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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in CyberM International (Holdings) Limited, you should at once hand this document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offers contained herein.

The Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document and the accompanying Form of Acceptance or make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document and the accompanying Form of Acceptance.

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**WIDE FINE  
INTERNATIONAL LIMITED**

**博暉國際有限公司**  
(Incorporated in Hong Kong  
with limited liability)

**CYBERM INTERNATIONAL  
(HOLDINGS) LIMITED**

**美域數碼國際(控股)有限公司**  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 8017)

**COMPOSITE OFFER AND RESPONSE DOCUMENT  
RELATING TO  
MANDATORY UNCONDITIONAL CASH OFFER BY  
BARON CAPITAL LIMITED  
ON BEHALF OF  
WIDE FINE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
WIDE FINE INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED**

**Joint Financial Advisers to  
Wide Fine International Limited**



**Baron Capital Limited**



**Baron Asia Limited**

**Independent Financial Advisers to the Independent Board Committee of  
CyberM International (Holdings) Limited**



**博大資本國際有限公司**  
**Partners Capital International Limited**

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A letter from the Board is set out on pages 6 to 11 of this document. A letter from Baron Capital Limited is set out on pages 12 to 20 of this document. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders on the Offers is set out on pages 21 to 22 of this document and a letter from Partners Capital International Limited, the independent financial adviser to the Independent Board Committee of CyberM International (Holdings) Limited, containing its advice in respect of the Offers is set out on pages 23 to 38 of this document.

The procedures for acceptance and settlement of the Offers are set out on pages 39 to 44 in Appendix I to this document and in the accompanying Forms of Acceptance. Acceptances of the Share Offer should be received by the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by no later than 4:00 p.m. on Tuesday, 20th December, 2005 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code). Acceptance of the Option Offer should be received by the Company Secretary of CyberM International (Holdings) Limited, the principal office at 2007-9 China Resources Building, 26 Harbour Road, Wanchai, Hong Kong by no later than 4:00 p.m. on Tuesday, 20th December, 2005 (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

This Composite Offer Document will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of posting.

28th November, 2005

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## CHARACTERISTICS OF GEM

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities trading on GEM.

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

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## DEFINITIONS

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*In this document, unless the context otherwise requires, the following expressions have the following meanings:*

“Accepting Shareholders”	Shareholders who validly accept the Share Offer in accordance with its terms, the particulars of which are set out in this Composite Offer Document and the accompanying Forms of Acceptance and transfer of the Shares
“acting in concert”	shall have the meaning ascribed to it in the Takeovers Code
“associate”	as defined in the GEM Listing Rules
“Baron Asia”	Baron Asia Limited, a licensed corporation to carry out type 6 regulated activities (advising on corporate finance) under the SFO and is one of the Joint Financial Advisers to the Offeror in relation to the Offers
“Baron Capital”	Baron Capital Limited, a licensed corporation to carry out types 1 and 6 regulated activities (dealing in securities and advising on corporate finance) under the SFO, making the Offers on behalf of the Offeror and is one of the Joint Financial Advisers to the Offeror in relation to the Offers
“Board”	the board of Directors from time to time
“Business Day”	any day on which licensed banks in Hong Kong are generally open for business, except Saturday and days on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCIF”	CCIF CPA Limited, Certified Public Accountants
“Closing Date”	Tuesday, 20th December, 2005 or, if the Offers are extended, the closing date of the Offers as extended by the Offeror in accordance with the Takeovers Code
“Company”	CyberM International (Holdings) Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM of the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)

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## DEFINITIONS

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“Completion”	completion of the exercise of the balance of the Option
“Composite Offer Document”	this composite offer and response document jointly issued by the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, inter alia, terms and conditions of the Offers, Forms of Acceptance, the advice of the independent financial adviser to the Independent Board Committee in respect of the Offers and the advice of the Independent Board Committee to the Independent Shareholders and Optionholders in relation to the Offers
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegates
“Form(s) of Acceptance”	the accompanying form(s) of acceptance and transfer in respect of the Offers
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising Mr. Chiu Raymond Yim, Mr. Chan Wai Choi, Glenn, Ms. Kwan Ngan Hing, Edith and Mr. Cheong Ngai Ming, David established for the purpose of advising the Independent Shareholders and Optionholders in relation to the Offers
“Independent Shareholders”	Shareholders other than the Offeror, and its associates and parties acting or presumed to be acting in concert with any of them
“Joint Announcement”	the joint announcement of the Company dated 20th October, 2005 relating to the Offers
“Joint Financial Advisers”	collectively Baron Asia and Baron Capital

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## DEFINITIONS

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“Latest Practicable Date”	25th November, 2005, being the latest practicable date prior to the printing of this Composite Offer Document for ascertaining certain information contained herein
“Noble Class”	Noble Class Group Limited, a company wholly-owned by Sunrise International (Holdings) Limited and its entire voting share capital is beneficially owned by Mr. Lau Chiu Pui, a director of the Company
“Offeror” or “Wide Fine”	Wide Fine International Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, a controlling Shareholder and whose directors are Mr. Wong Kam Leong and Mr. Tse Kam Chuen
“Offers”	the Share Offer and the Option Offer
“Offeror Directors”	the directors of the Offeror
“Offer Share(s)”	all issued Shares and any other Shares not already owned by the Offeror or parties acting in concert with it
“Option”	the option granted by Noble Class to the Offeror to acquire up to 177,500,000 Shares at HK\$0.0676 per Share
“Optionholders”	holders of the Share Options
“Option Agreement”	the option agreement dated 8th April, 2005 between the Offeror and Noble Class regarding the Option
“Option Offer”	the mandatory unconditional cash offer made by Baron Capital on behalf of the Offeror for cancellation of the Share Options at the Option Offer Price
“Option Offer Price”	HK\$1 for every 10,000 Share Options accepted under the Option Offer
“Option Scheme”	the share option scheme of the Company adopted on 1st August, 2000 and 18th August, 2003
“Overseas Shareholders”	shareholders whose addresses (as shown on the register of members of the Company) are outside Hong Kong
“Partners Capital”	Partners Capital International Limited, a licensed corporation under the SFO to conduct type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance), which has been appointed by the Company and approved by the Independent Board Committee as the independent financial adviser to the Independent Board Committee in respect of the Offers

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## DEFINITIONS

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“PRC”	the People’s Republic of China, which for the purpose of this document excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Registrar”	Computershare Hong Kong Investors Services Limited, the branch registrar of the Company in Hong Kong, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Relevant Period”	the period between 20th April, 2005 (being the date falling six months prior to 20th October, 2005, the date of the Joint Announcement) and the Latest Practicable Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholders”	holders of the Shares from time to time
“Share Offer”	the mandatory unconditional cash offers made by Baron Capital on the terms and subject to the terms and conditions set out in this Composite Offer Document and the accompanying Forms of Acceptance, on behalf of the Offeror, to acquire all the Offer Shares at the Share Offer Price
“Share Offer Price”	HK\$0.0676 per Share
“Share Options”	options to subscribe for new shares granted under the Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	the meaning ascribed to it in the Companies Ordinance
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“%”	per cent.
“HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

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## EXPECTED TIMETABLE

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2005

Commencement of the Offers .....	Monday, 28th November
Latest time and date for acceptance of the Offers (Notes 1 and 2) .....	4:00 p.m. on Tuesday, 20th December
Closing Date of the Offers (Note 1) .....	Tuesday, 20th December
Announcement of the results of the Offers to be posted on the GEM website .....	7:00 p.m. on Tuesday, 20th December
Latest date for posting of remittances for the amounts due under the Offers in respect of valid acceptances received on or before the Closing Date (Note 3) .....	Friday, 30th December

*Notes:*

1. The Offers, which are unconditional, will be closed on Tuesday, 20th December, 2005 unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. Latest time for acceptance of the Offers will be 4:00 p.m. on Tuesday, 20th December, 2005 unless the Offers are revised or extended. An announcement will be issued through the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) by 7:00 p.m. on Tuesday, 20th December, 2005 stating whether the Offers have been revised or extended or has expired. For further details, please refer to the paragraph headed "Acceptance period and revisions" in Appendix I to this Composite Offer Document.
2. Acceptance of the Offers shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code.
3. Remittances in respect of the cash consideration payable for the Shares and the Share Options tendered under the Offers will be posted as soon as practicable, but in any event within 10 days after the receipt by the Registrar of all relevant documents from the Accepting Shareholders or by the Company from the Optionholders which render acceptance under the Offers complete and valid.

**Unless otherwise expressly stated, all time references contained in this Composite Offer Document are Hong Kong time.**

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## LETTER FROM THE BOARD

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### CYBERM INTERNATIONAL (HOLDINGS) LIMITED

美域數碼國際(控股)有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8017)

*Executive Directors*

Mr. Lau Chiu Pui  
Ms. Chan Pui Fong, Trish  
Mr. Lai Cho Wai

*Registered office*

Canon's Court  
22 Victoria Street  
Hamilton HM 12, Bermuda

*Non-executive Directors*

Mr. Chiu Raymond Yim

*Principal office*

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

*Independent non-executive Directors*

Mr. Chan Wai Choi, Glenn  
Ms. Kwan Ngan Hing, Edith  
Mr. Cheong Ngai Ming, David

28th November, 2005

*To the Shareholders and Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BARON CAPITAL LIMITED  
ON BEHALF OF  
WIDE FINE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
WIDE FINE INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED**

#### INTRODUCTION

On 20th October, 2005, the Board and the Offeror jointly announced that the Offeror had exercised the balance of the Option in full thereby acquiring a further 127,500,000 Shares, representing approximately 50% of the entire issued share capital of the Company as at that date.

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## LETTER FROM THE BOARD

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Following the exercise of the balance of the Option, the Offeror owns an aggregate of 177,500,000 Shares, representing approximately 70.25% of the issued and voting share capital of the Company and the Offeror is required to make a mandatory unconditional cash offer for all the outstanding Shares and Share Options (other than those already acquired or agreed to be acquired by the Offeror and its concert parties) pursuant to Rule 26.1 and 13 of the Takeovers Code. Accordingly, Baron Capital will, on behalf of the Offeror, make the Offers for all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it at HK\$0.0676 per Share. As at the Latest Practicable Date, there were 2,766,000 outstanding Share Options. The Offeror intends to cancel all the outstanding Share Options acquired. The terms of the Offers are set out in the letter from Baron Capital as well as in Appendix I to this Composite Offer Document, of which this letter forms part, and in the accompanying Forms of Acceptance.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee was formed, comprising a non-executive Director, namely Mr. Chiu Raymond Yim, and all of the independent non-executive Directors, namely Mr. Chan Wai Choi, Glenn, Ms. Kwan Ngan Hing, Edith and Mr. Cheong Ngai Ming, David, to advise the Independent Shareholders and Optionholders in respect of the Offers. The other Directors are excluded from comprising the Independent Board Committee as they are either employees or paid staff of the Group and are therefore deemed to be interested in the Offers.

In addition to setting out the letter from Baron Capital contained herein, the purpose of this document is also to provide you with, among other things, information relating to the Group and the Offers and to set out the letter from the Independent Board Committee containing its advice to the Independent Shareholders and Optionholders on the terms of the Offers and the letter from Partners Capital in respect of the Offers.

### THE OFFERS

As set out in the letter from Baron Capital, Baron Capital is making, on behalf of the Offeror, the Share Offer on the following basis:

For each Share ..... HK\$0.0676 in cash

The Share Offer Price is determined as the same price as that paid by the Offeror to Noble Class pursuant to the exercise of the Option on 25th July, 2005 and 29th September, 2005 respectively based on the Option Agreement. The Share Offer Price represents (i) a discount of approximately 87.9% to the closing price of HK\$0.56 as quoted by the Stock Exchange of the Shares on 29th September, 2005, being the last full trading day of the Shares before the Joint Announcement; (ii) a discount of approximately 88.6% to the average of closing prices of the Shares of approximately HK\$0.594 over the last 10 consecutive trading days up to and including 29th September, 2005; (iii) a discount of approximately 89.3 % to the average of closing prices of the Shares of approximately HK\$0.631 over the last 20 consecutive trading days up to and including 29th September, 2005; (iv) a premium of approximately 38,700% to the consolidated audited net asset value per Share of approximately HK\$0.000174 as at 31st March, 2005; and (v) a discount of approximately 82.2% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### Share Options

Pursuant to Rule 13 of the Takeovers Code, the Offeror is required to make a comparable offer for all the outstanding Share Options as part of the Offers. The Offeror offers to pay the Optionholders the Option Offer Price in cash on the basis set out below in respect of every 10,000 Share Options held by them in consideration of the surrender by such Optionholders of all their rights in respect of such Share Options:

**For cancellation of every 10,000 Share Options .....HK\$1 in cash**

As at the Latest Practicable Date, there are 2,766,000 outstanding Share Options entitling grantees to subscribe for an aggregate of 2,766,000 Shares. 490,000 Share Options were granted on 12th December, 2003 with an exercise price of HK\$0.20 per Share and 2,276,000 Share Options were granted on 4th September, 2000 with an exercise price of HK\$1.18 per Share. The Option Offer Price represents a nominal amount offered by the Offeror for the Share Options.

The Company will not grant any options under the Option Scheme during the Offer period in relation to the Offers.

### Further details of the Offers

Further details of the Offers including, among other things, the terms and conditions and the procedures for acceptance are set out in Appendix 1 to this Composite Offer Document on pages 39 to 44 and the accompanying Forms of Acceptance.

### INFORMATION ON THE GROUP

The principal activities of the Group comprise trading of software and hardware equipments, lease of trading of software licences, provision of consulting services and provision of rolling and settlement services to VIP gaming lounges in Macau.

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## LETTER FROM THE BOARD

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Upon the exercise in full of the Option by the Offeror and assuming no change in the share capital of the Company since the date of the Joint Announcement, the shareholding of the Company would be as follows:

Shareholder	Prior to exercise of any of the Option on 25th July, 2005		Immediately after the exercise in part of the Option on 25th July, 2005		Immediately after the completion of the exercise in full of the Option on 30th September, 2005	
	<i>No. of shares</i>	<i>approximate %</i>	<i>No. of shares</i>	<i>approximate %</i>	<i>No. of shares</i>	<i>approximate %</i>
Noble Class and concert parties	191,250,000	76.29	141,250,000	56.35	13,750,000 <i>(Note 1)</i>	5.44
The Offeror and concert parties	0	0	50,000,000	19.94	177,500,000	70.25
Public	59,434,000	23.71	59,434,000	23.71	61,434,000	24.31
Total	250,684,000	100.00	250,684,000	100.00	252,684,000 <i>(Note 2)</i>	100.00

*Notes:*

1. Noble Class has indicated that it will not accept the Share Offer in respect of its Shares.
2. Increase of 2,000,000 Shares due to the exercise of Share Options under the Option Scheme.

The following table sets out a summary of the audited consolidated results of the Group for the two years ended 31st March, 2004 and 2005:

	<b>For the year ended 31st March,</b>	
	<b>2004</b>	<b>2005</b>
	<i>HK'000</i>	<i>HK'000</i>
Turnover	14,674	24,160
(Loss) before taxation	(9,952)	(2,414)
(Loss) attributable to shareholders	(9,729)	(2,414)
Net asset value	3,235	272

Detailed financial information of the Group is set out in Appendix II to this document.

For the six months ended 30th September, 2005, the Group recorded a turnover of approximately HK\$18.8 million, representing an increase of approximately 41% as compared with the turnover of HK\$13.3 million for the six months ended 30th September, 2004. For the same period, the Group recorded a net profit attributable to Shareholders of HK\$1.4 million, representing an increase of approximately 133% as compared with the net profit attributable to Shareholders of approximately HK\$0.6 million for the six months ended 30th September, 2004. The increase in both turnover and net profit was mainly due to the contribution from the business in Macau (as to approximately HK\$5.1 million in terms

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## LETTER FROM THE BOARD

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of turnover and approximately HK\$1.6 million in terms of net profit) after the commencement of the provision of rolling and settlement services at the VIP gaming lounge at Galaxy Casino in Waldo Hotel in Macau on 1 August, 2005.

### *Financial positions*

As at 30th September, 2005, the Group had cash and bank balances of approximately HK\$9.2 million (31st March, 2005: HK\$7.1 million), out of which as to approximately HK\$5.6 million (31st March, 2005: HK\$5.6 million) was pledged deposits. The Group's current assets as at 30th September, 2005 were approximately 1.3 times (31st March, 2005: 0.9 times) over its current liabilities and the Group position had improved to net current assets position of approximately HK\$3.4 million from net current liabilities position of approximately HK\$1.0 million as at 31st March, 2005.

The Group was financed by bank borrowings and its own working capital during the six months ended 30th September, 2005. There is no material working capital commitment on the part of the Group for supporting the ongoing operation of its new rolling and settlement business in Macau. As at 30th September, 2005, the Group's gearing ratio (as represented by long-term liabilities divided by shareholders' funds) was nil (31st March, 2005: 518%).

### **INTENTION OF THE OFFEROR REGARDING THE GROUP**

The Offeror proposes to continue the existing business of the Group but will regularly review its current business activities and assets. The Offeror does not intend to make any changes to the existing business of the Company including the redeployment of fixed assets. The Offeror has no intention to privatise the Company.

