



CyberM International (Holdings) Limited

美域數碼國際(控股)有限公司*

(Incorporated in Bermuda with limited liability)

*Mobile
e-Commerce
Business Solutions*

Placing

International Coordinator and Sponsor



Core Pacific - Yamaichi Capital Limited

Lead Manager

Core Pacific - Yamaichi International (H.K.) Limited

IMPORTANT

If you are in any doubt about this prospectus, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.



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LISTING ON
THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF PLACING OF NEW SHARES AND SALE SHARES

Number of Placing Shares:	37,500,000 New Shares 12,500,000 Sale Shares (subject to Over-allocation Option)
Placing Price:	HK\$0.93 per Share
Nominal Value:	HK\$0.10 each
Stock Code:	8017

International Coordinator and Sponsor



Core Pacific - Yamaichi Capital Limited

Lead Manager

Core Pacific - Yamaichi International (H.K.) Limited

Underwriters

Kingsway SW Securities Limited
KGI Asia Limited
Yuanta Brokerage Company Limited

GOA Securities Limited
Phoenix Capital Securities Limited
YF Securities Company Limited

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("Hongkong Clearing") take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrars of Companies in Hong Kong and Bermuda" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong. A copy of this prospectus has also been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of this prospectus or any other documents referred to above.

Subject to the granting of listing of and permission to deal in the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the commencement date of dealings in the Shares or such other date as determined by Hongkong Clearing. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

* for identification purposes only.

CHARACTERISTICS OF GEM

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 traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-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.

EXPECTED TIMETABLE

Announcement of levels of indication of interests in the Placing to be published on the GEM website on or before	Wednesday, 16th August, 2000
Share certificates available on or before (<i>Note 1</i>).	Wednesday, 16th August, 2000
Placing which is expected to become unconditional on or about . . .	Wednesday, 16th August, 2000
Dealings in Shares on GEM commence on (<i>Note 2</i>)	Thursday, 17th August, 2000

Notes:

- (1) The share certificates are expected to be deposited into CCASS on or about Wednesday, 16th August, 2000 for credit to the respective CCASS participant's stock accounts designated by the Underwriters.
- (2) It will be subject to the Placing becoming unconditional. An announcement will be made if the listing of the Shares is later than 17th August, 2000.

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You should rely only on the information contained in this prospectus to make your investment decision.

The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, the directors of any of them, or any other person involved in the Placing.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" in this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

GENERAL OVERVIEW OF THE GROUP

The Group was established in 1990 and the Directors believe that the Group is one of the first mobile B2B eBusiness solutions providers using ASP approach and targeting the SMEs in the Greater China Region. The Group focuses on Internet-based B2B eBusiness solutions and mobile and wireless computing. It has been delivering business application solutions to the SME community in Hong Kong for over nine years. Over the past decade, in response to the technological advances and emerging industry standards and practices, the Group has, from time to time, developed and launched Internet-based B2B eBusiness solution, mobile and wireless solution, customised business application solutions and packaged software under its own brand names such as CyberM Business Series, CyberM Mobile Series, Magic Retail System, Magic Accounting System, Magic Trading System and Magic t-Business. The Group has sold over 4,000 user licences of such business application solutions. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded the ISO9001 certification on its products.

In view of the rapid development of the Internet, the Group has developed and expanded its in-house R & D capabilities in business application solutions over the Internet since 1998. In November 1999, the Group soft-launched its first Internet-based CyberM Business Series which enables its clients to have secured access to their back-end logistics management through the Internet. The system is being regularly enhanced with new value-added features such as interaction with Tradelink on-line system for custom declaration in Hong Kong and banking interfaces. The Directors plan to develop a B2B enterprise portal to enhance and complement its Internet-based mobile B2B eBusiness solutions.

