ASSETS

Fixed deposits of the Group with carrying amount of HK\$5,500,000 (2002: HK\$nil) have been pledged to a bank to secure banking facilities granted to the Group.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

27. PENSION SCHEME

Following the introduction of the Mandatory Provident Fund Ordinance 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 contributions to the scheme with an amount ranging from 3% to 7% of the employees' basic salaries. The employees are entitled to receive their entire contribution and the accrued interest thereon, and 100% of the employers' contribution and the accrued interest thereon upon retirement or leaving the group after completing ten 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 future contributions. 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 each of the employees and the 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 future 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, 2003, the aggregate contribution made by the group to the aforementioned pension schemes amounted to approximately \$366,000 (2002: \$399,000), after deduction of forfeited contributions of approximately \$23,000 (2002: \$5,000) to the MPF Scheme and the ORSO Scheme. As at 31st March, 2003, there were no material forfeitures available to offset the Group's future contributions.

to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

28. ULTIMATE HOLDING COMPANY

The directors regard Sunrise International (Holdings) Limited, a company incorporated in Cayman Islands, as the ultimate holding company.

29. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current year's presentation.

Five Year

Financial Summary

(Amounts expressed in Hong Kong dollars unless otherwise stated)

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

	Year ended 31st March,				
	2003 '000	2002 '000	2001 '000	2000 '000	1999 '000
Turnover	13,701	14,145	19,385	18,720	12,339
(Loss) Profit before taxation	(2,661)	(12,224)	(3,207)	1,929	1,482
Taxation	–	–	59	(387)	(319)
(Loss) Profit before minority interests	(2,661)	(12,224)	(3,148)	1,542	1,163
Minority interests	77	–	–	–	–
(Loss) Profit attributable to shareholders	(2,584)	(12,224)	(3,148)	1,542	1,163

The assets and liabilities of the Group as at 31st March, 2003, 2002, 2001 and 2000 are as follows:

	As at 31st March,			
	2003 '000	2002 '000	2001 '000	2000 '000
Total assets	17,552	18,667	32,113	9,112
Total liabilities	(5,088)	(3,841)	(5,086)	(9,111)
Minority interests	(223)	–	–	–
Net assets	12,241	14,826	27,027	1

Notes :

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 was completed prior to the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, 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 since 17th August, 2000, the results of the Group for years ended 31st March, 1999 and 2000 and the assets and liabilities of the Group as at 31st March, 2000 were extracted from the Company's prospectus dated 11th August, 2000.

of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CyberM International (Holdings) Limited (the “Company”) will be held at 2007-9, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong on 18th August, 2003 at 3:00 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, 2003.
2. To re-elect retiring Directors.
3. To authorise the Board of Directors to fix Directors’ remuneration.
4. To re-appoint auditors and authorise the Board of Directors to fix their remuneration.
5. By way of special business to consider and, if though fit, pass with or without modifications, the following resolutions 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

of Annual General Meeting

- (d) for the purposes 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 laws to be held; or
- (iii) the passing of any 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 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 the 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) above 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 5A and 5B 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 5B 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 5A, 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."

6. By way of special business to consider and, if though fit, pass with or without modifications, the following resolutions as Ordinary Resolutions:

"THAT:

With effect from 18th August, 2003, the existing Share Option Scheme be terminated and that a new Share Option Scheme set out in Appendix II to the Circular to shareholders 30th June, 2003 be adopted. "

By Order of the Board

Lau Chiu Pui

Chairman

30th June, 2003, Hong Kong

Registered Office:

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Head Office and Principal Place of Business:

2007-9, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

of Annual General Meeting

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, Computershare Hong Kong Investor Services Limited, Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, 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.
6. In relation to proposed Resolution 6 above, approval is being sought from the members for the termination of the share option scheme adopted on 1st August, 2000 and the adoption of a new share option scheme.