### **MANAGEMENT AND STAFF**

#### **Directors and Management**

It is intended that all the existing executive and non-executive Directors (except Mr. Lau Chiu Pui and Mr. Lai Cho Wai) will resign at the earliest time permitted under the Takeovers Code and the GEM Listing Rules. The Board announced that Mr. Wong Kam Leong and Mr. Ma Chon will be appointed as executive directors of the Company immediately after the despatch of this Composite Offer Document. A further announcement will be made when appropriate. The biographical details of Mr. Wong Kam Leong and Mr. Ma Chon are set out below:

Mr. Wong Kam Leong, aged 42, is a director of a private property trading and development company. And he was also the chairman and legal representative of a PRC electric appliance company namely Zhongshan Weili Electronics Appliances Group Limited (中山威力電器集團有限公司). He has over 10 years experience in sales and marketing and property trading and development in the Mainland China.

Mr. Wong Kam Leong is the controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Wong Kam Leong did not hold any directorship in any listed company in the past three years before the Latest Practicable Date. The Board is not aware of any other matters relating to the proposed appointment of Mr. Wong Kam Leong that need to be brought to the attention of the Shareholders. Mr. Wong Kam Leong has no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company, save his interest in Wide Fine.

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## LETTER FROM THE BOARD

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Mr. Ma Chon, aged 48, is a director of private property trading and development company in Macau. He was also the marketing manager of the LEROY VIP Lounge in the Lisboa Casino in Macau. He has vast experience in the gaming industry in Macau, particularly in relation to the management of VIP lounges in casinos, formulating marketing policies of VIP lounges.

Mr. Ma Chon does not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company for the purpose of the GEM Listing. He has no interests in Shares within the meaning of Part XV of the SFO. Mr. Ma Chon did not hold any directorship in any listed company in the past three years before the Latest Practicable Date.

### RECOMMENDATIONS

Your attention is drawn to the letters from the Independent Board Committee and Partners Capital which set out their recommendations in relation to the Offers and the principal factors considered by them in arriving at their recommendations. The letter from the Independent Board Committee is set out on pages 21 to 22 to this document and the letter from Partners Capital is set out from pages 23 to 38 to this document.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offers, there is less than 20% of all the Shares being held by the general public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror has no intention to privatise the Company. The Offeror intends to maintain the listing of the Shares on the GEM of the Stock Exchange. The directors of the Offeror and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

### ADDITIONAL INFORMATION

In considering what action to take in connection with the Offers, Shareholders and Optionholders should consider their own tax positions and, if they are in doubt, they should consult their professional advisers.

Your attention is also drawn to the additional information contained in Appendices I to III to this document.

Yours faithfully,  
On behalf of the Board  
**Lau Chiu Pui**  
*Chairman*

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## LETTER FROM BARON CAPITAL

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4th Floor, Aon China Building  
29 Queen's Road Central  
Central, Hong Kong

28th November, 2005

*To the Shareholders and the Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BARON CAPITAL LIMITED  
ON BEHALF OF  
WIDE FINE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
WIDE FINE INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED**

### INTRODUCTION

On 20th October, 2005, the Offeror and the Company jointly announced that on 29th September, 2005 the Offeror had exercised the balance of the Option in full thereby acquiring a further 127,500,000 Shares, representing approximately 50% of the entire issued share capital of the Company. Immediately before the exercise of the balance of the Option, the Offeror and any parties acting in concert with it held an approximately 19.94% of the issued share capital of the Company. Following the exercise of the balance of the Option, the Offeror and any parties acting in concert with it own an aggregate of 177,500,000 Shares, representing approximately 70.25% of the issued share capital of the Company as at the Latest Practicable Date and are required to make a mandatory unconditional cash offer for all the outstanding Shares and Share Options (other than those already acquired by the Offeror and any parties acting in concert with it) pursuant to Rule 26.1 and 13 of the Takeovers Code. Baron Capital will, on behalf of the Offeror, make the Offers. The principal terms of the Offers are set out under the section headed "The Offers" below.

The Offers are unconditional in all respects.

This letter, together with Appendix I to this Composite Offer Document and in the accompanying Forms of Acceptance, set out, among other things, the terms of the Offers, procedures for acceptance of the Offers, information of the Offeror and the intention of the Offeror regarding the future of the Group.

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## LETTER FROM BARON CAPITAL

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Your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from Partners Capital” contained in this Composite Offer Document.

### THE OFFERS

Baron Capital, on behalf of the Offeror, is making unconditional cash offers to acquire all the Offer Shares and to cancel all outstanding Share Options on the terms and subject to the conditions set out in this letter, Appendix I to this Composite Offer Document and in the accompanying Forms of Acceptance on the following basis:-

#### The Offers

The Offers are made on the following basis:

**For each Share ..... HK\$0.0676 in cash**

The Share Offer Price is determined as the same price as that paid by the Offeror to Noble Class pursuant to the exercise of the Option on 25th July, 2005 and 29th September, 2005 respectively based on the Option Agreement.

**For cancellation of every 10,000 Share Options ..... HK\$1 in cash**

As at the Latest Practicable Date, there were 2,766,000 outstanding Share Options entitling grantees to subscribe for an aggregate of 2,766,000 Shares. 490,000 Share Options were granted on 12th December, 2003 with an exercise price of HK\$0.20 per Share and 2,276,000 Share Options were granted on 4th September, 2000 with an exercise price of HK\$1.18 per Share. The Option Offer Price represents a nominal amount offered by the Offeror for the Share Options.

Save for the Share Options as mentioned above, there is no outstanding options, warrants or securities convertible into Shares as at the date of this Composite Offer Document.

#### *Comparison of value*

The Share Offer Price represents:

1. a discount of approximately 87.9% to the closing price of HK\$0.56 as quoted by the Stock Exchange of the Shares on 29th September, 2005, being the last full trading day of the Shares before the Joint Announcement;
2. a discount of approximately 88.6% to the average of closing prices of the Shares of approximately HK\$0.594 over the last 10 consecutive trading days up to and including 29th September, 2005, being the last full trading day of the Shares before the Joint Announcement;

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## LETTER FROM BARON CAPITAL

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3. a discount of approximately 89.3% to the average of closing prices of the Shares of approximately HK\$0.631 over the last 20 consecutive trading days up to and including 29th September, 2005, being the last full trading day of the Shares before the Joint Announcement;
4. a premium of approximately 38,700% over the audited consolidated net asset value of approximately HK\$0.000174 per Share as at 31st March, 2005; and
5. a discount of approximately 82.2% to the closing price of the Share of HK\$0.38 as quoted on the Stock Exchange on the Latest Practicable Date;

### *Total consideration*

As at the Latest Practicable Date, there were a total of 252,684,000 Shares in issue and 2,766,000 outstanding Share Options. On the basis of the Share Offer Price at HK\$0.0676 per Share, the entire issued share capital of the Company is valued at approximately HK\$17,081,000 under the Share Offer. As at the Latest Practicable Date, Noble Class held 13,750,000 Shares (representing approximately 5.44% of the issued share capital of the Company) and has irrevocably undertaken in writing to the Offeror that it will not accept the Offers. In view of the irrevocable undertaking given by Noble Class, the total consideration payable by the Offeror pursuant to the Offers, if the Offers are accepted in full, is approximately HK\$4,200,000.

### **Unconditional Offers**

The Offers are unconditional and are not conditional on the attaining of any particular level of acceptance in respect of the Offers. Unless the Offers are extended, the latest time for acceptance is 4:00 p.m. on Tuesday, 20th December, 2005. The procedure for acceptance and further terms of the Offers are set out in Appendix I to this Composite Offer Document.

### **Confirmation of financial resources**

The Offers will be financed by a loan facility of up to HK\$4,000,000 granted to the Offeror by Media Tower Holdings Limited and a loan facility of up to HK\$200,000 granted to the Offeror by Baron Capital. Media Tower Holdings Limited and its ultimate beneficial owners are third party independent of and not connected with the Offeror but are considered as parties acting in concert with the Offeror under the definition of the Takeovers Code. The Joint Financial Advisers are satisfied that sufficient financial resources are available to the Offeror to meet full acceptance of the Offers. The payment of interest on, repayment of or security for any liability under the facility granted by Media Tower Holdings Limited and Baron Capital will not depend on the business of the Group.

### **Compulsory acquisition**

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares after the close of the Offers.

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## LETTER FROM BARON CAPITAL

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### **Effects of accepting the Offers**

Acceptance of the Offers by the Shareholders and the Optionholders will be deemed to constitute a warranty by such person that all the relevant Shares or Share Options sold by such person under the Offers will be sold by such person as beneficial owner(s) free from all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of this Composite Offer Document.

Under the terms of the Option Offer, the Share Options together with all rights attaching thereto will be entirely cancelled and renounced.

### **Right of withdrawal**

Acceptance of the Offers tendered by the Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in Rule 19.2 of the Takeovers Code. Further details are set out under the paragraph headed "Right of Withdrawal" in Appendix I to this Composite Offer Document.

### **Settlement**

Remittances in respect of the consideration payable for the Shares tendered and Options cancelled under the Offers, less seller's ad valorem stamp duty payable by them, will be posted at your own risk within 10 days of the date of receipt by the Registrar of all the relevant documents to render the relevant acceptances under the Offers complete and valid.

### **Dealings and holdings of Shares**

Save in respect of the exercise of the Option by the Offeror on 25th July, 2005 and 29th September, 2005 respectively, neither the Offeror nor its beneficial owners have any financial or other business connection with Noble Class and parties acting in concert with it. Furthermore, save for the exercise of the Option on 25th July, 2005 and 29th September, 2005 respectively, the Offeror and parties acting in concert with it have not dealt in Shares, options, warrants or derivatives or conversion rights affecting the Shares of the Company in the past 6 months from the date of this Composite Offer Document.

### **Stamp duty**

Stamp duty at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the amount payable in respect of relevant acceptance will be deducted from the amount payable to the Accepting Shareholders.

The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Share Offer based on the gross consideration payable to the Accepting Shareholders in respect of the Share Offer and the Offeror will be responsible to account to the Stamp Office of Hong Kong the stamp duty payable for the sale and purchase of relevant Shares pursuant to the acceptance of the Share Offer.

There is no stamp duty imposed on the Optionholders in connection with their acceptance of the Option Offer.

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## LETTER FROM BARON CAPITAL

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### INFORMATION ON THE OFFEROR

Wide Fine is a special purpose vehicle incorporated in Hong Kong and has not carried on any business activities since its incorporation on 31st January, 2005. As at the Latest Practicable Date, Wide Fine is wholly and beneficially owned by Mr. Wong Kam Leong. Wide Fine is also a Shareholder holding approximately 70.25% of the entire issued share capital of the Company. As at the Latest Practicable Date, the Offeror Directors comprise Mr. Wong Kam Leong and Mr. Tse Kam Chuen. Mr. Tse is an independent third party who is not a connected person of the Company (as that term is defined in the GEM Listing Rules).

### INFORMATION ON THE GROUP

The principal activities of the Group comprise trading of software and hardware equipments, lease of trading of software licences, provision of consulting services and provision of rolling and settlement services to VIP gaming lounges in Macau.

### INTENTIONS OF THE OFFEROR REGARDING THE GROUP

The Offeror proposes to continue the existing businesses of the Group and will maintain the listing status of the Company on GEM after closing of the Offers. Save for the proposed changes to the members of the Board as disclosed under the section headed “Proposed changes of board composition of the Company” below, the Offeror has no intention to make any changes to the employees of the Group or to dispose of or re-deploy the assets of the Group other than those in its ordinary course of business. After completion of the Offers, the Offeror will conduct regular review on the business activities and assets of the Group. The Offeror intends to expand the Group’s provision of rolling and settlement services to other VIP gaming lounges in Macau. The Offeror confirms that it will procure that, following the close of the Offers, any asset injections or disposals will be implemented in accordance with all applicable laws, regulations and relevant provisions of the GEM Listing Rules. Although the Offeror does not have any concrete plan on the future development of the business of the Group at present, the Offeror believes that the management experience and business network of Mr. Wong Kam Leong in the PRC can help the Group to explore business opportunities in the PRC. The Offeror does not intend to transfer, change or pledge to any other persons any Shares acquired in pursuance of the Share Offer.

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## LETTER FROM BARON CAPITAL

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### PROPOSED CHANGES OF BOARD COMPOSITION OF THE COMPANY

Currently, the Board comprises three executive Directors, namely Mr. Lau Chiu Pui, Ms. Chan Pui Fong, Trish and Mr. Lai Cho Wai, non-executive Director, Mr. Chiu Raymond Yim and three independent non-executive Directors namely Mr. Chan Wai Choi, Glenn, Ms. Kwan Ngan Hing, Edith and Mr. Cheong Ngai Ming, David. It is the intention of the Offeror that all executive and non-executive Directors (except Mr. Lau Chiu Pui and Mr. Lai Cho Wai) will resign from the Board and such resignation will take effect at the earliest time permitted under the Takeovers Code, the GEM Listing Rules or other applicable rules and regulations.

It is expected that Mr. Wong Kam Leong and Mr. Ma Chon will be appointed as executive Directors immediately after the posting of this Composite Offer Document. The biographical details of Mr. Wong Kam Leong and Mr. Ma Chon are set out below:

- Mr. Wong Kam Leong, aged 42, is a director of a private property trading and development company. And he was also the chairman and legal representative of a PRC electric appliance company namely Zhongshan Weili Electronics Appliances Group Limited (中山威力電器集團有限公司). He has over 10 years experience in sales and marketing and property trading and development in the Mainland China.

Mr. Wong Kam Leong is the controlling shareholder of the Company for the purpose of the GEM Listing Rules. Mr. Wong Kam Leong did not hold any directorship in any listed company in the past three years before the Latest Practicable Date. Mr. Wong Kam Leong has no relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company, save his interest in Wide Fine.

- Mr. Ma Chon, aged 48, is a director of private property trading and development company in Macau. He was also the marketing manager of the LEROY VIP Lounge in the Lisboa Casino in Macau. He has vast experience in the gaming industry in Macau, particularly in relation to the management of VIP lounges in casinos, formulating marketing policies of VIP lounges.

Mr. Ma Chon does not have any relationships with any directors, senior management, management shareholders, substantial or controlling shareholders of the Company for the purpose of the GEM Listing. He has no interests in Shares within the meaning of Part XV of the SFO. Mr. Ma Chon did not hold any directorship in any listed company in the past three years before the Latest Practicable Date.

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## LETTER FROM BARON CAPITAL

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The Board is not aware of any other matters relating to the proposed appointment of Mr. Wong Kam Leong and Mr. Ma Chon that need to be brought to the attention of the Shareholders.

### MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror has no intention to privatise the Company. It is the intention of the Offeror to maintain the listing status of the Company on GEM after the close of the Offers. The Offeror Directors and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

**The Stock Exchange has stated that if, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 20% of the issued Shares, are held by the public, or if the Exchange believes that:**

- **a false market exists or may exist in the trading of the Shares; or**
- **that there are insufficient Shares in public hands to maintain an orderly market,**

**it will consider exercising its discretion to suspend dealings in the Shares.**

### TAXATION

Shareholders and Optionholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Offers. It is emphasised that none of the Company, the Offeror or the Joint Financial Advisers or any of their respective directors or any persons involved in the Offers accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Offers.

### ACCEPTANCE AND SETTLEMENT

#### (a) Procedures for acceptance of the Offers

##### (i) *The Share Offer*

To accept the Share Offer, you should complete the accompanying **WHITE** Form of Acceptance and transfer of the Shares in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.

The completed **WHITE** Form of Acceptance and transfer of the Shares should then be forwarded, together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Share Offer by post or by hand to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong marked

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## LETTER FROM BARON CAPITAL

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“CyberM Share Offer” on the envelope, as soon as practicable after receipt of this document and in any event so as to reach the Registrar by no later than 4:00 p.m. on Tuesday, 20th December, 2005 or such later time and/or date as the Offeror may determine and announce.

(ii) *The Option Offer*

To accept the Option Offer, you should complete the **YELLOW** Form of Acceptance and cancellation of the outstanding Share Options obtainable from the principal place of business of the Company at Room 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.

The completed **YELLOW** Form of Acceptance and cancellation of the outstanding Options should then be forwarded, together with the relevant Share Option certificate(s) (if any) stating the number of Share Options for not less than the number of Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at Room 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, marked “CyberM Option Offer” on the envelope, as soon as practicable after receipt of this document and in any event no later than 4:00 p.m. on Tuesday, 20th December, 2005 or such later time and/or date as the Offeror may determine and announce.

**(b) Settlement of the Offers**

(i) *Share Offer*

Provided that the relevant **WHITE** Form(s) of Acceptance and transfer of the Shares, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and received by the Registrar by no later than 4:00 p.m. on Tuesday, 20th December, 2005, a cheque for the amount representing the cash consideration (after deducting the relevant seller’s ad valorem stamp duty payable by you) due to you in respect of the Shares tendered by you under the Share Offer will be despatched to you by ordinary post at your own risk within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar.