With the development of the Internet-based CyberM Business Series, the Group has positioned itself as a mobile B2B eBusiness solutions provider for the imminent boom of the ASP market brought by the Internet and mobile and wireless computing technologies. To enhance its R & D capabilities in mobile and wireless computing, the Group entered into a collaboration agreement with Sybase HK, a wholly-owned subsidiary of Sybase Inc., in May 2000 for the development and promotion of, inter alia, Internet-based CyberM Business Series and mobile and wireless solutions. Such partnership will strengthen the Group's R & D team in applying mobile and wireless computing technologies into the Group's Internet-based B2B eBusiness solutions. On the business development side, the Group is, at present, exploring the possibility of forming strategic alliances with business partners to establish foothold in the Greater China Region in the near future.

Over the past decade, the Group has partnered with HKPC and leading international IT companies. With established clientele coupled with strategic alliances with leading company in the industry, the Group intends to expand its market share vertically through product and service enhancements and horizontally through geographical penetration into the Greater China Region.

SUMMARY

TRADING RECORD

The SFC has granted waiver in relation to paragraphs 27 and 31 of Part II of the Third Schedule of the Companies Ordinance so that the Group is only required to include in this prospectus its trading record, financial results and information covering the two financial years immediately preceding the issue of this prospectus - see the section headed “Companies Ordinance waiver” on page 32 of this prospectus.

The following table summarises the Group’s combined audited results for the two financial years ended 31st March, 2000. The summary has been prepared on the basis that the current structure of the Group had been in existence throughout such period — see the Accountants’ Report in Appendix I to this prospectus. Please also refer to “Statement of Active Business Pursuits” for detailed explanation of the business performance of the Group.

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	12,339	18,720
Cost of sales	<u>(3,128)</u>	<u>(7,062)</u>
Gross profit	9,211	11,658
Other revenue	30	—
Distribution and selling expenses	(299)	(612)
Software development expenditures	(2,960)	(3,020)
General and administrative expenses	<u>(4,124)</u>	<u>(5,855)</u>
Profit from operations	1,858	2,171
Interest income	—	14
Interest expense	<u>(283)</u>	<u>(256)</u>
Profit before share of loss of an associated company	1,575	1,929
Share of loss of an associated company	<u>(93)</u>	<u>—</u>
Profit before taxation	1,482	1,929
Taxation	<u>(319)</u>	<u>(387)</u>
Profit attributable to shareholders	<u>1,163</u>	<u>1,542</u>
Dividends	<u>—</u>	<u>—</u>
Earnings per share – Basic*	<u>HK0.55 cents</u>	<u>HK0.73 cents</u>

Note:

- * The calculation of the basic earnings per share for the relevant years is based on the profit attributable to shareholders for each of the relevant years and assuming 212,500,000 shares in issue and issuable, comprising 27,279,980 shares in issue as at the date of this prospectus and 185,220,020 shares to be issued pursuant to the Capitalisation Issue as described in the paragraph headed “Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000” in Appendix IV to this prospectus.

SUMMARY

The profit attributable to shareholders would have been impacted as follows after adjustment for notional directors' emoluments under service agreements detailed in Section 3.f(iii) of the Accountants' Report in Appendix I to this prospectus:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit attributable to shareholders	1,163	1,542
Adjustment for notional directors' emoluments	<u>(549)</u>	<u>(793)</u>
Adjusted profit attributable to shareholders	<u>614</u>	<u>749</u>

Dividends

No dividend has been declared by the Group for the two financial years ended 31st March, 2000. The Directors expect that, in the future, the amount of dividends will be approximately one third of the total earnings of the Group. However, the amount of dividends will be subject to the discretion of the Directors and will be dependent upon the Group's earnings, financial conditions, cash requirements and availability and other relevant factors.