(ii) *Option Offer*

Provided that the relevant **YELLOW** Form of Acceptance and cancellation of the outstanding Share Options (and/or any satisfactory indemnity or indemnities required in respect thereof) and Share Option certificate(s) (if any) are in complete and good order in all respects and received by the Company by no later than 4:00 p.m. on Tuesday, 20th December, 2005, a cheque for the amount representing the cash consideration due to you in respect of the Share Options tendered by you for cancellation under the Option Offer will be despatched to you by ordinary post at your own risk within 10 days of the date on which all the relevant documents which render such acceptance complete and valid are received by the company secretary of the Company.

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## LETTER FROM BARON CAPITAL

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Settlement of the consideration to which any accepting Shareholder and/or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save with respect of the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder and Optionholder.

### GENERAL

In order for beneficial owners of Shares, whose investments are registered in nominee names, to accept the Share Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Share Offer.

The attention of Shareholders not resident in Hong Kong is drawn to paragraph 6 of the section headed "General" in Appendix I to this Composite Offer Document.

All documents and remittances sent to Shareholders and Optionholders by post will be sent to them at their own risk. Such documents and remittances will be sent to the Shareholders and the Optionholders at their addresses as they appear in the register of members of the Company or the register of Optionholders (as the case may be) or, in the case of joint Shareholders, to the Shareholder whose name stands first in the register of members of the Company, as applicable. None of the Offeror, the Company, the Joint Financial Advisers or any of their respective directors or any other persons involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

### ADDITIONAL INFORMATION

Your attention is also drawn to the accompanying Forms of Acceptance and the additional information set out in the appendices which form part of this Composite Offer Document.

Yours faithfully,  
For and on behalf of  
**Baron Capital Limited**  
**Chiu Sui Keung, Thomas**  
*Managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CYBERM INTERNATIONAL (HOLDINGS) LIMITED**

**美域數碼國際(控股)有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8017)

28th November, 2005

*To the Independent Shareholders and the Optionholders*

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY  
BARON CAPITAL LIMITED  
ON BEHALF OF  
WIDE FINE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
WIDE FINE INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)  
AND TO CANCEL ALL OUTSTANDING SHARE OPTIONS OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED**

**INTRODUCTION**

We refer to the Composite Offer Document dated 28th November, 2005 jointly issued by the Company and the Offeror of which this letter forms part. Terms defined in the Composite Offer Document shall have the same meanings in this letter unless the context otherwise requires.

As the Directors who are independent of the parties to the Offers, we have been appointed as members of the Independent Board Committee to consider the terms of the Offers and to advise you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Partners Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offers. Details of its advice and the principal factors taken into consideration in arriving at its recommendation are set out in the letter from Partners Capital on pages 23 to 38 of the Composite Offer Document.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Baron Capital, (iii) the letter from Partners Capital; and (iv) the additional information set out in the appendices to the Composite Offer Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having taking into account the terms of the Offers and the advice of Partners Capital, we are of the opinion that:-

- the Share Offer is not fair and reasonable so far as the Independent Shareholders are concerned and accordingly, we recommend the Independent Shareholders not to accept the Share Offer. However, for those Independent Shareholders who, after considering their own circumstances, wish to accept the Share Offer as to some or all of their Shares, they should carefully closely monitor the market price of the Shares during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Share Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer; and
- the basis of determining the Option Offer Price is acceptable and accordingly the Option Offer Price is fair and reasonable so far as the Optionholders are concerned. On such basis, we recommend the Optionholders to consider accepting the Option Offer. However, we further recommend the Optionholders (especially those holding the Share Options granted on 12th December, 2003) who wish to accept the Option Offer to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds their respective exercise price (and hence becoming or restoring to be in the money) during the offer period and if the net proceeds from the sales of such converted Shares in the open market after deducting all transaction costs would exceed the net amount receivable under the Option Offer.

Yours faithfully,

For and on behalf of

the Independent Board Committee

**Mr. Chiu Raymond Yim**, *Non-executive Director*

**Mr. Chan Wai Choi, Glenn, Ms. Kwan Ngan Hing, Edith and**

**Mr. Cheong Ngai Ming David**

*Independent non-executive Directors*

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## LETTER FROM PARTNERS CAPITAL

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博大資本國際有限公司  
Partners Capital International Limited

Partners Capital International Limited  
Room 1305, 13th Floor  
9 Queen's Road Central  
Hong Kong

28 November 2005

*To the Independent Board Committee*

Dear Sirs,

**MANDATORY UNCONDITIONAL CASH OFFERS BY  
BARON CAPITAL LIMITED  
ON BEHALF OF  
WIDE FINE INTERNATIONAL LIMITED  
TO ACQUIRE ALL OF THE ISSUED SHARES OF  
AND FOR THE CANCELLATION OF SHARE OPTIONS OF  
CYBERM INTERNATIONAL (HOLDINGS) LIMITED  
(OTHER THAN THOSE ALREADY OWNED BY  
WIDE FINE INTERNATIONAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Offers, particulars of which are set out in the Composite Offer Document (the "Document") dated 28 November 2005, in which this letter is reproduced, which has been despatched by the Company to the Independent Shareholders in response to the Offers. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Document.

As set out in the letter from the Board (the "Letter from the Board"), Wide Fine had exercised the balance of the Option in full on 29 September 2005 thereby acquiring a further 127,500,000 Shares, representing approximately 50% of the entire issued share capital of the Company. Immediately before the exercise of the balance of the Option, Wide Fine and parties acting in concert with it held an approximately 19.94% of the issued share capital of the Company. Following completion of the exercise of the remainder of the Option, Wide Fine and parties acting in concert with it own an aggregate of 177,500,000 Shares, representing approximately 70.25% of the issued share capital of the Company and thus, Wide Fine is required to make mandatory unconditional cash offers for all outstanding Shares and for the cancellation of all outstanding Share Options (other than those already acquired by Wide Fine and parties acting in concert with it) pursuant to Rules 26.1 and 13 of the Takeovers Code.

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## LETTER FROM PARTNERS CAPITAL

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Baron Capital, on behalf of Wide Fine, is making the Offers on the following basis:

For each Share ..... HK\$0.0676 in cash

For every 10,000 Share Options ..... HK\$1 in cash

Further terms and conditions of the Offers, including the procedures for acceptance, are set out in the Document.

In accordance with Rule 2.1 of the Takeovers Code, the Independent Board Committee, comprising Mr. Chiu Raymond Yim, Mr. Chan Wai Choi, Glenn, Ms. Kwan Ngan Hing, Edith and Mr. Cheong Hgai Ming David, was formed to advise the Independent Shareholders in respect of the Offers. None of the following Directors is considered to be independent for the purpose of giving any advice or recommendation to the Independent Shareholders in relation to the Offers for, inter alia, the following reasons:

- (1) Mr. Lau Chiu Pui is an executive Director and paid employee of the Company, the sole beneficial owner of Noble Class and one of the Optionholders;
- (2) Ms. Chan Pui Fong, Trish is an executive Director and paid employee of the Company and the spouse of Mr. Lau Chiu Pui; and
- (3) Mr. Lai Cho Wai is an executive Director and paid employee of the Company.

Partners Capital International Limited is not connected with the directors, chief executive and substantial shareholders of the Company and Wide Fine or any of its subsidiaries or their respective associates and therefore is considered suitable to give independent advice to the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Partners Capital International Limited will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Document and have assumed that all information and representations made or referred to in the Document as provided by the Directors and/or Wide Fine were true at the time they were made and continue to be true as at the date of the Document. We have also relied on our discussion with the Directors regarding the Group and the Offers, including the information and representations contained in the Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and Wide Fine respectively in the Document were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Document and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Document nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and Wide Fine. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Wide Fine, Noble Class and their respective associates nor have we carried out any independent verification of the information supplied.

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## LETTER FROM PARTNERS CAPITAL

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We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Offers since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offers and, if in any doubt, should consult their own professional advisers.

### THE SHARE OFFER

#### Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

(i) *Review of financial performance*

The principal activities of the Group comprise trading of software and hardware equipments, lease and trading of software licences, provision of consulting services and procurement of rolling and settlement services to VIP gaming lounges in Macau.

A summary of the audited consolidated results of the Group for the three years ended 31 March 2005, the unaudited consolidated results of the Group for the six months ended 30 September 2005 and the audited consolidated financial statements of the Group for the two years ended 31 March 2005 are set out in the Appendix II to the Document. We analyse the consolidated results of the Group for each of the three years ended 31 March 2005 and for the six months ended 30 September 2005 as follows:

- *Audited consolidated results for the year ended 31 March 2003*

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$13.7 million, representing a slight reduction of approximately 3% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net loss attributable to Shareholders of approximately HK\$2.6 million as compared to the net loss of approximately HK\$12.2 million for the year ended 31 March 2002.

According to the annual report of the Company for the year ended 31 March 2003, the reduction in net loss attributable to Shareholders was 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. It was particularly true for sales in system upgrade and enhancement in a period when budgets are generally tight and spending highly cautious.

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## LETTER FROM PARTNERS CAPITAL

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- ***Audited consolidated results for the year ended 31 March 2004***

For the year ended 31 March 2004, the Group recorded a turnover of approximately HK\$14.7 million, representing an increase of approximately 7% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net loss attributable to Shareholders of HK\$9.7 million as compared to the net loss attributable to Shareholders of approximately HK\$2.6 million for the year ended 31 March 2003.

According to the annual report of the Company for the year ended 31 March 2004, the significant loss incurred for the year under review was mainly due to the impairment of development expenditures upon failure of certain projects invested and additional marketing and promotion campaigns held for new products launched during the year. On the other hand, the turnover remained relatively stable despite the exploration and development of new businesses took the Group time and resources to accommodate the new product and service lines.

- ***Audited consolidated results for the year ended 31 March 2005***

For the year ended 31 March 2005, the Group recorded a turnover of approximately HK\$24.2 million, representing a significant increase of approximately 65% as compared with that of the preceding financial year. For the same financial year, the Group recorded a net loss attributable to Shareholders of HK\$2.4 million as compared to the net loss attributable to Shareholders of approximately HK\$9.7 million for the year ended 31 March 2004.

According to the annual report of the Company for the year ended 31 March 2005, the Group has been the leading partner with SAP, one of the largest worldwide Enterprise Resource Planning (ERP) solution providers, to distribute their branded products since 2003/2004. On the other hand, the Group has provided its own Point of Sale (POS) system to various well-known retailers in Hong Kong and the PRC. Together with its expertise in the implementation and support services, the Group has achieved a very significant increase in turnover and reduction of loss. In addition, the loss was partially contributed by non-cash depreciation and amortization of HK\$1.7 million. Furthermore, in view of the booming economy of Macau through the rapid-growing tourism and gaming industry, the Group has started to explore the possibility of entering into Macau gaming business. Should it materialize, the business of the Group would diversify.

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## LETTER FROM PARTNERS CAPITAL

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- *Unaudited consolidated results for the six months ended 30 September 2005*

For the six months ended 30 September 2005, the Group recorded a turnover of approximately HK\$18.8 million, representing an increase of approximately 41% as compared with the turnover of HK\$13.3 million for the six months ended 30 September 2004. For the same period, the Group recorded a net profit attributable to Shareholders of HK\$1.4 million, representing a reduction of approximately 133% as compared with the net profit attributable to Shareholders of approximately HK\$0.6 million for the six months ended 30 September 2004. We note that the increase in both turnover and net profit was mainly due to the contribution from the business in Macau (as to approximately HK\$5.1 million in terms of turnover and approximately HK\$1.6 million in terms of net profit) after the commencement of the procurement of rolling and settlement services at the VIP gaming lounge at Galaxy Casino in Waldo Hotel in Macau on 1 August 2005. According to the announcement of the Company dated 14 July 2005 and as further advised by the Directors, such procurement of rolling and settlement services involves the exchanging of non-negotiable gambling chips of the customers procured by the Group and does not involve in any IT services of the Group.

- *Further analysis*

- ^ *Financial positions*

As at 30 September 2005, the Group had cash and bank balances of approximately HK\$9.2 million (31 March 2005: HK\$7.1 million), out of which as to approximately HK\$5.6 million (31 March 2005: HK\$5.6 million) was pledged deposits. Upon comparison, the unencumbered cash and bank balances of the Group increased by approximately HK\$2.1 million during the six month ended 30 September 2005. On the other hand, the Group's current assets as at 30 September 2005 were approximately 1.3 times (31 March 2005: 0.9 times) over its current liabilities. Upon comparison, this represented a restoration from net current liabilities position of approximately HK\$1.0 million as at 31 March 2005 to net current assets position of approximately HK\$3.4 million as at 30 September 2005. On such basis, there were signs of improvement on the Group's liquidity position for the six month ended 30 September 2005.

As at 30 September 2005, trade receivables of approximately HK\$5.8 million (31 March 2005: HK\$3.9 million) represented the single largest component of the Group's current assets. Upon comparison, trade receivables of the Group increased by approximately HK\$1.9 million during the six month ended 30 September 2005, primarily attributable to the turnover contribution from the Group's new rolling and settlement business in Macau according to the Directors.

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## LETTER FROM PARTNERS CAPITAL

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Upon enquiry, the Director have confirmed to us that the Group was financed by bank borrowings and its own working capital during the six months ended 30 September 2005. Upon further enquiry, we are confirmed by the Directors that there is no material working capital commitment or burden on the part of the Group for supporting the ongoing operation of its new rolling and settlement business in Macau. We note that the Group's bank borrowings amounted to approximately HK\$5.8 million as at 30 September 2005 (31 March 2005: HK\$6.6 million), out of which as to approximately HK\$5.3 million (31 March 2005: HK\$5.8 million) was secured bank overdrafts and approximately HK\$0.5 million (31 March 2005: HK\$0.5 million) was current portion of secured long-term bank loan. As at 30 September 2005, the Group's gearing ratio (as represented by long-term liabilities divided by shareholders' funds was nil (31 March 2005: 518%). Upon comparison, this improvement in the Group's gearing ratio was primarily attributable to a reduction of the Group's long-term bank loan of approximately HK\$0.2 million as at 31 March 2005 to nil as at 30 September 2005, together with the increase in the Group's shareholders' funds from a negligible amount of approximately HK\$0.04 million as at 31 March 2005 to HK\$3.9 million as at 30 September 2005.

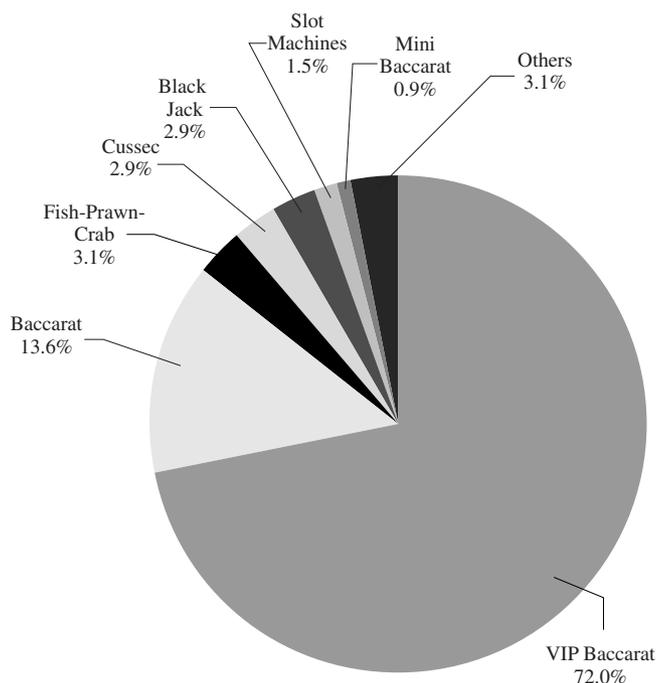
^ *Overview and outlook for the Group's gaming business in Macau*

According to the announcement of the Company dated 14 July 2005, the Board believed that embarking on the new rolling and settlement business in Macau would diversify the Group's business and add an additional income stream to the Group. Although the Group previously had no experience in the procurement of rolling and settlement services, the Board had appointed a director, namely Mr. Lai Cho Wai, with relevant experience and further staff with experience in carrying out such services.

As quoted in International Herald Tribune dated 12 February 2005, Macau was the second largest gaming market in the world in 2004, with the daily win per table averaging more than US\$15,000, which was much higher than that in Las Vegas casinos ranging from US\$2,500 to US\$2,700 according to J.P. Morgan. According to Gaming Inspection and Coordination Bureau ([www.dicj.gov.mo](http://www.dicj.gov.mo)), the number of gaming tables increased remarkably by about 282% from 339 in 2002 to 1,296 in the third quarter of 2005. During the same period, the number

## LETTER FROM PARTNERS CAPITAL

of slot machines also increased remarkably by about 281% from 808 in 2002 to 3,082. Breakdown of gaming revenue from 2001 to 2004 in Macau is illustrated as follows:



Source: Macau DICJ

### Macau gaming revenue (from games of fortune) breakdown 2001 – 2004

Location	2001	2002		2003		2004	
	Gaming revenue (bn)	Gaming revenue (bn)	Growth rate (%)	Gaming revenue (bn)	Growth rate (%)	Gaming revenue (bn)	Growth rate (%)
VIP Baccarat	MOP12.76 (Approx HK\$12.4)	MOP15.86 (Approx HK\$15.4)	24.4%	MOP21.53 (Approx HK\$20.9)	35.7%	MOP28.92 (Approx HK\$28.1)	34.3%
Mass market table	MOP5.13 (Approx HK\$5.0)	MOP5.46 (Approx HK\$5.3)	6.4%	MOP6.09 (Approx HK\$5.9)	11.5%	MOP10.65 (Approx HK\$10.3)	74.9%
Slot machines	MOP0.22 (Approx HK\$0.2)	MOP0.23 (Approx HK\$0.2)	2.3%	MOP0.23 (Approx HK\$0.2)	2.2%	MOP0.62 (Approx HK\$0.6)	170.4%
<b>Total</b>	<b>MOP18.11</b> (Approx <b>HK\$17.6</b> )	<b>MOP21.55</b> (Approx <b>HK\$20.9</b> )		<b>MOP27.85</b> (Approx <b>HK\$27.0</b> )		<b>MOP40.19</b> (Approx <b>HK\$39.0</b> )	

Source: Macau DICJ

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## LETTER FROM PARTNERS CAPITAL

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As far as the industry outlook is concerned, the opportunities for casinos in Macau should centre on the PRC, given that mainland China has no legal casinos to accommodate for mainlanders who wish to gamble legally. The relaxation of travel restrictions for mainlanders allowing them to visit Macau has driven up visitors numbers significantly. According to official statistics of Macau Government ([www.dsec.gov.mo](http://www.dsec.gov.mo)), mainland visitors to Macau increased by about 66% in 2004 year-on-year and accounted for about 57% of total visitors, up from about 48% in 2003. With the influx of mainland visitors in 2004, gross revenue from games of fortune in Macau increased by about 44%.

As far as the market competition is concerned, there were 17 casinos in Macau in the third quarter of 2005 according to Gaming Inspection and Coordination Bureau ([www.dicj.gov.mo](http://www.dicj.gov.mo)), including:

- ^ Sociedade de Jogos de Macau, S.A. (“SJM”), which currently operates 15 facilities throughout Macau. Historically, the predecessor of SJM, STDM was the only gaming operator in Macau, with over 40 years of operating experience in Macau. Besides Galaxy Casino at Waldo Hotel, SJM’s casinos are the only gaming operations in Macau that presently make extensive use of VIP promoters to attract VIP play.
- ^ Venetian Macau S.A., a subsidiary of Las Vegas Sands Corp, which currently operates the Sands Macau. Sands Macau commenced operation in May 2004. Venetian Macau S.A. has received a sub-concession from Galaxy Casino, S.A.. Galaxy Casino at Waldo Hotel, the first of Galaxy’s city club casinos, commenced operations in July 2004.
- ^ Wynn Resorts (Macao) S.A., a subsidiary of Wynn Resorts, Ltd., which is expected to open a facility in the third quarter of 2006.

As far as the risk factors associated with the Group’s procurement of rolling and settlement services in Macau are concerned, we note that the procurement of junket business is competitive in general and there is no guarantee that targeted players of the VIP Lounge will not be lured away by other junket operators. Further, the marketing agreement relating to the Group’s procurement of rolling and settlement services in Macau will automatically terminate if the appointment of the sole operator of the VIP Lounge (namely, Mr. Iong Io Hong, an independent third party who is not a connected person of the Company (as that term is defined in the GEM Listing Rules)) is terminated by the Galaxy Casino in Waldo Hotel in Macau.

Having reviewed the financial performance of the Group for the past three years and six months ended 30 September 2005 and based on our further analysis, we note that although the Group had been loss-making for the five full financial years ended 31 March 2005, the

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## LETTER FROM PARTNERS CAPITAL

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financial performance and the financial position of the Group began to show signs of improvement in the six month ended 30 September 2005. However, in view that the Group has embarked on the Macau gaming business recently in August 2005, we are uncertain as to whether the said signs of financial improvement of the Group shall prevail on a consistent basis into future, subject to the actual expansion as intended by the Offeror of the Group's procurement of rolling and settlement services to other VIP gaming lounges in Macau and the competitive outlook and risk factors associated with carrying out such services as elaborated above.

*(ii) Share price performance and trading liquidity*

The Share Offer Price of HK\$0.0676 per Share is the same price as that paid by Wide Fine to Noble Class pursuant to the exercise of the Option on 25 July 2005 and 29 September 2005 respectively based on the Option Agreement and represents respectively:-

- (i) a discount of approximately 87.9% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on 29 September 2005, being the last full trading day prior to the publication of the Announcement;
- (ii) a discount of approximately 88.6% to the average closing price of HK\$0.594 per Share as quoted on the Stock Exchange for the last 10 trading days ended on 29 September 2005;
- (iii) a discount of approximately 89.3% to the average closing price of HK\$0.631 per Share as quoted on the Stock Exchange for the last 20 trading days ended on 29 September 2005;
- (iv) a discount of approximately 82.2% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 38,700% over the audited consolidated net asset value as at 31 March 2005 of HK\$0.000174 per Share.

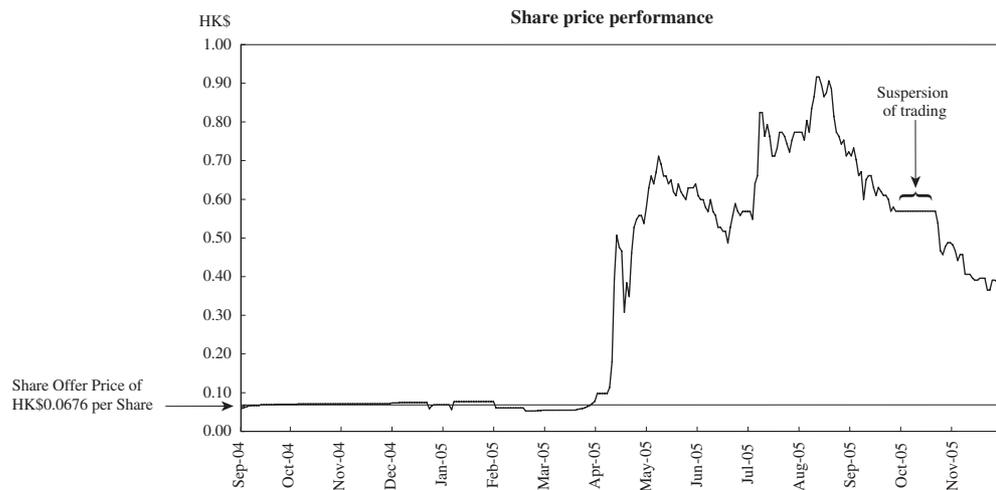
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## LETTER FROM PARTNERS CAPITAL

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- **Share price performance**

For the purpose of further comparing the Share Offer Price of HK\$0.0676 per Share with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 September 2004 to 29 September 2005 (being the last trading day prior to the publication of the Announcement) and further up to the Latest Practicable Date (the “Review Period”) as follows:



Source: Infocast

During the first half of the Review Period, the Shares have been trading at a price level not more than HK\$0.10 per Share until 12 April 2005, after the Company announced that Noble Class entered into the Option Agreement with Wide Fine. Thereafter, the price of the Shares surged drastically. In addition, around mid July 2005 when the Company announced the Group has entered into a marketing agreement with a sole operator of VIP lounge in a casino in Macau in respect of provision of rolling and settlement services, the price per Share surged even higher and maintained in the range of around HK\$0.50 to HK\$0.90. During the Review Period, the highest closing price was HK\$0.90 per Share recorded on 15 and 16 August 2005 respectively and the lowest closing price was HK\$0.056 per Share recorded on 18, 21, 22, 23 and 24 February 2005 respectively. The Share Offer Price represents a discount of approximately 92.5% to the highest closing price and a premium of approximately 20.7% over the lowest closing price during the Review Period. Based on the huge discounts of the Share Offer Price to the closing prices of the Shares during most of the Review Period as discussed above, we consider that the Share Offer Price is not attractive from the Independent Shareholders' point of view.

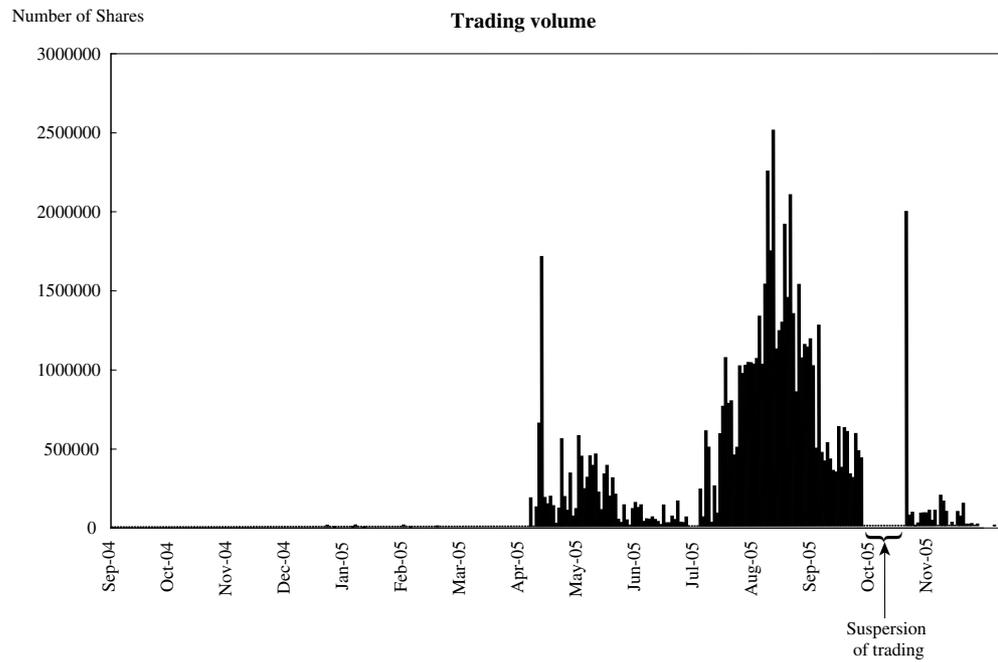
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## LETTER FROM PARTNERS CAPITAL

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- **Liquidity**

For the purpose of assessing the trading liquidity of the Shares, the following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

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**LETTER FROM PARTNERS CAPITAL**

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<b>Month</b>	<b>Highest daily turnover <i>(in number of Shares)</i></b>	<b>Lowest daily turnover <i>(in number of Shares)</i></b>	<b>Average daily turnover <i>(in number of Shares)</i></b>	<b>Percentage of average daily turnover to total number of Shares in issue <i>(%)</i></b>	<b>Percentage of average daily turnover to total number of Shares held by Independent Shareholders <i>(note)</i> <i>(%)</i></b>
<b>2004</b>					
September	0	0	0	0.000	0.000
October	0	0	0	0.000	0.000
November	0	0	0	0.000	0.000
December	108,000	0	4,909	0.002	0.008
<b>2005</b>					
January	128,000	0	11,810	0.005	0.019
February	24,000	0	1,412	0.001	0.002
March	0	0	0	0.000	0.000
April	3,346,000	0	594,400	0.235	0.968
May	880,000	36,000	386,900	0.153	0.630
June	292,000	0	104,182	0.041	0.170
July	1,468,000	0	574,667	0.227	0.935
August	2,756,000	1,088,000	1,692,261	0.670	2.755
September					
(from 1 September to 29 September)	1,848,000	0	910,800	0.360	1.483
(30 September)			suspension of trading		
October					
(from 1 October to 20 October)			suspension of trading		
(from 21 October to 31 October)	3,252,000	4,000	558,286	0.221	0.909
November					
(from 1 November up to the Latest Practicable Date)	43,200	0	134,316	0.053	0.219

*Source: Infocast*

*Note:* Based on the total number of Shares held by Independent Shareholders of 61,434,000 Shares which is equivalent to the number of Offer Shares as at the Latest Practicable Date

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## LETTER FROM PARTNERS CAPITAL

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During the Review Period, no trading of the Shares was recorded on 152 trading days on the Stock Exchange. Subsequent to the publication of the Announcement and up to the Latest Practicable Date, the daily trading volume of the Shares ranged from 0 Share to approximately 3,252,000 Shares, representing approximately 0% and approximately 5.3% of the total number of issued Shares held by Independent Shareholders respectively. We consider that the liquidity of the Shares has been generally thin during the Review Period.

(iii) *Price/earnings multiple*

One approach commonly applied for valuing a listed company engaging in sales and/or trading of software and/or information technology (“IT”) consultancy services by the investment community is price/earnings multiple. However, as the Group has been loss making since 2001, it would not be feasible and meaningful to assess the Share Offer Price by adopting the price-earnings multiple approach.

(iv) *Net tangible asset value*

In general, it may not be common to value a company principally engaged in the sales and/or trading of software packages and provision of IT consultancy and technical support services by reference to its net assets or net tangible asset value.

We note that the Group recorded net tangible liabilities of approximately HK\$530,000 as at 31 March 2005. If the intangible assets of approximately HK\$578,000 as at 31 March 2005 were taken into account, the Group would record net assets of approximately HK\$44,000 as at 31 March 2005, representing an audited net asset value per Share of approximately HK\$0.000174. On the basis of net asset value per Share as at 31 March 2005, the Share Offer Price represent a premium of approximately 38,700%. Despite the premium is not totally representative as the Company had a negative net tangible asset position and could only record a negligible minimal net asset value. Accordingly, and given the much less relevance in gauging the parameter of “net assets asset” to value an IT company, it is not too meaningful to draw any conclusion on the fairness and reasonableness of the Share Offer Price by sole reference to the net asset value of the Group.

(v) *Intention of Wide Fine regarding the future prospects of the Group*

- *Business*

As set out in the letter from Baron Capital (the “Letter from Baron Capital”) in the Document, Wide Fine proposes to continue the existing business of the Group following completion of the Offers but will regularly review its current business activities and assets. Wide Fine intends to expand the Group’s procurement of rolling and settlement services to other VIP gaming lounges in Macau. As at the Latest Practicable Date, Wide Fine does not intend to make any changes to the existing business of the Company. Wide Fine confirms that it will procure that, following the close of the Offers, any asset injections or disposals will be implemented in accordance with all applicable laws, regulations and relevant provisions of the GEM Listing Rules.

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## LETTER FROM PARTNERS CAPITAL

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- *Directors and management*

As set out in the Letter from Baron Capital, it is intended that all the existing executive and non-executive Directors (except Mr. Lau Chiu Pui and Mr. Lai Cho Wai) will resign at the earliest time permitted under the Takeovers Code and the GEM Listing Rules. Wide Fine intends to appoint new Directors to the Board at the earliest time permitted under the Takeovers Code. Further announcement(s) will be made upon such appointments and resignations in due course. Any appointments of new Directors by Wide Fine will be in full compliance with the requirements of the Takeovers Code and the GEM Listing Rules.

Wide Fine has nominated Mr. Wong Kam Leong and Mr. Ma Chon to be executive directors of the Company immediately after the posting of the Document. Although the said Directors nominated by Wide Fine have not held any directorship in listed companies in Hong Kong in the past, we note that the proposed executive Directors are equipped with extensive experience in the sales and marketing and property trading and development in the Mainland China and the gaming industry in Macau, in particular, in relation to the management of VIP lounges in casinos and formulating marketing policies of VIP lounges. We further note that the Company had, earlier on 22 June 2005, appointed Mr. Lai Cho Wai (a then independent third party who was not a connected person of the Company (as that term is defined in the GEM Listing Rules)) as a Director. Mr. Lai has extensive experience in casino management having been an executive manager of the JADE VIP Lounge in the Jai Alai Casino in Macau since 1996.

Notwithstanding the above, we consider that there are uncertainties as to the impact of the intended resignations of all the existing Directors from the Board (except Mr. Lau Chiu Pui and Mr. Lai Cho Wai) and the proposed change in the composition of the Board on the business operation of the Group.

- (vi) *Maintaining the listing status of the Company*

As set out in the Letter from Baron Capital, Wide Fine has no intention to privatise the Company. Wide Fine intends to maintain the listing of the Shares on the GEM of the Stock Exchange. The directors of Wide Fine and the new Directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 20% of the issued shares of the Company, are held by the public, or if the Stock Exchange believes that:**

- (i) a false market exists or may exist in trading of the Shares; or
- (ii) there are insufficient Shares in public hands to maintain an orderly market;

**it will consider exercising its discretion to suspend dealings in the Shares.**

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## LETTER FROM PARTNERS CAPITAL

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### RECOMMENDATION

Having considered the principal factors set out above, in particular, the following:

- (i) the Share Offer Price represents a substantial discount of approximately 87.9% to the closing price of HK\$0.56 per Share as quoted on the Stock Exchange on 29 September 2005, being the last full trading day prior to the publication of the Announcement;
- (ii) the Share Offer Price represents a substantial discount of approximately 88.6% to the average closing price of HK\$0.594 per Share as quoted on the Stock Exchange for the last 10 trading days ended on 29 September 2005;
- (iii) the Share Offer Price represents a substantial discount of approximately 89.3% to the average closing price of HK\$0.631 per Share as quoted on the Stock Exchange for the last 20 trading days ended on 29 September 2005; and
- (iv) it would not be meaningful to assess the Share Offer Price by adopting the price-earnings multiple approach nor to draw any conclusion on the fairness and reasonableness of the Share Offer Price by sole reference to the net asset value of the Group,

we consider that the Share Offer Price is not attractive from the Independent Shareholders' point of view. Accordingly, the Share Offer is not fair and reasonable so far as the Independent Shareholders are concerned as the Share Offer does not provide an attractive opportunity for the Independent Shareholders to realise their investments in the Company. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the Share Offer.