PRINCIPAL STRENGTHS OF THE GROUP

Since its establishment, the Group's operations have been growing and the Directors believe that the principal strengths of the Group are as follows:

- its ability to provide mobile B2B eBusiness solutions which are ready for deployment to its customers;
- its established in-house R & D capabilities to develop mobile B2B eBusiness solutions of its own brand names and provide customised business application solutions;
- its flexible business and revenue models under which its business application solutions are provided in the forms of packaged software, customised business application solutions and application service;
- its in-depth knowledge of the market in Hong Kong and established customer base with over 4,000 user licences having been sold to its customers;
- its strong capabilities in delivering cost-competitive, timely, reliable and quality services to its customers;
- its established business relationships with leading international IT companies;
- its strong technical and business alliance with Sybase HK in developing mobile and wireless computing solutions and a B2B enterprise portal, and the promotion of the Group's mobile B2B eBusiness solutions through Asian Solutions Centre;
- its dedicated and forward-thinking management team which has extensive experience in and knowledge of IT and market trends; and

SUMMARY

- its prosperous growth opportunities to develop business into a comprehensive mobile B2B eBusiness solutions service by building on the Group's existing business application solutions and the established customer base.

STATEMENT OF BUSINESS OBJECTIVE

Overall Business Objective

The Group's overall business objective is to establish itself as a leading mobile B2B eBusiness solutions provider using ASP approach for the SMEs in the Greater China Region. With the increasing adoption of IT in the global business environment, effective use of IT has become a key factor to success, and it is important for the SMEs in Hong Kong and other parts of Asia to invest in IT application so as to increase their competitive advantages. As mentioned in the section headed "Industry Overview" in this prospectus, the Directors expect that the SMEs will be a potential market for growth. The Group aims to develop and promote comprehensive mobile B2B eBusiness solutions for business enterprises, especially for SMEs in light of the evolutionary changes of business landscape brought by the global emergence of e-commerce and mobile and wireless computing technologies. With the Group's established R & D capability, in-depth experience in the Hong Kong SME market, vision focus and forward thinking attitude, and the cost competitiveness of its products, the Directors believe that the Group will be in a strong position to capture the SME market in the Greater China Region.

MAJOR CHANGES IN SHAREHOLDINGS PRIOR TO THE REORGANISATION

Prior to the Reorganisation as described in Appendix IV to this prospectus, Mcmanners Management Limited ("Mcmanners") was the holding company of the Group. Mcmanners was incorporated in March 1997 and was held as to 70% by Noble Class Group Limited and as to 30% by Westiche Capital Ltd. in trust for Noble Class Group Limited, Mr. Yip, Mr. Lai and Mr. Wong. In July 1999, Westiche Capital Ltd., as instructed by Mr. Yip, Mr. Lai and Mr. Wong, transferred to Pacific Dragon Resources Limited 5% shareholding in Mcmanners for a consideration of HK\$4,000,000 which was shared among Mr. Yip, Mr. Lai and Mr. Wong. In September 1999, Westiche Capital Ltd., as instructed by Mr. Yip, Mr. Lai and Mr. Wong, transferred to Digital Capital Markets Limited 5% shareholding in Mcmanners for a consideration of HK\$4,000,000 which was shared among Mr. Yip, Mr. Lai and Mr. Wong. In January 2000, Mr. Yip, Mr. Lai and Mr. Wong assigned to Mr. Fung the beneficial interest, in aggregate, of 3% shareholding in Mcmanners at nil consideration as an inducement to Mr. Fung's joining the Group.

Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung transferred all their interests in Mcmanners to Noble Class Group Limited in May 2000 at par value in preparation for the Reorganisation.

SUMMARY

The acquisition costs of each executive Director in acquiring their respective beneficial interests in the Group prior to the Reorganisation are as follows:—

Executive Director	Beneficial interests acquired	Consideration	Date
Mr. Lau	7,800 shares in Mcmanners	US\$7,800.00	October 1997
Mr. Yip	300 shares in Mcmanners	US\$300.00	October 1997
Mr. Lai	300 shares in Mcmanners	US\$300.00	October 1997
Mr. Wong	300 shares in Mcmanners	US\$300.00	October 1997
Mr. Fung	300 shares in Mcmanners	Nil	January 2000

CORPORATE REORGANISATION

The Reorganisation of the Group is set out in detail in Appendix IV to this prospectus. As a result of the Reorganisation, the Existing Shareholders' interests in the Company are summarised as follows:—