However, for those Independent Shareholders who, after considering their own circumstances, wish to accept the Share Offer as to some or all of their Shares, they should carefully closely monitor the market price of the Shares during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Share Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Share Offer.

Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Letter from Baron Capital in the Document and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

### THE OPTION OFFER

As at the Latest Practicable Date, there were 2,766,000 outstanding Share Options entitling the Optionholders to subscribe for an aggregate of 2,766,000 Shares. 490,000 Share Options ("2003 Options") were granted on 12 December 2003 with an exercise price of HK\$0.20 per Share and 2,276,000 Share Options ("2000 Options") were granted on 4 September 2000 with an exercise price of HK\$1.18 per Share. Baron Capital, on behalf of Wide Fine, is making the Option Offer for a nominal consideration of HK\$1 in cash in respect of every 10,000 Share Options.

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## LETTER FROM PARTNERS CAPITAL

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The exercise price of the 2003 Options as compared to the closing price of HK\$0.56 as at 29 September 2005 (being the last trading day prior to the publication of the joint announcement in relation to the Offers) was in the money, whereas the exercise price of HK\$1.18 per Share for the 2000 Options as compared to the same closing price of HK\$0.56 was out of money. As at the Latest Practicable Date, the closing price of the Shares was HK\$0.38 and therefore the 2003 Options were in the money whilst the 2000 Options were out of money and carried no intrinsic value. Neither the 2000 Options nor the 2003 Options are assignable or transferable by the Optionholders.

Upon assessing the terms of the Option Offer, we envisage that the adoption of a “see-through” price (representing the difference between the offer price for ordinary shares and any given exercise price of the convertible instrument) is commonly regarded as the minimum offer price for any convertible instrument in conjunction with a general offer for ordinary shares. Under the context of the Option Offer, the Options would not command any positive sum of “see-through” price as the Share Offer Price of HK\$0.0676 per Share is lower than each of the exercise price of HK\$0.20 per Share for the 2003 Options and the exercise price of HK\$1.18 per Share for the 2000 Options. In this respect, we consider that the basis of determining the Option Offer Price is acceptable and accordingly the Option Offer Price is fair and reasonable so far as the Optionholders are concerned. On such basis, we recommend the Independent Board Committee to advise the Optionholders to consider accepting the Option Offer for both the 2003 Options and the 2000 Options. However, we further recommend the Independent Board Committee to advise the Optionholders (especially those holding the 2003 Options) who wish to accept the Option Offer to exercise their Options and dispose of the Shares so converted in the open market if the market price per Share exceeds their respective exercise price (and hence becoming or restoring to be in the money) during the offer period and if the net proceeds from the sales of such converted Shares in the open market after deducting all transaction costs would exceed the net amount receivable under the Option Offer. The Optionholders should exercise caution in doing so and monitor the market closely.

On the other hand, for those Optionholders who wish to retain some or all of their Share Options or exercise some or all of their subscription rights under the Share Options and retain their Shares thereupon as they are attracted by and confident in the future prospect and/or the new management team of the Group or otherwise, they should carefully consider the future intention of Wide Fine regarding the Group and evaluate the prospects of the Group under the new management after the close of the Option Offer, details of which are set out in the Letter from Baron Capital. The Optionholders should note that, in accordance with the terms of the option schemes of the Company, the Optionholders may, within 6 months from the date on which the Optionholders received notice from the Company in relation to the change in control of the Company, exercise their outstanding Share Options. Share Options not exercised within such period will lapse.

Yours faithfully,  
For and on behalf of  
Partners Capital International Limited  
**Alan Fung**                      **Harry Yu**  
*Managing Director*                      *Director*

**1. FURTHER PROCEDURES FOR ACCEPTANCE****A. The Share Offer**

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or some names other than your own, and you wish to accept the Share Offer in respect of your Shares, you must either:
- (i) lodge your Share certificate(s) and/or transfer receipts and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the **WHITE** form of acceptance and transfer of the Shares duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your broker/custodian bank through CCASS, instruct your broker/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your broker/custodian bank for the timing on the processing of your instruction, and submit your instruction to your broker/custodian bank as required by them; or
  - (iv) if your Shares have been lodged with your Investor Participant Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (b) If the certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Share Offer in respect of your Shares, the **WHITE** form of acceptance and transfer of the Shares should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title (and or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any

other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

- (c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Share Offer in respect of your Shares, you should nevertheless complete the **WHITE** form of acceptance and transfer of the Shares and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an authority to the Offeror or their respective agent(s) to collect from the Company for the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the **WHITE** form of acceptance and transfer of the Shares.
- (d) Acceptance of the Share Offer will be treated as valid only if the completed **WHITE** form of acceptance and transfer of the Shares is received by the Registrar by not later than 4:00 p.m. on Tuesday, 20th December, 2005 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive, and is:
  - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under this paragraph (d)); or
  - (iii) certified by the Registrar or the Stock Exchange.

If the **WHITE** form of acceptance and transfer of the Shares is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

- (e) No acknowledgement of receipt of any **WHITE** form(s) of acceptance and transfer of the Shares, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.
- (f) The address of the Registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

*The Option Offer*

- (a) If you accept the Option Offer, you should complete the **YELLOW** form of acceptance and cancellation of the outstanding Share Options obtainable from the head office and principal place of business of the Company at Room 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Option Offer.
- (b) The completed **YELLOW** form of acceptance and cancellation of the outstanding Share Options should be forwarded, together with the relevant Share Options certificate(s) (if any) stating the number of outstanding Share Options for not less than the number of outstanding Share Options in respect of which you intend to accept the Option Offer, by post or by hand to the company secretary of the Company at Room 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, marked “CyberM Option Offer” on the envelope, as soon as possible and in any event so as to reach the company secretary of the Company at the aforesaid address by no later than 4:00 p.m. on Tuesday, 20th December, 2005 or such later time and/or date as the Offeror may determine and announce with the consent of the Executive.

**2. SETTLEMENT**

Settlement of the consideration to which any accepting Shareholder and/or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers (save with respect of the payment of seller’s ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Shareholder and/or Optionholder.

Remittances in respect of the consideration payable for the Shares and Share Options tendered under the Offers will be posted to the relevant accepting Shareholders and Optionholders by ordinary post at their own risk as soon as possible but in any event within 10 days of the date of receipt by the Registrar (in the case of the Share Offer) and the company secretary of the Company (in the case of the Option Offer) of all the relevant documents required to render the relevant acceptances under the Offers complete and valid.

**3. ACCEPTANCE PERIOD AND REVISIONS**

Unless the Offers have previously been revised or extended in accordance with the Takeovers Code, all acceptances in respect of the Share Offer and the Option Offer must be received by the Registrar and the company secretary of the Company, respectively, by 4:00 p.m. on Tuesday, 20th December, 2005 and the Offers will close on Tuesday, 20th December, 2005. If in the course of the Offers, the Offeror revises its terms, all the Independent Shareholders and the Optionholders, whether or not they have already accepted the Offers, will be entitled to the revised terms. A revised offer must be kept open for at least 14 days following the date on which the revised offer document is posted.

**4. ANNOUNCEMENTS**

- (a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on Tuesday, 20th December, 2005 which is the closing day of the Offers, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Offers. The Offeror must publish a teletext announcement through the Stock Exchange by 7:00 p.m. on the closing date stating whether the Offers have been revised, extended or has expired. Such announcement must be republished in accordance with the requirements set out in item (b) below on the next business day.

The announcement must state the following:

- (i) the total number of Shares for which acceptances of the Share Offer have been received;
- (ii) the total number of Shares and Share Options held, controlled or directed by the Offeror or parties acting in concert with it before the offer period;
- (iii) the total number of Shares and Share Options acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it;
- (iv) the total number of outstanding Share Options for which acceptances of the Option Offer have been received;
- (v) details of any existing holding of voting rights and rights over Shares:-
  - (1) which the Offeror owns or over which it has control or direction;
  - (2) which is owned or controlled or directed by any person acting in concert with the Offeror;
  - (3) in respect of which the Offeror or any person acting in concert with it has received an irrevocable commitment to accept the Offers; and
  - (4) in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;
- (vi) details of any outstanding derivative in respect of securities in the Company entered into by the Offeror or any person acting in concert with it; and
- (vii) details of any arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company and which might be material to the Offers.

The announcement must also specify the percentages of the issued share capital of the Company and voting rights of the Company represented by these numbers of Shares.

- (b) As required under the Takeovers Code and the GEM Listing Rules, all announcement in relation to the Offers, in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, must be published on the GEM website at [www.hkgem.com](http://www.hkgem.com).

## **5. RIGHT OF WITHDRAWAL**

- (a) Acceptance to the Offers tendered by the Independent Shareholders and the Optionholders, as the case may be, shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “Announcements” in this appendix, the Executive may require that the Independent Shareholders and the Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

## **6. GENERAL**

- (a) All communications, notices, Forms of Acceptance, certificates of Shares or Share Options (if any), transfer receipts, other documents of title or indemnity and remittances to be delivered by or sent to or from the Shareholders and the Optionholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Company, the Offeror nor the Registrar or any of this respective agents accepts any liability for any loss in postage or any other liabilities that may arise as a result.
- (b) The provisions set out in the accompanying Forms of Acceptance form part of the terms of the Offers.
- (c) The accidental omission to despatch this Composite Offer Document and/or Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate the Offers in any way.
- (d) The Offers and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (e) References to the Offers in the Composite Offer Document and the Forms of Acceptance shall include any revision or extension thereof.
- (f) Due execution of the Forms of Acceptance will constitute an authority to the Offeror or Baron Capital or such person or persons as the Offeror or Baron Capital may direct to complete and execute any document on behalf of the person accepting the Offers and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offers.

- (g) Acceptance of the Offers by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares and Share Options acquired under the Offers are sold by any such person or persons free from all third party rights, liens, claims, charges, equities and encumbrances and together with all rights attaching thereto including the rights to receive all future dividends or other distributions declared, paid or made on the Shares on or after the date of this Composite Offer Document. The Optionholders will surrender to the Company all of their existing rights in respect of the Share Options, following which such Share Options will be cancelled and extinguished.
- (h) Stamp duty at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the amount payable in respect of relevant acceptance of Shares will be deducted from the amount payable and the Offeror will pay the stamp duty so deducted to the Shareholders who accept the Share Offer. Wide Fine will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Offers based on the gross consideration payable to the accepting Shareholders in respect of the Offers. There is no stamp duty imposed on the Optionholders in connection with their acceptance of the Offers.
- (i) The Offeror does not intend to exercise any right which may be available to it under the provisions of Bermuda law to acquire compulsorily any Shares subject to the Share Offer or Share Options not acquired under the Option Offer after the Offers have closed.
- (j) References to the Offers in this Composite Offer Document and in the Forms of Acceptance shall include any revision and/or extension thereof.
- (k) The making of the Offers to persons with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Shareholders or Optionholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person who wishes to accept the Offers to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction.

## 1. FINANCIAL SUMMARY

The following is a summary of the financial results of the Group for each of the three years ended 31st March, 2005 as extracted from its annual reports.

	For the year ended 31st March,		
	2005	2004	2003
	HK\$'000	HK\$'000	HK\$'000
Turnover	24,160	14,674	13,701
Loss	(2,414)	(9,952)	(2,661)
Taxation	–	–	–
Loss	(2,414)	(9,952)	(2,661)
Minority interests	–	233	77
Loss attributable to shareholders	<u>(2,414)</u>	<u>(9,729)</u>	<u>(2,584)</u>
Loss per share – basic ( <i>Note 1</i> )	<u>(1.0) cents</u>	<u>(3.9) cents</u>	<u>(1.0) cents</u>

*Notes:*

- The calculation of the basic loss per share is based on the Group's loss attributable to shareholders for the year of HK\$2,414,000 (2004: HK\$9,729,000, 2003: HK\$2,584,000) and on the weighted average number of 250,060,000 (2004: 250,060,000, 2003: 250,060,000) ordinary shares in issue during the year. No diluted loss per share is presented as the outstanding share options of the Company had anti-dilutive effects on the basic loss per share.
- For the three years ended 31st March, 2005, there were no extraordinary items or exceptional items and no dividends had been paid.

## 2. AUDITED FINANCIAL STATEMENTS

The following is the unqualified audited financial statements of the Group for the year ended 31st March, 2005 as extracted from the annual report of the Company for the year ended 31st March, 2005. The notes to the accounts have been adapted to conform with the presentation herein.

**Consolidated Profit and Loss Account**

*For the year ended 31st March, 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Turnover	3	24,160	14,674
Other revenue	3	54	29
Raw materials and consumables used		(8,910)	(6,774)
Staff costs		(10,798)	(8,175)
Depreciation and impairment loss on fixed assets		(424)	(772)
Amortisation and impairment loss on intangible assets		(1,279)	(3,382)
Impairment loss on investments in securities		–	(250)
Provision for bad and doubtful debts		(507)	(694)
Other operating expenses		(4,438)	(4,345)
Operating loss	4	(2,142)	(9,689)
Finance costs	5	(272)	(263)
Loss before taxation		(2,414)	(9,952)
Taxation	6	–	–
Loss after taxation		(2,414)	(9,952)
Minority interests		–	223
Loss attributable to shareholders		(2,414)	(9,729)
Loss per share			
Basic		(HK1.0 cents)	(HK3.9 cents)
Diluted		N/A	N/A

**Balance Sheet***As at 31st March, 2005*

	Note	Consolidated		Company	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>Non-current assets</b>					
Intangible assets	12	578	1,857	–	–
Fixed assets	13	389	2,213	–	–
Interests in subsidiaries	14	–	–	11,316	11,239
Investments in securities	15	330	330	–	–
		<u>1,297</u>	<u>4,400</u>	<u>11,316</u>	<u>11,239</u>
<b>Current assets</b>					
Inventories	16	99	246	–	–
Trade receivables	17	3,851	1,778	–	–
Prepayments, deposits and other receivables		777	827	–	129
Pledged deposits	25	5,570	5,556	–	–
Cash and bank balances		1,494	1,254	11	1,013
		<u>11,791</u>	<u>9,661</u>	<u>11</u>	<u>1,142</u>
<b>Current liabilities</b>					
Trade payables	18	1,333	1,268	–	–
Accruals and other payables		2,648	2,027	105	92
Receipts in advance		2,131	2,128	–	–
Amount due to a director		358	700	358	700
Current portion of long-term bank loan	19	520	485	–	–
Current portion of obligations under finance leases	19	–	25	–	–
Bank overdrafts, secured	25	5,826	4,193	–	–
		<u>12,816</u>	<u>10,826</u>	<u>463</u>	<u>792</u>
<b>Net current (liabilities)/assets</b>		<u>(1,025)</u>	<u>(1,165)</u>	<u>(452)</u>	<u>350</u>
<b>Total assets less current liabilities</b>		<u>272</u>	<u>3,235</u>	<u>10,864</u>	<u>11,589</u>
Financed by:					
<b>Share capital</b>	20	25,006	25,006	25,006	25,006
<b>Reserves</b>	21	<u>(24,962)</u>	<u>(22,518)</u>	<u>(14,142)</u>	<u>(13,417)</u>
<b>Shareholders' funds</b>		<u>44</u>	<u>2,488</u>	<u>10,864</u>	<u>11,589</u>
Minority interests		–	–	–	–
<b>Non-current liabilities</b>					
Long-term bank loan	19	228	747	–	–
		<u>272</u>	<u>3,235</u>	<u>10,864</u>	<u>11,589</u>

**Consolidated Statement of Changes in Equity***For the year ended 31st March, 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Total equity at the beginning of the year		2,488	12,241
Net loss for the year	21	(2,414)	(9,729)
Exchange differences arising on translation of accounts of subsidiaries	21	<u>(30)</u>	<u>(24)</u>
Total equity at the end of the year		<u><u>44</u></u>	<u><u>2,488</u></u>

**Consolidated Cash Flow Statement***For the year ended 31st March, 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<b>Operating activities</b>			
Net cash outflow generated from operations	23	(1,509)	(3,327)
Interest paid		(272)	(263)
Interest received		18	29
		<u>          </u>	<u>          </u>
<b>Net cash outflow from operating activities</b>		<u>(1,763)</u>	<u>(3,561)</u>
<b>Investing activities</b>			
Purchase of fixed assets		(100)	(425)
Sale of fixed assets		1,365	16
Purchase of software		–	(1,300)
		<u>          </u>	<u>          </u>
<b>Net cash inflow/(outflow) from investing activities</b>		<u>1,265</u>	<u>(1,709)</u>
<b>Net cash outflow before financing</b>		<u>(498)</u>	<u>(5,270)</u>
<b>Financing activities</b>			
Capital element of finance lease payments		(25)	(39)
Inception of a short-term bank loan		–	1,500
Repayment of short-term bank loan borrowed		–	(1,500)
Inception of a long-term bank loan		–	1,500
Repayment of long-term bank loan borrowed		(484)	(268)
Repayment to a director		(342)	–
Loan from a director		–	700
		<u>          </u>	<u>          </u>
<b>Net cash (outflow)/inflow from financing activities</b>		<u>(851)</u>	<u>1,893</u>
<b>Decrease in cash and cash equivalents</b>		(1,349)	(3,377)
<b>Cash and cash equivalents at the beginning of the year</b>		2,617	6,018
<b>Effect of foreign exchange rate changes</b>		(30)	(24)
		<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at the end of the year</b>		<u>1,238</u>	<u>2,617</u>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		1,494	1,254
Pledged deposits		5,570	5,556
Bank overdrafts		(5,826)	(4,193)
		<u>          </u>	<u>          </u>
		<u>1,238</u>	<u>2,617</u>

**Notes to the Financial Statements***31st March, 2005***1. BASIS OF PREPARATION**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM listing rules. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, an investment property is stated at fair value.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

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

The company has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

The company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

**2. PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these accounts are set out below:

**(A) GROUP ACCOUNTING****(I) CONSOLIDATION**

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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 unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

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

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(A) GROUP ACCOUNTING (CONTINUED)****(II) TRANSLATION OF FOREIGN CURRENCIES**

Transactions in foreign currencies 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 profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

**(B) INTANGIBLES****(I) RESEARCH AND DEVELOPMENT COSTS**

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of 3 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**(II) SOFTWARE**

The cost of acquisition of software is capitalised and treated as an intangible asset if the cost is not an integral part of the related hardware. Software is amortised on a straight-line basis over the remaining estimated useful life or 3 years whichever is shorter.

**(III) IMPAIRMENT OF INTANGIBLES**

Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down immediately to its recoverable amount.

**(C) FIXED ASSETS****(I) INVESTMENT PROPERTY**

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

Investment property is valued at intervals of not more than 3 years by independent valuers, in each of the intervening years valuations are undertaken by professional qualified executives of the Group. The valuation is on an open market value basis related to individual property and separate value is not attributed to land and buildings. The valuation is incorporated in the annual accounts. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations and thereafter are debited to operating results. Any subsequent increases are credited to operating results up to the amount previously debited.

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 profit and loss account.

**(II) OTHER FIXED ASSETS**

Other fixed assets, comprising leasehold improvements, furniture and fixtures, computer equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(C) FIXED ASSETS (CONTINUED)****(III) DEPRECIATION**

Investment property held on a lease with unexpired periods of 20 years or less is depreciated over the remaining portion of the lease.

Other fixed assets 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	50% or over the lease term whichever is shorter
Furniture and fixtures	25%
Computer equipment	25% – 33 <sup>1</sup> / <sub>3</sub> %
Motor vehicles	25%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

**(IV) IMPAIRMENT AND GAIN OR LOSS ON SALE**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment property is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to accumulated losses and is shown as a movement in reserves.

**(D) ASSETS UNDER LEASES****(I) FINANCE LEASES**

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

**(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. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(E) INVESTMENTS IN SECURITIES**

Investments in securities are stated at cost less any provision for impairment losses. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account 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.

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

Inventories comprise computer equipment, software licenses and merchandise are stated at the lower of cost and net realisable value. Cost comprises the cost of purchases is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(G) TRADE RECEIVABLES**

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

**(H) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held with banks and bank overdrafts.

**(I) EMPLOYEE BENEFITS****(I) EMPLOYEE LEAVE ENTITLEMENTS**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(II) PENSION OBLIGATIONS**

The Group participates in a number of defined contribution retirement schemes which are available for all qualified employees in Hong Kong. The assets of the scheme are generally held in separate trustee-administered funds. The schemes are generally funded by payments from employees and by the relevant Group companies. The Group's contributions to the defined contribution schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also participates in the defined contribution retirement schemes operated by the municipal governments of various cities in the PRC. The relevant municipal governments are responsible for the entire pension obligations payable to retired employees of the respective cities. The only obligations of the Group is to pay the ongoing required contributions under these schemes. The contributions are charged to the profit and loss account as incurred.

**(III) EQUITY COMPENSATION BENEFITS**

Share options are granted to executive directors, chief executive and eligible full-time employees at the discretion of directors. No employee benefit cost is recognised when options are granted. When the options are exercised, the proceeds received are credited to share capital and share premium.

**(J) DEFERRED TAXATION**

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)****(J) DEFERRED TAXATION (CONTINUED)**

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

**(K) CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**(L) REVENUE RECOGNITION**

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Revenue from the provision of technical support and maintenance and beauty-salon services is recognised when the services are rendered to customers.

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

Operating lease rental income is recognised on a straight-line basis.

**(M) BORROWING COSTS**

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 profit and loss account in the year in which they are incurred.

**(N) SEGMENT REPORTING**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and exclude investments in securities and certain corporate receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditures comprise additions to intangible assets and fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customers are located. Total assets and capital expenditures are based on where the assets are located.

**(O) COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading of software packages and provision of consultancy and technical support services. Revenues recognised during the year are as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<b>Turnover</b>		
Sales of customised software and related computer equipment	17,198	6,156
Sales and lease of packaged software	2,313	3,936
Provision of technical support and maintenance services	4,627	4,326
Rental income	22	133
Provision of beauty-salon services	–	123
	<u>24,160</u>	<u>14,674</u>
<b>Other revenue</b>		
Interest income	18	29
Other income	36	–
	<u>54</u>	<u>29</u>
<b>Total revenues</b>	<u><u>24,214</u></u>	<u><u>14,703</u></u>

**PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS**

The Group is organised into five major business segments:

- (i) Sales of customised software and related computer equipment
- (ii) Sales and lease of packaged software
- (iii) Provision of technical support and maintenance services
- (iv) Lease of an investment property
- (v) Provision of beauty-salon services

There are no sales or other transactions between the business segments.

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

	2005					Group HK\$'000
	Customised software and related computer equipment HK\$'000	Packaged software HK\$'000	Technical support and maintenance HK\$'000	Lease of investment property HK\$'000	Beauty – salon HK\$'000	
Turnover	<u>17,198</u>	<u>2,313</u>	<u>4,627</u>	<u>22</u>	<u>–</u>	<u>24,160</u>
Segment results	<u>987</u>	<u>254</u>	<u>508</u>	<u>22</u>	<u>–</u>	1,771
Other revenue						54
Unallocated corporate expenses						<u>(3,967)</u>
Operating loss						(2,142)
Finance costs						(272)
Minority interests						<u>–</u>
Loss attribution to shareholders						<u>(2,414)</u>
Segment assets	9,106	1,225	2,426	–	1	12,758
Unallocated assets						<u>330</u>
Total assets						<u>13,088</u>
Segment liabilities	9,169	1,981	1,085	–	358	12,593
Unallocated liabilities						<u>451</u>
Total liabilities						<u>13,044</u>
Depreciation and amortisation	1,214	163	326	–	–	1,703
Unallocated corporate expenses						<u>–</u>
Total depreciation and amortisation						<u>1,703</u>
Impairment losses recognised in the profit and loss account	–	–	–	–	–	–
Unallocated impairment loss						<u>–</u>
Total impairment losses						<u>–</u>
Capital expenditures	<u>71</u>	<u>10</u>	<u>19</u>	<u>–</u>	<u>–</u>	<u>100</u>

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

	2004					Group HK\$'000
	Customised software and related computer equipment HK\$'000	Packaged software HK\$'000	Technical support and maintenance HK\$'000	Lease of investment property HK\$'000	Beauty – salon HK\$'000	
Turnover	<u>6,156</u>	<u>3,936</u>	<u>4,326</u>	<u>133</u>	<u>123</u>	<u>14,674</u>
Segment results	<u>(2,370)</u>	<u>(4,895)</u>	<u>434</u>	<u>133</u>	<u>(185)</u>	(6,883)
Other revenue						29
Unallocated corporate expenses						<u>(2,835)</u>
Operating loss						(9,689)
Finance costs						(263)
Minority interests						<u>223</u>
Loss attribution to shareholders						<u>(9,729)</u>
Segment assets	5,231	3,230	3,506	1,500	135	13,602
Unallocated assets						<u>459</u>
Total assets						<u>14,061</u>
Segment liabilities	5,041	3,982	1,399	–	358	10,780
Unallocated liabilities						<u>793</u>
Total liabilities						<u>11,573</u>
Depreciation and amortisation	859	550	603	–	13	2,025
Unallocated corporate expenses						<u>45</u>
Total depreciation and amortisation						<u>2,070</u>
Impairment losses recognised in the profit and loss account	1,190	761	–	–	133	2,084
Unallocated impairment loss						<u>250</u>
Total impairment losses						<u>2,334</u>
Capital expenditures	<u>2</u>	<u>1,578</u>	<u>1</u>	<u>–</u>	<u>144</u>	<u>1,725</u>

## 3. TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

## GEOGRAPHICAL SEGMENTS

The Group mainly operates in Hong Kong and the PRC. In presenting information on the basis of geographical segments, segment turnover and segment results are based on the geographical location of customers and segment assets and capital expenditures are based on geographical location of the assets.

	2005		2004	
	Turnover HK\$'000	Segment results HK\$'000	Turnover HK\$'000	Segment results HK\$'000
Hong Kong	24,146	(1,966)	14,346	(8,229)
PRC	14	(230)	328	(1,489)
	<u>24,160</u>	<u>(2,196)</u>	<u>14,674</u>	<u>(9,718)</u>
Other revenue		54		29
Operating gain/(loss)		<u>(2,142)</u>		<u>(9,689)</u>

	2005		2004	
	Assets HK\$'000	Capital expenditure HK\$'000	Assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	12,783	100	13,825	1,581
PRC	305	–	236	144
	<u>13,088</u>	<u>100</u>	<u>14,061</u>	<u>1,725</u>

## 4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2005 HK\$'000	2004 HK\$'000
<b>Crediting</b>		
Net exchange gain	–	5
Net rental income	22	133
	<u>22</u>	<u>133</u>
<b>Charging</b>		
Advertising and promotion costs	201	52
Amortisation of intangible assets	1,279	1,431
Auditors' remuneration	210	236
Depreciation		
Owned fixed assets	402	596
Leased fixed assets	22	43
Impairment		
Fixed assets	–	133
Intangible assets	–	1,951
Investments in securities	–	250
Loss on disposal of fixed assets	135	2
Operating leases in respect of land and buildings	695	781
Less: Amount capitalised as intangible assets	–	–
	695	781
Staff costs including directors' emoluments	10,690	8,175
Less: Amount capitalised as intangible assets	–	–
	<u>10,690</u>	<u>8,175</u>

## 5. FINANCE COSTS

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Interest on bank loans and overdrafts	272	259
Interest element of finance leases	–	4
	<u>272</u>	<u>263</u>

## 6. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as the Group does not have any assessable profit for the year (2004: Nil).

No provision for PRC enterprise income tax has been made in the accounts as all subsidiaries of the Company operating in the PRC are eligible for tax exemptions during the year ended 31st March, 2005 (2004: Nil).

Deferred tax assets have not been recognised in respect of the tax losses incurred by the Group as they have arisen in companies that have been loss-making for some time.

Reconciliation of the taxation applicable to loss before taxation using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the taxation at the effective tax rates are as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Loss before taxation	<u>(2,414)</u>	<u>(9,952)</u>
Tax at statutory rate of 17.5%	(422)	(1,742)
Effect of different tax rates in other countries	(36)	(110)
Income not subject to tax	(3)	(47)
Expenses not deductible for tax	259	565
Temporary differences not recognised	185	46
Tax losses recognised	(36)	–
Tax losses not recognised	53	1,288
	<u>–</u>	<u>–</u>

## 7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$725,000 (2004: HK\$643,000).

## 8. LOSS PER SHARE

The calculation of the basic loss per share is based on the Group's loss attributable to shareholders for the year of HK\$2,414,000 (2004: HK\$9,729,000) and on the weighted average number of 250,060,000 (2004: 250,060,000) ordinary shares in issue during the year.

No diluted loss per share is presented as the outstanding share options of the Company had anti-dilutive effects on the basic loss per share.

## 9. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Salaries	10,279	7,631
Defined contribution pension costs	347	261
Other staff costs	172	283
	<u>10,798</u>	<u>8,175</u>

## 10. RETIREMENT BENEFITS COSTS

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 Ordinance (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 employees who join the Group 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 Ordinance. The contributions from each of the employees and the Group are subject to a contribution cap of HK\$1,000 per month. Any additional contributions in excess of HK\$1,000 are voluntary.

As stipulated by regulations in the PRC, the Group also participates in the state-sponsored retirement plans for all of its employees in the PRC. The Group contributes to the retirement plans 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 plans are responsible for the entire pension obligation payable to all retired employees.

No forfeited contributions were utilised during the year and there were no material forfeitures available to reduce the Group's future contributions at both 31st March, 2005 and 31st March, 2004.

## 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (A) DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Fees	–	–
Salaries including benefits in kind	1,900	1,924
Pension contributions	27	54
	<u>1,927</u>	<u>1,978</u>

One of the independent non-executive director received HK\$10,000 (2004: HK\$Nil) from the Group. For both years, no emolument was paid to the other two independent non-executive directors and the non-executive director.

## 11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

## (A) DIRECTORS' EMOLUMENTS (CONTINUED)

The emoluments of directors fell within the following bands:

	Number of directors	
	2005	2004
Nil – HK\$1,000,000	7	5
HK\$1,000,001 – HK\$2,000,000	1	1
	<u>          </u>	<u>          </u>

For the year ended 31st March, 2005, the four (2004: three) executive directors individually received emoluments of approximately HK\$1,211,000 (2004: HK1,001,000), HK\$272,000 (2004: HK\$462,000), HK\$182,000 (2004: HK\$515,000) and HK\$252,000 (2004: HK\$Nil) respectively.

During the year, no options (2004: 690,000) were granted to the directors under the share option scheme approved by the shareholders at an annual general meeting on 9th August, 2004.

No directors have waived emoluments in respect of the two years ended 31st March, 2005 and 2004.

## (B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2004: three) directors whose emoluments are reflected in the analysis presented above.

The emoluments payable to the remaining four (2004: two) individuals during the year are as follows:

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other emoluments	1,993	810
Pension contributions	44	35
	<u>          </u>	<u>          </u>
	<u>2,037</u>	<u>845</u>

The emoluments fell within the following band:

	Number of individuals	
	2005	2004
Nil – HK\$1,000,000	4	2
	<u>          </u>	<u>          </u>

## 12. INTANGIBLE ASSETS

	<b>Development expenditures</b>	<b>Group Software</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>			
At 1st April, 2004	8,268	1,300	9,568
Additions	—	—	—
	<u>8,268</u>	<u>1,300</u>	<u>9,568</u>
At 31st March, 2005	8,268	1,300	9,568
	<u>8,268</u>	<u>1,300</u>	<u>9,568</u>
<b>Accumulated amortisation and impairment</b>			
At 1st April, 2004	7,422	289	7,711
Amortisation charge for the year	846	433	1,279
Impairment charge for the year	—	—	—
	<u>8,268</u>	<u>722</u>	<u>8,990</u>
At 31st March, 2005	8,268	722	8,990
	<u>8,268</u>	<u>722</u>	<u>8,990</u>
<b>Net book value</b>			
At 31st March, 2005	—	578	578
	<u>—</u>	<u>578</u>	<u>578</u>
At 31st March, 2004	846	1,011	1,857
	<u>846</u>	<u>1,011</u>	<u>1,857</u>

## 13. FIXED ASSETS

	<b>Group</b>					<b>Total</b>
	<b>Investment property</b>	<b>Leasehold improvement</b>	<b>Furniture and fixtures</b>	<b>Computer equipment</b>	<b>Motor vehicles</b>	<b>HK\$'000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost or valuation</b>						
At 1st April, 2004	1,500	981	1,088	2,271	457	6,297
Additions	—	—	—	100	—	100
Disposals	(1,500)	(492)	—	—	—	(1,992)
	<u>—</u>	<u>489</u>	<u>1,088</u>	<u>2,371</u>	<u>457</u>	<u>4,405</u>
At 31st March, 2005	—	489	1,088	2,371	457	4,405
	<u>—</u>	<u>489</u>	<u>1,088</u>	<u>2,371</u>	<u>457</u>	<u>4,405</u>
<b>Accumulated depreciation and impairment</b>						
At 1st April, 2004	—	754	958	1,915	457	4,084
Depreciation charge for the year	—	157	101	166	—	424
Disposals	—	(492)	—	—	—	(492)
	<u>—</u>	<u>419</u>	<u>1,059</u>	<u>2,081</u>	<u>457</u>	<u>4,016</u>
At 31st March, 2005	—	419	1,059	2,081	457	4,016
	<u>—</u>	<u>419</u>	<u>1,059</u>	<u>2,081</u>	<u>457</u>	<u>4,016</u>
<b>Net book value</b>						
At 31st March, 2005	—	70	29	290	—	389
	<u>—</u>	<u>70</u>	<u>29</u>	<u>290</u>	<u>—</u>	<u>389</u>
At 31st March, 2004	1,500	227	130	356	—	2,213
	<u>1,500</u>	<u>227</u>	<u>130</u>	<u>356</u>	<u>—</u>	<u>2,213</u>

## 13. FIXED ASSETS (Continued)

The analysis of the cost or valuation at 31st March, 2005 of the above assets is as follows:

	Investment property <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	—	489	1,088	2,371	457	4,405

The analysis of the cost or valuation at 31st March, 2004 of the above assets is as follows:

	Investment property <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost	—	981	1,088	2,271	457	4,797
At valuation	1,500	—	—	—	—	1,500
	<u>1,500</u>	<u>981</u>	<u>1,088</u>	<u>2,271</u>	<u>457</u>	<u>6,297</u>

As at 31st March, 2004, the Group's interests in an investment property is held in Hong Kong on leases between 10 to 50 years.