Name of shareholders	Date of entry (Note 1)	Number of Shares held (immediately after listing)	Percentage of shareholding (immediately after listing)	Cost Per Share HK\$	Total cost for the Shares held (immediately after listing) (Note 2) HK\$
Noble Class Group Limited (Note 3)	(Note 6)	191,250,000	76.5%*	(Note 6)	(Note 6)
Pacific Dragon Resources Limited (Note 4)	July 1999	4,375,000	1.75%	0.3765	1,647,187.5 (Note 4)
Digital Capital Markets Limited (Note 5)	September 1999	4,375,000	1.75%	0.3765	1,647,187.5 (Note 5)

* Assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised

Notes:

- This represents the actual date on which each of the Existing Shareholders became shareholders of the Group prior to the Reorganisation.
- This represents the actual amount of consideration paid by each of the Existing Shareholders for their respective interests (immediately after listing) in the Group.
- If the Over-allocation Option is exercised in full, the beneficial interest of Noble Class Group Limited in the Group will be reduced to approximately 73.5%. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited ("Sunrise"), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:—

- (i) Prophecy Associates Limited*
- (ii) Mr. Yip, his spouse, their issue and the spouses of their issue**
- (iii) Mr. Lai, his spouse, their issue and the spouses of their issue**

SUMMARY

- (iv) Mr. Wong, his spouse, their issue and the spouses of their issue**
- (v) Mr. Fung, his spouse, their issue and the spouses of their issue**
- (vi) Mr. Chan Wing Fuk, his spouse, their issue and the spouses of their issue.**

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

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

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

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

4. Pacific Dragon Resources Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by two third parties independent of the Directors, the substantial shareholder or initial management shareholder of the Group. Pacific Dragon Resources Limited intends to offer 6,250,000 Sale Shares, representing 2.5% per cent. of the enlarged share capital of the Company. Therefore, the shareholding of Pacific Dragon Resources Limited will be reduced to 1.75 per cent.. The acquisition cost for the 6,250,000 Sale Shares to be disposed by Pacific Dragon Resources Limited was arrived at by adjusting the aggregate cost of HK\$4,000,000 (before the offering of Sale Shares) to account for the cost of the 6,250,000 Sale Shares. After the adjustment, the total cost of the Sale Shares attributable to Pacific Dragon Resources Limited is HK\$2,352,812.5.
5. Digital Capital Markets Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by a third party independent of the Directors, the substantial shareholder or initial management shareholder of the Group. Digital Capital Markets Limited intends to offer 6,250,000 Sale Shares, representing 2.5% per cent. of the enlarged share capital of the Company. Therefore, the shareholding of Digital Capital Markets Limited will be reduced to 1.75 per cent.. The acquisition cost for the 6,250,000 Sale Shares to be disposed by Digital Capital Markets Limited was arrived at by adjusting the aggregate cost of HK\$4,000,000 (before the offering of Sale Shares) to account for the cost of the 6,250,000 Sale Shares. After the adjustment, the total cost of the Sale Shares attributable to Digital Capital Markets Limited is HK\$2,352,812.5.
6. Please refer to the sections headed "Major Changes in Shareholdings Prior to the Reorganisation" and "Corporate Reorganisation" on pages 4 and 163 respectively.

SUMMARY

RESTRICTION ON DISPOSAL OF SHARES

Substantial and Initial Management Shareholder	Number of Shares held immediately after the Placing and the Capitalisation Issue	Percentage of Shares held immediately after the Placing and the Capitalisation Issue	Lock-up period commencing from the date of listing <i>(Note)</i>
Noble Class Group Limited <i>(see Note 3 above)</i>	191,250,000	76.5%*	24 months

* Assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised

Note:

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as sponsor and international coordinator of the Placing), the Underwriters and the Stock Exchange that it will comply with the requirements of Rule 13.16 and 13.20 of the GEM Listing Rules.

Noble Class Group Limited, Sunrise International (Holdings) Limited, Arawak Trust Company Limited, AMS Trustees Limited, Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung have undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period they will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into an agreement to dispose of), distribute any interest nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interests in the Company.

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period it will not dispose of its 76.5% shareholding (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) in the Company.

Sunrise International (Holdings) Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that it will not dispose of its direct interest in Noble Class Group Limited within the Management Relevant Period.