As at 31st March, 2005, the carrying amount of fixed assets held under finance leases amounted to HK\$Nil (2004: HK\$22,000).

## 14. INTEREST IN SUBSIDIARIES

	Company	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	418	418
Due from subsidiaries	27,630	27,253
Due to subsidiaries	(255)	(255)
	<u>27,793</u>	<u>27,416</u>
Provision for impairment losses	(16,477)	(16,177)
	<u>11,316</u>	<u>11,239</u>

The following is a list of subsidiaries as at 31st March, 2005:

Name	Place of incorporation and operation	Particulars of Issued share capital/ registered capital	Effective interest attributable to the Group	Principal Activities
Magic Business Solutions Limited (formerly known as CyberM E-Commerce Limited)	Hong Kong	250,000 ordinary shares of HK\$1 each	100%	Investment holding
CyberM (Guangzhou) Information Technology Limited <sup>#</sup>	PRC	HK\$1,750,000	100%	Trading of software and hardware equipment
CyberM Holdings Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive

## 14. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Particulars of Issued share capital/ registered capital	Effective interest attributable to the Group	Principal Activities
CyberM Information Technology Limited	Hong Kong	700,000 ordinary shares of HK\$1 each	100%	Trading of software and hardware equipment
Magic Information Technology Limited (formerly known as CyberM Wireless Limited)	Hong Kong	2 ordinary shares of HK\$1 each	100%	Inactive
MagicPlus Solutions Limited	Hong Kong	750,000 ordinary shares of HK\$1 each	60%	Lease of software licences, trading of hardware equipment and provision of consultancy services
Mcmanagers Management Limited	British Virgin Islands	10,000* ordinary shares of US\$1 each	100%	Investment holding
Parkfield (China) Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
SchoolPlus Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	Trading of software and hardware equipment
Shillesse (Changsha) Limited#	PRC	HK\$350,000	60%**	Provision of beauty-salon services
Shillesse Management Consultant Limited	Hong Kong	10 ordinary shares of HK\$1 each	60%	Investment holding
* Shares held directly by the Company				
** The business operation was suspended since March, 2004				
# The subsidiary is a wholly foreign-owned enterprise registered in the PRC.				

## 15. INVESTMENTS IN SECURITIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Unlisted equity securities, at cost	1,850	1,850
Club debenture, at cost	330	330
Less: Provision for impairment losses	(1,850)	(1,850)
	<u>330</u>	<u>330</u>

## 16. INVENTORIES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Merchandise	99	246
	<u>99</u>	<u>246</u>

As at 31st March, 2005, all inventories were carried at cost.

## 17. TRADE RECEIVABLES

The ageing analysis of trade receivables is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	2,690	842
Over three months and within six months	499	207
Over six months and within one year	445	675
Over one year and within two years	129	54
Over two years and within three years	88	–
	<u>3,851</u>	<u>1,778</u>

The Group normally grants its customers credit periods for sales of goods ranging from 0 to 14 days. Considerations 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 are payable pursuant to the terms of the respective contracts. Rentals in respect of the leased property are payable by tenants on a monthly basis.

## 18. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within three months	1,018	760
Over three months and within six months	189	502
Over six months and within one year	117	1
Over one year and within two years	3	–
Over two years	6	5
	<u>1,333</u>	<u>1,268</u>

## 19. LONG-TERM LIABILITIES

	Group	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank loan wholly repayable within three years	748	1,232
Obligations under finance leases	–	25
Less: Current portion of long-term liabilities	(520)	(510)
	<u>228</u>	<u>747</u>

**19. LONG-TERM LIABILITIES (Continued)**

As at 31st March, 2005, the Group's overdrafts have no fixed repayment terms and the Group's bank loan was repayable as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Within one year	520	485
In the second year	228	520
In the third to fifth year	–	227
	<u>748</u>	<u>1,232</u>

As at 31st March, 2005, the Group's finance lease liabilities were repayable as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Within one year	–	26
In the second year	–	–
	–	26
Future finance charges	–	(1)
Present value of finance lease liabilities	<u>–</u>	<u>25</u>

**20. SHARE CAPITAL**

	<b>Company</b>	
	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
250,060,000 ordinary shares of HK\$0.1 each	<u>25,006</u>	<u>25,006</u>

**(A) SHARE OPTION SCHEME ADOPTED ON 1ST AUGUST 2000**

Pursuant to the share option scheme (the "Old Scheme") adopted by the Company on 1st August, 2000, the Board shall be entitled to grant options to full-time employees of the Group including executive directors and chief executive of the Company to subscribe for shares in the Company. The options granted under the Old Scheme were exercisable from 4th September, 2000 to 3rd September, 2010 at an exercise price of HK\$1.18.

Movements in the number of options outstanding under the Old Scheme during the year are as follows:

	<b>2005</b>	<b>2004</b>
At 1st April	6,368,000	9,600,000
Lapsed	<u>(2,092,000)</u>	<u>(3,232,000)</u>
At 31 March	<u>4,276,000</u>	<u>6,368,000</u>
Representing:		
Executive directors	<u>–</u>	<u>2,000,000</u>
Chief executive	<u>–</u>	<u>–</u>
Full-time employees	<u>4,276,000</u>	<u>4,368,000</u>

## 20. SHARE CAPITAL (Continued)

## (B) SHARE OPTION SCHEME ADOPTED ON 18TH AUGUST 2003

A new share option scheme (the "New Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 18th August, 2003. Under the New Scheme, the directors of the Company are authorised to grant options to the full-time employees of the Group including executive directors and chief executive to subscribe for shares of the Company. On 12th December, 2003, 690,000 options and 1,332,000 options which were exercisable from 15th December, 2003 to 13th June, 2009 and from 14th June, 2004 to 13th June, 2009 respectively were granted under the New Scheme at an exercise price of HK\$0.2.

On 18th August, 2003, the Old Scheme was terminated and replaced by the New Scheme. Since then, no further option can be granted under the Old Scheme while all options granted prior to such termination continue to be valid and exercisable.

Movements in the number of options outstanding under the New Scheme during the year are as follows:

	2005	2004
At 1st April	1,950,000	–
Granted	–	2,022,000
Lapsed	(836,000)	(72,000)
	<u>1,114,000</u>	<u>1,950,000</u>
At 31st March	<u>1,114,000</u>	<u>1,950,000</u>
Representing:		
Executive directors	<u>250,000</u>	<u>690,000</u>
Chief executive	<u>–</u>	<u>24,000</u>
Full-time employees	<u>864,000</u>	<u>1,236,000</u>

## 21. RESERVES

	Share premium HK\$'000	Merger reserve HK\$'000	Group Exchange differences HK\$'000	Accumulated loss HK\$'000	Total HK\$'000
At 1st April, 2004	5,613	(341)	(29)	(27,761)	(22,518)
Exchange differences	–	–	(30)	–	(30)
Loss for the year	–	–	–	(2,414)	(2,414)
	<u>5,613</u>	<u>(341)</u>	<u>(59)</u>	<u>(30,175)</u>	<u>(24,962)</u>
At 31st March, 2005	<u>5,613</u>	<u>(341)</u>	<u>(59)</u>	<u>(30,175)</u>	<u>(24,962)</u>
At 1st April, 2003	5,613	(341)	(5)	(18,032)	(12,765)
Exchange differences	–	–	(24)	–	(24)
Loss for the year	–	–	–	(9,729)	(9,729)
	<u>5,613</u>	<u>(341)</u>	<u>(29)</u>	<u>(27,761)</u>	<u>(22,518)</u>
At 31st March, 2004	<u>5,613</u>	<u>(341)</u>	<u>(29)</u>	<u>(27,761)</u>	<u>(22,518)</u>

## 21. RESERVES (Continued)

	Share premium HK\$'000	Company Accumulated loss HK\$'000	Total HK\$'000
At 1st April, 2004	5,613	(19,030)	(13,417)
Loss for the year	—	(725)	(725)
At 31st March, 2005	<u>5,613</u>	<u>(19,755)</u>	<u>(14,142)</u>
At 1st April, 2003	5,613	(18,387)	(12,774)
Loss for the year	—	(643)	(643)
At 31st March, 2004	<u>5,613</u>	<u>(19,030)</u>	<u>(13,417)</u>

*Note a:* The merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired and the nominal value of the Company's shares issued in exchange thereof.

## 22. DEFERRED TAXATION

As at 31st March, 2005, the following temporary differences have not been recognised.

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Tax losses	3,595	4,156	112	112
Temporary differences	196	1,150	—	—
	<u>3,791</u>	<u>5,306</u>	<u>112</u>	<u>112</u>

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the Group and the Company can utilise the benefits. The tax losses do not have an expiry date.

## 23. CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating loss to net cash outflow generated from operations:

	2005 HK\$'000	2004 HK\$'000
Operating loss	(2,142)	(9,689)
Depreciation of fixed assets	424	639
Amortisation of intangible assets	1,279	1,431
Loss on disposal of fixed assets	135	2
Impairment losses on fixed assets and intangible assets	—	2,084
Impairment loss on investments in securities	—	250
Interest income	(18)	(29)
Operating loss before working capital changes	(322)	(5,312)
Decrease in inventories	147	388
(Increase)/decrease in trade receivables, prepayments, deposits and other receivables	(2,023)	1,198
Increase in trade payables, accruals, other payables and receipts in advance	689	399
Net cash outflow generated from operations	<u>(1,509)</u>	<u>(3,327)</u>

**24. CONTINGENT LIABILITIES**

As at 31st March, 2005, a legal claim of HK\$440,814 (2004: HK\$440,814) was lodged against a subsidiary of the Company by a customer on a project implementation. The subsidiary has counter-claimed the customer for HK\$157,000 (2004: HK\$157,000) being the unpaid amount in relation to the project. The directors, based on the advice of the Group's legal advisor, considered that the Group has good defense against the alleged legal claim and accordingly no provision has been made in the account.

During the year, a provision amounting to HK\$900,000 was made in connection to a legal suitcase raised by another customer. The company counter-claimed the customer for HK\$750,000. As the legal process is in preliminary stage, the provision made is simply for prudent reason.

**25. BANKING FACILITIES**

As at 31st March, 2005, the Group's general banking facilities were secured by a fixed bank deposit of approximately HK\$5,570,000 (2004: HK\$5,556,000).

**26. COMMITMENTS UNDER OPERATING LEASES**

As at 31st March, 2005, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	634	979	256	605
Later than one year and not later than five years	415	1,340	–	256
	<u>1,049</u>	<u>2,319</u>	<u>256</u>	<u>861</u>

**27. FUTURE OPERATING LEASE ARRANGEMENTS**

As at 31st March, 2005, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>Others</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	–	132	1,666	1,666
Later than one year and not later than five years	–	15	791	2,457
	<u>–</u>	<u>147</u>	<u>2,457</u>	<u>4,123</u>

As at 31st March, 2005, the Company did not have any future operating lease receipts.

**28. ULTIMATE HOLDING COMPANY**

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

**29. APPROVAL OF ACCOUNTS**

The accounts were approved and authorised for issue by the board of directors on 27th June, 2005.

## 3. UNAUDITED INTERIM REPORT

The following is extracted from the unaudited interim report of the Group for the six months ended 30th September, 2005.

**Condensed Consolidated Profit And Loss Account**

	Note	Unaudited			
		Six months ended		Three months ended	
		30th September,		30th September,	
		2005	2004	2005	2004
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	18,763	13,302	8,651	5,978
Material, equipment and sub-contracting charge		(8,337)	(2,925)	(3,314)	(1,410)
Staff costs		(6,548)	(5,062)	(3,321)	(2,441)
Depreciation of property, plant and equipment		(155)	(226)	(76)	(91)
Amortisation of development expenditures		(578)	(761)	(578)	(381)
Other operating expenses		(1,637)	(3,599)	(882)	(867)
Operating profit		1,508	729	480	788
Interest income		63	–	32	–
Interest expense		(162)	(144)	(90)	(73)
Profit before taxation		1,409	585	422	715
Taxation	3	–	–	–	–
Profit/(loss) after taxation		1,409	585	422	715
Minority interests		–	–	–	–
Profit attributable to shareholders		1,409	585	422	715
Earnings per share	4				
– Basic		HK0.56 cents	HK0.23 cents	HK0.17 cents	HK0.29 cents
– Diluted		HK0.56 cents	N/A	HK0.17 cents	N/A

## Condensed Consolidated Balance Sheet

		Unaudited 30th September, 2005 HK\$'000	Audited 31st March, 2005 HK\$'000
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Development expenditures	6	–	578
Property, plant and equipment	6	451	389
Investments in securities		50	330
		<u>501</u>	<u>1,297</u>
		-----	-----
<b>CURRENT ASSETS</b>			
Inventories		99	99
Trade receivables	7	5,773	3,851
Prepayments, deposits and other receivables		825	777
Pledged Deposits	9	5,636	5,570
Cash and bank deposits		3,633	1,494
		<u>15,966</u>	<u>11,791</u>
		-----	-----
<b>CURRENT LIABILITIES</b>			
Trade payables	8	2,455	1,333
Accruals and other payables		1,776	2,648
Receipts in advance		1,848	2,131
Amount due to directors		432	358
Current portion of obligations under finance leases		209	–
Current portion of secured long-term bank loan		489	520
Bank overdrafts, secured	9	5,321	5,826
		<u>12,530</u>	<u>12,816</u>
		-----	-----
Net current assets/(liabilities)		<u>3,436</u>	<u>(1,025)</u>
		-----	-----
Total assets less current liabilities		<u>3,937</u>	<u>272</u>
		-----	-----
<b>NON-CURRENT LIABILITIES</b>			
Long-term bank loan		–	228
		<u>3,937</u>	<u>44</u>
		-----	-----
Net assets		<u><u>3,937</u></u>	<u><u>44</u></u>
		-----	-----
<b>FINANCED BY</b>			
Share capital		25,268	25,006
Reserves		(21,331)	(24,962)
		<u>3,937</u>	<u>44</u>
		-----	-----

**Condensed Consolidated Statement of Changes in Equity**

For the six months ended 30th September, 2004

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	
At 1st April, 2004	25,006	5,613	(341)	(29)	(27,761)	2,488
Translation adjustments	–	–	(61)	–	–	(61)
Profit for the period	–	–	–	–	585	585
At 30th September, 2004	<u>25,006</u>	<u>5,613</u>	<u>(402)</u>	<u>(29)</u>	<u>(27,176)</u>	<u>3,012</u>

For the six months ended 30th September, 2005

	Unaudited					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserves HK\$'000	Cumulative translation adjustments HK\$'000	Accumulated losses HK\$'000	
At 1st April, 2005	25,006	5,613	(341)	(59)	(30,175)	44
Issue of shares upon exercise of options	262	2,222	–	–	–	2,484
Profit for the period	–	–	–	–	1,409	1,409
At 30th September, 2005	<u>25,268</u>	<u>7,835</u>	<u>(341)</u>	<u>(59)</u>	<u>(28,766)</u>	<u>3,937</u>

**Condensed Consolidated Cash Flow Statement**

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30th September,</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash (outflow) from operating activities	(1,124)	(597)
Net cash inflow/(outflow) from investing activities	1,708	137
Net cash (outflow)/inflow from financing activities	<u>2,126</u>	<u>(237)</u>
Increase/(Decrease) in cash and cash equivalents	2,710	(697)
Cash and cash equivalents at the beginning of period	<u>1,238</u>	<u>2,617</u>
Cash and cash equivalents at the end of period	<u><u>3,948</u></u>	<u><u>1,920</u></u>
<b>Analysis of balances of cash and cash equivalents:</b>		
Cash and bank deposits	3,633	753
Pledged deposits	5,636	5,558
Bank overdrafts	<u>(5,321)</u>	<u>(4,391)</u>
	<u><u>3,948</u></u>	<u><u>1,920</u></u>

### Notes on the Unaudited Interim Financial Report

#### 1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (“the new HKFRSs”) which are effective for accounting periods beginning on or after 1st January, 2005. the adoption of the new HKFRSs had no material impact on the Group’s results of operation and financial position.

The unaudited condensed consolidated interim accounts have been reviewed by the audit committee. The composition of the audit committee is discussed in subsequent section.