Arawak Trust Company Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

AMS Trustees Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

UNDERWRITING

Save as provided for under the Underwriting Agreement, neither Core Pacific - Yamaichi nor its associates have or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

Noble Class Group Limited has granted CPY International the Over-allocation Option, exercisable by CPY International, on behalf of the Underwriters within 30 days after the date of this prospectus, to require Noble Class Group Limited to sell up to an aggregate of 7,500,000 existing Shares which are equivalent to 15% of the Placing Shares (other than the Over-allocation Shares) or approximately 13.04% of the Placing Shares (assuming the Over-allocation Option is exercised in full), at the Placing Price solely to cover over-allocations in the Placing, if any.

SUMMARY

STRUCTURE OF THE PLACING AND THE SALE SHARES

The Company is initially offering 37,500,000 new Shares for subscription, and Pacific Dragon Resources Limited and Digital Capital Markets Limited are offering an aggregate of 12,500,000 existing Shares for sale with an Over-allocation Option of up to 7,500,000 existing Shares granted by Noble Class Group Limited for sale by way of the Placing, with details set out below:

Name	Description	Address	Number of Sale Shares	Percentage of Reorganisation and Capitalisation Issue	Percentage of shareholding (immediately after listing)
Pacific Dragon Resources Limited	a company incorporated in British Virgin Islands	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	6,250,000	5.0%	1.75%
Digital Capital Markets Limited	a company incorporated in British Virgin Islands	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	6,250,000	5.0%	1.75%
Noble Class Group Limited	a company incorporated in British Virgin Islands	The Creque Building 216 Main Street, Road Town, Tortola British Virgin Islands	up to 7,500,000 existing Shares in the Over-allocation Option	90%	73.5% if the Over-allocation Option is exercised in full

RISK FACTORS

The Directors consider that the operations and results of the Group are subject to certain risks which can be categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to Hong Kong; (iv) risks relating to the PRC; and (v) risks relating to Taiwan:

(i) Risks relating to the Group

- Competition
- Reliance on key management
- Third parties' products
- Sustainability of profit
- Reliance on other IT vendors

SUMMARY

- Variance of major customers
 - Intellectual property rights
 - Trademark infringement
 - Product risks
 - Credit risks
 - Decrease in SMEs
 - Acceptance of the ASP market
 - Quality of service of ASPs
 - The development of B2B Enterprise Portal
 - Security risks of unauthorised access
 - Security of proprietary information
 - Dependence on a reliable Internet infrastructure, third party telecommunications and infrastructure system
 - The Group's insurance coverage is limited
 - Dependence on business and technical alliances
 - Expansion into new markets
 - Foreign exchange exposure
 - Use of confidential information
 - Year 2000 compliance
- (ii) Risks relating to the industry
- Operating in a developing industry
 - The Group's demand for technical personnel may not be satisfied
 - The legal framework with respect to the Internet and e-commerce in Hong Kong is developing
 - Internet regulations in the PRC
 - Internet regulations in Taiwan