#### 2. Turnover and segment information

The Group is organised into five 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; (iv) lease of property and (v) Macau marketing services. An analysis of the Group’s turnover and operating profit/(loss) by business segments is as follows:

	Six months ended 30th September, 2005		Six months ended 30th September, 2004	
	Turnover HK\$’000	Operating Profit HK\$’000	Turnover HK\$’000	Operating Profit HK\$’000
Development of customised software and sales of related computer equipment	10,712	6,498	9,083	7,364
Sales and lease of packaged software	977	693	2,313	1,756
Technical support and maintenance services	1,978	1,652	1,884	1,624
Lease of property	–	–	22	22
Macau marketing services	5,096	1,585	–	–
	<u>18,763</u>	<u>10,428</u>	<u>13,302</u>	<u>10,766</u>
Unallocated corporate expenses		(8,920)		(10,037)
		<u>1,508</u>		<u>729</u>

The Group has business operations in Hong Kong, Macau, the People’s Republic of China (the “PRC”). An analysis of the Group’s turnover and operating profit/(loss) by geographical segments is as follows:

	Six months ended 30th September, 2005		Six months ended 30th September, 2004	
	Turnover HK\$’000	Operating profit/(loss) HK\$’000	Turnover HK\$’000	Operating profit/(loss) HK\$’000
Hong Kong	13,667	(77)	13,147	905
Macau	5,096	1,585	–	–
The PRC	–	–	155	(176)
	<u>18,763</u>	<u>1,508</u>	<u>13,302</u>	<u>729</u>

**3. Taxation**

No provision for Hong Kong profits tax has been made in the accounts as the Group could utilize the tax loss carried forward for the assessable profit arising in Hong Kong for the six months ended 30th September, 2005. No provision for Macao complementary profits tax and enterprise income tax in the PRC has been made.

**4. Earnings/(loss) per share**

The calculation of basic and diluted earning/(loss) per share are the following data:

	Unaudited			
	Six months ended 30th September, 2005		Three months ended 30th September, 2004	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period				
Profit/(loss) for calculating basic and diluted earnings/(loss) per share	<u>1,409</u>	<u>585</u>	<u>422</u>	<u>715</u>
<i>Number of shares</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares used in the calculation of basic earning/(loss) per share	250,795	250,060	251,328	250,060
Effect of dilutive potential ordinary share	<u>331</u>	N/A	<u>341</u>	N/A
Weighted average number of ordinary shares used in the calculation of diluted earning/(loss) per share	<u>251,126</u>	N/A	<u>251,669</u>	N/A

No diluted earnings per share is presented for the six months and three months ended 30th September, 2004 as the outstanding share options were anti-dilutive.

**5. Interim dividends**

The directors do not recommend the payment of interim dividend for the half-yearly period (2004: Nil).

**6. Capital expenditure**

	Unaudited	
	Six months ended 30th September, 2005	
	Development Expenditures & software <i>HK\$'000</i>	Property, plant and equipment <i>HK\$'000</i>
Net book value as at 1st April, 2005	578	389
Additions	–	217
Written off	(578)	
Depreciation	<u>–</u>	<u>(155)</u>
Net book value as at 30th September, 2005	<u>–</u>	<u>451</u>

**7. Trade receivables**

The ageing analysis of trade receivables is as follows:

	<b>Unaudited</b> <b>30th September,</b> <b>2005</b> <i>HK\$'000</i>	<b>Audited</b> <b>31st March,</b> <b>2005</b> <i>HK\$'000</i>
Within three months	3,842	2,690
Over three months but within six months	856	499
Over six months but within one year	889	445
Over one year	186	217
	<u>5,773</u>	<u>3,851</u>

The Group normally grants to its customers credit periods for sales 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 the leased property are payable by tenants on a monthly basis.

**8. Trade payables**

The ageing analysis of trade payables is as follows:

	<b>Unaudited</b> <b>30th September,</b> <b>2005</b> <i>HK\$'000</i>	<b>Audited</b> <b>31st March</b> <b>2005</b> <i>HK\$'000</i>
Within three months	1,672	1,018
Over three months but within six months	316	189
Over six months but within one year	453	117
Over one year	14	9
	<u>2,455</u>	<u>1,333</u>

**9. Banking facilities**

As at 30th September, 2005, the Group's general banking facilities were secured by a fixed bank deposit of approximately HK\$5,636,000 (31st March, 2005: HK\$5,570,000).

**10. Contingent Liabilities**

As at 30th September, 2005, a legal claim of HK\$440,814 was lodged against a subsidiary of the Company by a customer on a project implementation, the subsidiary has counter-claimed the customer for HK\$157,000 being the unpaid amount in relation to the project. The directors, based on the advice of the Group's legal advisor, considered that the Group has good defense against the alleged legal claim and accordingly no provision has been made in the account.

A provision amounting to HK\$900,000 has already made in connection to a legal suitcase raised by another customer. The company counter-claimed the customer for HK\$750,000. The provision made is simply for prudent reason.

**11. Movements in Reserves**

The movement in reserves for the six months ended 30th September, 2005 is HK\$3,630,000 (2004: HK\$524,000).

**4. INDEBTEDNESS**

At the close of the business on 30th September, 2005, being the latest practicable date for the purpose of this indebtedness statement, the Group had total outstanding debts of approximately HK\$6,451,000. These borrowings comprise amount due to directors, obligations under finance leases, secured long-term bank loan and secured bank overdrafts of HK\$432,000, HK\$209,000, HK\$489,000 and HK\$5,321,000 respectively.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any outstanding debt securities and any other borrowings/indebtedness in the nature of borrowing of the Group including: bank overdrafts, liabilities under acceptances, acceptance credits, hire purchase commitments, mortgages or charges, contingent liabilities or guarantees.

**5. MATERIAL CHANGE**

As at the Latest Practicable Date, save for the information as disclosed in the interim report of the Company for the six months ended 30th September, 2005 and Appendix II hereto respectively, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31st March, 2005, being the date to which the latest published audited financial statements of the Group were made up.

**1. RESPONSIBILITY STATEMENT**

The information in this Composite Offer Document other than relating to the Offeror has been supplied by the Directors. All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than information relating to the Offeror, the terms and conditions of the Offers and the Offeror's intentions regarding the Group), and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Composite Offer Document (other than those relating to the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document (other than those relating to the Offeror), the omission of which would make any such statement contained in this Composite Offer Document misleading.

The information in this Composite Offer Document other than relating to the Group has been supplied by the Offeror. The Offeror Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Offer Document (other than that relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, the opinions expressed in this Composite Offer Document (other than those relating to the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Offer Document (other than those relating to the Group), the omission of which would make any statement contained in this Composite Offer Document misleading.

**2. CORPORATE INFORMATION OF THE COMPANY**

The Company was incorporated in Bermuda under the Companies Law on 3rd March, 2000. Its registered office is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its head office and principal place of business in Hong Kong is at 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is Fok Wai Man.

**3. SHARE CAPITAL OF THE COMPANY****(a) Authorised and issued share capital**

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Shares</i>		<i>HK\$</i>
<i>Authorised:</i>		
1,000,000,000 00	Authorised share capital of HK\$100,000,000.00 divided into 1,000,000,000 Shares	100,000,000
<i>Issued and fully paid:</i>		
252,684,000	Paid up share capital of HK\$25,268,400 divided into 252,684,000 Shares	25,268,400

As at the Latest Practicable Date, no new Shares have been issued by the Company since 31st March, 2005 (being the date to which its latest published audited accounts were prepared) save for the allotment and issue of 2,624,000 Shares pursuant to the exercise of the Share Options. All of the Shares currently in issue rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital.

Save as disclosed above and in respect of the Share Options, the Company does not have any outstanding warrants or share options or other securities carrying rights of conversion into or exchange or subscription for Shares.

**(b) Listing**

The Shares are listed and traded on the GEM of the Stock Exchange. No part of the issued share capital of the Company is listed or dealt in, nor is any listing of or permission to deal in the Shares being or proposed to be sought on, any other stock exchange.

**4. DISCLOSURE OF INTERESTS**

**(a) Directors' interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests or short positions of the Directors and directors of the Offeror (if any) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to Section 352 of SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules; or (iv) to be disclosed in this Composite Offer Document pursuant to the requirements of the Takeovers Code, were as follows:

<b>Name of Director</b>	<b>Nature of Interests</b>	<b>Number and description of securities</b>	<b>Approximate percentage of shareholding</b>
Lau Chiu Pui	Discretinoary Trust <i>(Note 1)</i>	13,750,000 Shares	5.44
Chan Pui Fong	Discretionary Trust <i>(Note 1)</i>	13,750,000 Shares	5.44
Lau Chiu Pui	Personal	250,000 Share Options <i>(Note 2)</i>	0.09

*Note:*

- The 13,750,000 shares in the Company are beneficially owned by and registered in the name of Noble Class Group Limited (“Noble Class”), a company incorporated in the British Virgin Islands. Noble Class is in turn wholly held by Sunrise International (Holdings) Limited (“Sunrise”), a company incorporated in the Cayman Islands. 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 million, are held by Mr. Lau, Ms Chan (Mr. Lau’s spouse), Mr. Lai Shu Pui, Fergus (Mr. Lai), Mr. Wong Kit Mei (Mr. Wong), Mr. Fung Yiu Fai (Mr. Fung) and Mr. Yip Ho Pong (Mr. Yip). (Mr. Fung, Mr. Yip, Mr. Lai and Mr. Wong were executive directors of the Company whose respective resignation became effective on 18th July, 2001, 7th August, 2002, 30th April, 2004 and 30th April, 2004). The issued ordinary shares of Sunrise are held in the following proportions

<b>Name of shareholders of Sunrise</b>	<b>Class of ordinary shares of Sunrise</b>	<b>Participating proportion</b>
Pro Nes Genesis Anstalt (the “Anstalt”) *	A - Voting, non-participating	–
Mr. Lau	B - Non-voting, participating	86.68%
Mr. Yip	C - Non-voting, participating	3.33%
Mr. Lai	D - Non-voting, participating	3.33%
Mr. Wong	E - Non-voting, participating	3.33%
Mr. Fung	F - Non-voting, participating	3.33%
		100%

\* The Anstalt is a corporate entity under Liechtenstein in which Mr. Lau has sole beneficial interest.

Mr. Lau and Ms. Chan (Mr. Lau’s spouse) is therefore taken to have a beneficial interest in the 191,250,000 ordinary shares owned by Noble Class under Part XV of the SFO.

- These represent outstanding options to subscribe for Shares

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or directors of the Offeror (if any) have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of SFO) which are required (i) to be notified to the Company or the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which he is taken or deemed to have under such provisions of SFO); or (ii) to be entered in the register referred to therein pursuant to section 352 of SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules; or (iv) to be disclosed in this Composite Offer Document pursuant to the requirements of the Takeovers Code.

#### **(b) Service contracts**

None of the Directors has any existing or proposed service contract with any member of the Group or any associated company of the Company which has more than 12 months to run nor has any of the Directors entered into or amended any service contract with any member of the Group or any associated company of the Company within the Relevant Period.

**(c) Other interests**

As at the Latest Practicable Date,

- (a) neither the Company nor any of the Directors held any interest in the securities of the Offeror;
- (b) no subsidiary or associate of the Company, or any pension fund of the Company or of any member of the Group owned or controlled any securities in the Company;
- (c) none of the professional advisers named under the section headed “Consents” in this Appendix or any adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any securities of the Company;
- (d) no shareholdings in the Company were managed on discretionary basis by fund managers connected with the Company;
- (e) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror or any person acting in concert with the Offeror and any other person;
- (f) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or an associate of the Offeror or any party acting in concert with it and any other person, had any interest in any securities of the Company; and
- (g) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of associates under the Takeovers Code and any other person had any interest in any securities of the Company.

**5. DEALINGS IN SECURITIES**

During the Relevant Period,

- (a) save for the exercise of the Options, none of the Offeror nor parties acting in concert with it had dealt for value in any securities of the Company;
- (b) save for the exercise of the Options, none of the Offeror Directors dealt for value in any securities of the Company;
- (c) save for the exercise of the Options, neither the Company nor any of its Directors dealt for value in the securities of the Offeror or the Company;

- (d) no subsidiary of the Company, nor any pension fund of the Company or any of its subsidiaries, nor any of the professional advisers named under the section headed “Consents” in this Appendix nor any adviser to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code had dealt for value in any securities in the Company;
- (e) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” in the Takeovers Code had dealt for value in any securities in the Company;
- (f) no persons who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or with any persons acting in concert with it had dealt for value in any securities in the Company; and
- (g) no fund managers (other than exempted fund managers) who managed funds on a discretionary basis or connected with the Company had dealt for value in any securities in the Company.

## 6. MARKET PRICES

- (a) The highest and lowest closing prices of the Shares quoted on the Stock Exchange during the period from 20th April, 2005, being the date falling six months prior to the date of the Joint Announcement, to the Latest Practicable Date were HK\$0.90 per Share on 15th August, 2005 and 16th August, 2005 respectively and HK\$0.305 per Share on 20th April, 2005, respectively.
- (b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the six calendar months immediately preceding the date of the Joint Announcement on which trading of the Shares took place:-

	<b>Closing price</b> <i>(HK\$)</i>
29th April, 2005	0.55
31st May, 2005	0.62
30th June, 2005	0.56
29th July, 2005	0.71
31st August, 2005	0.70
29th September, 2005	0.56

- (c) The closing price of the Shares quoted on the Stock Exchange on 29th September, 2005 being the last trading day immediately prior to the suspension of trading in the Shares pending the release of the Joint Announcement was HK\$0.56 per Share.
- (d) The closing price of the Shares in the Company as quoted on the Stock Exchange on the Latest Practicable Date was HK\$0.38 per Share.

**7. LITIGATION**

As at the Latest Practicable Date, save as disclosed below none of the members of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

As at 30th September, 2005, a legal claim of HK\$440,814 was lodged against a subsidiary for the Company by a customer on a project implementation, the subsidiary has counter-claimed the customer for HK\$157,000 being the unpaid amount in relation to the project. The directors, based on the advice of the Group's legal advisor, considered that the Group has good defense against the alleged legal claim and accordingly no provision has been made in the account.

A provision amounting to HK\$900,000 has already made in connection with a legal proceeding raised by another customer. The company counter-claimed the customer for HK\$750,000.

**8. MATERIAL CONTRACT**

In the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date, only the following contract that is or may be material, not being a contract entered into in the ordinary course of business, was entered into by the Company or its subsidiaries.

Marketing Agreement dated 14th July, 2005 entered into between Cherry Oasis (Macau) Limited, a wholly-owned subsidiary of the Company, and Mr. Iong Io Hong whereby Cherry Oasis (Macau) Limited was appointed exclusive service provider of rolling and settlement service for customers of the Emperor V.I.P. Club at the Galaxy Casino in the Waldo Hotel in Macau.

Save as disclosed above, no contracts were entered by into the Company or its subsidiaries which were not in the ordinary course of business and are or may be material in the two years immediately preceding the date of the Joint Announcement and up to the Latest Practicable Date.

**9. CONSENTS**

Each of Baron Capital, Baron Asia, Partners Capital and CCIF has given and has not withdrawn its written consent to the issue of this Composite Offer Document with the inclusion herein of its letter and/or references to its name, in the form and context in which it appears.

**10. QUALIFICATIONS**

The following are the qualifications of the experts who have given opinions or advice which are contained or referred to in this Composite Offer Document:

<b>Name</b>	<b>Qualification</b>
Baron Capital	A licensed corporation under the SFO
Baron Asia	A licensed corporation under the SFO
Partners Capital	A licensed corporation under the SFO
CCIF	Certified Public Accountants

**11. GENERAL**

- (a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (b) As at the Latest Practicable Date and save in respect of the Option Agreement and the irrevocable undertaking given by Noble Class on not accepting the Offers, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the outcome of the Offers or otherwise connected therewith.
- (c) As at the Latest Practicable Date, there is no agreement or arrangement between any of the Directors and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (d) As at the Latest Practicable Date, there is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to its Offers.
- (e) As at the Latest Practicable Date, save for Noble Class, Mr. Lau Chiu Pui and Mr. Leung Man Kit in relation to their Offeror Share Options, where applicable no person has irrevocably committed to accepting or rejecting the Offers.
- (f) As at the Latest Practicable Date, there is no material contract to which the Offeror is a party in which any Director has a material personal interest save for the Option Agreement.
- (g) The English text of this Composite Offer Document and the Form of Acceptance shall prevail over the Chinese text in the case of inconsistency.
- (h) The registered office of the Offeror is 6th Floor, Ping Lam Commercial Building, 280 Lok Hart Road, Hong Kong.

- (i) The Offeror Directors are Mr. Wong Kam Leong and Mr. Tse Kam Tsuen.
- (j) The registered office of Baron Asia and Baron Capital is at 4/F Aon China Building, 29 Queen's Road Central, Hong Kong.
- (k) The address of Partners Capital, the independent financial adviser to the Independent Board Committee, is at Room 1305, 13th Floor, 9 Queen's Road Central, Hong Kong.

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the office of the Company at 2007-9, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong while the Offer remains open:

- (a) the bye-laws of the Company and the memorandum and articles of association of the Offeror;
- (b) the annual reports of the Company for the two years ended 31st March, 2005;
- (c) the letter from Baron Capital as set out on pages 12 to 20 of this Composite Offer Document;
- (d) the letter from Partners Capital as set out on pages 23 to 38 of this Composite Offer Document;
- (e) letter from the Independent Board Committee;
- (f) the written consents from the experts referred to in the paragraph headed "Consent" in this Appendix;
- (g) the material contract referred to in the paragraph headed "Material Contract" in this Appendix.

Copies of this Composite Offer Document will be available for inspection at the office of the Company at the address referred to above. The Forms of Acceptance will be available for collection from the Registrar, the office of the Company and the office of Baron Capital at their respective addresses referred to above.