SUMMARY

(iii) Risks relating to Hong Kong

- Political factors
- Economic factors

(iv) Risks relating to the PRC

- Economic environment and political structure of the PRC
- Exchange risks

(v) Risks relating to Taiwan

- Political tension between the PRC and Taiwan
- Economic condition of Taiwan

(vi) Risks relating to investing in GEM

TRADEMARKS

In May 2000, the Group applied for trademark registration of its “CyberM” trademarks as described on page 170 of this prospectus. The Trade Marks Registry has, by letters dated 31st July 2000, indicated to the Group that “CyberM Business”, “CyberM Mobile”, “CyberM Retail” and “CyberM” trademarks are indistinctive and are therefore prima facie unacceptable for registration subject to the right of the Group to lodge appeals against the prima facie objections. The Group will review the prima facie objections of the Trade Marks Registry with its legal advisers and will file appeals within the statutory period allowed, being 6 months from the date of the letters of the Trade Marks Registry. However, there is no guarantee that such appeals or the application for registration will be successful or if successful, will not be subject to disclaimers or limitations. The Directors are not aware of any risk of trademark infringement by the Group under the relevant trademark classes even if the trademark registration is unsuccessful and believe that the Group’s new products rely mainly on quality rather than on any brandname or trademark effect. The Group continues to market its traditional packaged software under the name of “Magic” whereas the Internet-based business application solutions and mobile and wireless computing will be promoted under the trademarks of CyberM Business Series and CyberM Mobile Series respectively, for the purpose of building up the Group’s proprietary intellectual property right and differentiating its product lines. According to a recent trademark search, trademark registration in respect of the names “Magic” and “CyberM” were not found under the relevant classes. Although the Directors believe that there is no likelihood of trademark infringement, as a contractual obligation, the Group relies on the written consent of Magic Software Enterprises Limited, a company incorporated in Israel, which is independent from the Group, to the use of the “Magic” brandname, the Directors believe that there will be no adverse impact on the Group even if the consent is withdrawn as the Group’s business relies mainly on the quality of its products and services rather than on any brandname or trademark effect.

SUMMARY

PLACING STATISTICS

No. of Placing Shares ⁽¹⁾	50,000,000 Shares
No. of Shares in issue after the Placing ⁽²⁾	250,000,000 Shares
Placing Price	HK\$0.93 per Share
Market capitalisation at the Placing Price ⁽³⁾	HK\$232.5 million
Adjusted net assets value per Share based on the Placing Price ⁽⁴⁾	HK12.45 cents

Notes:

- (1) This represents the number of Shares initially offered under the Placing without taking into account any Shares which may fall to be issued upon the exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters.
- (2) This represents the number of Shares expected to be in issue immediately following the completion of the Placing without taking into account any Shares which may fall to be issued upon the exercise of options granted under the Share Option Scheme or of any Shares which may fall to be issued or repurchased by the Company pursuant to the mandates referred to in Appendix IV to this prospectus.
- (3) The market capitalisation is calculated on the basis of 250,000,000 Shares as calculated in (2) above.
- (4) The adjusted net asset value per Share has been arrived at after making the adjustments referred to under the section headed "Adjusted net assets" in the section of this prospectus headed "Financial information" and 250,000,000 Shares as calculated in (2) above.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The net proceeds to the Group from the Placing (other than those derived from the sale of the 12,500,000 existing Shares by the Vendors and the sale of up to 7,500,000 existing Shares by Noble Class Group Limited pursuant to the Over-allocation Option) at HK\$0.93 per Placing Share (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) are approximately HK\$28.4 million. The Directors presently intend to apply such net proceeds as follows:

- approximately HK\$1.91 million will be used for the R & D in the technology, new functions and customisation of B2B eBusiness solutions;
- approximately HK\$4.27 million will be used for the promotion of CyberM Business Series;
- approximately HK\$2.72 million will be used for the R & D in the new functions and customisation of mobile and wireless computing technologies;
- approximately HK\$2.45 million will be used for the promotion of CyberM Mobile Series;
- approximately HK\$1.65 million will be used for the R & D and promotion of a B2B enterprise portal;

SUMMARY

- approximately HK\$1.00 million will be used to set up and expand new offices in Hong Kong;
- approximately HK\$7.50 million will be used to expand into the Greater China Region; and
- as to the balance approximately HK\$6.9 million as additional working capital required for the anticipated increase in business volume of the Group.

To the extent that the net proceeds to the Group from the Placing (other than those derived from the sale of the 12,500,000 existing Shares by the Vendors and the sale of up to 7,500,000 existing Shares by Noble Class Group Limited pursuant to the Over-allocation Option) are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposit.

For details of the various plans stated above, including the expected timing thereof, please refer to the section headed “Statement of business objectives”.

In the event that there is any material modification to the use of proceeds as stated above, the Company will issue an announcement of such modification.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings:

“associate”	has the meaning ascribed thereto in the GEM Listing Rules
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company referred to in the paragraph headed “Resolutions in writing of the sole shareholder of the Company passed on 1st August 2000” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Companies Act”	the Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company” or “CyberM”	CyberM International (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability
“Core Pacific - Yamaichi” or “CPY”	Core Pacific - Yamaichi Capital Limited, an investment adviser and dealer registered under the Securities Ordinance, the international coordinator and sponsor of the listing of the Company’s shares on GEM. Core Pacific - Yamaichi is a wholly-owned subsidiary of CPY international
“CPY International”	Core Pacific - Yamaichi International (H.K.) Limited, an investment adviser and dealer registered under the Securities Ordinance, the Lead Manager of the Placing
“Cyber-Port”	a comprehensive development with high intelligent facilities located at the southern side of the Hong Kong Island, designed to foster the development of Hong Kong’s information services sector and to enhance Hong Kong’s position as the premier information and telecommunications hub in Asia
“Director(s)”	the director(s) of the Company
“Eastern China”	Eastern China covers Henan, Jiangsu, Anhui, Zhejiang and Shanghai
“Existing Shareholders”	Noble Class Group Limited, Pacific Dragon Resources Limited and Digital Capital Markets Limited
“Forward Looking Period”	the period commencing from the Latest Practicable Date to 31st March, 2003
“GEM”	The Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the government of Hong Kong

DEFINITIONS

“Greater China Region”	the PRC, Hong Kong and Taiwan
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“HKPC”	Hong Kong Productivity Council
“IDC”	International Data Corporation
“Indemnitors”	Noble Class Group Limited, Sunrise International (Holdings) Limited and Mr. Lau
“ISO”	International Standards Organisation
“ISO9001”	quality systems model for quality assurance in design, development, production, installation and servicing
“IT”	Information Technology
“Latest Practicable Date”	8th August, 2000, being the latest practicable date for the purpose of ascertaining certain information prior to the publication of this prospectus
“Lead Manager”	CPY International
“Management Relevant Period”	the period commencing on the date on which dealings in the Shares commence on GEM and ending two years thereafter
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) which continues to be operated in parallel with GEM
“MPF”	Mandatory Provident Fund, a system to be implemented with the objective of providing basic retirement benefits to all members of the workforce in Hong Kong
“Mr. Lai”	Mr. Lai Shu Pui, Fergus, an executive Director of the Company
“Mr. Lau”	Mr. Lau Chiu Pui, the Chairman and the Managing Director of the Company
“Mr. Yip”	Mr. Yip Ho Pong, an executive Director of the Company
“Mr. Wong”	Mr. Wong Kit Mei, an executive Director of the Company
“Mr. Fung”	Mr. Fung Yiu Fai, an executive Director of the Company
“Nasdaq”	National Association of Securities Dealers Automated Quotation System
“New Shares”	the 37,500,000 new Shares being offered for subscription under the Placing

DEFINITIONS

“Northern China”	Northern China covers Shangdong, Shanxi, Hebei, Inner Mongolia, Beijing and Tianjin
“ORSO”	Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong), pursuant to which voluntary retirement schemes are set up by employers for employees
“Over-allocation Option”	the option granted by Noble Class Group Limited to the Underwriters exercisable by CPY International, on behalf of the Underwriters, to require Noble Class Group Limited to sell up to 7,500,000 additional Shares, the aggregate represents 15% of the number of the Placing Shares initially being offered under the Placing at the Placing Price
“Over-allocation Shares”	the 7,500,000 existing Shares to be sold by Noble Class Group Limited pursuant to the exercise of the Over-allocation Option in full
“Placing”	the conditional placing by the Underwriters of the Placing Shares and the Over-allocation Shares at the Placing Price with institutional and professional investors and other investors, as described under the section headed “Structure of the Placing”
“Placing Price”	the placing price per Placing Share at HK\$0.93 payable on application under the Placing
“Placing Shares”	the 37,500,000 new Shares being offered for subscription and the 12,500,000 existing Shares being offered for sale by the Vendors initially under the Placing, together, where relevant, with any existing Shares sold pursuant to the exercise of the Over-allocation Option
“Placing Underwriters”	CPY International, Kingsway SW Securities Limited, GOA Securities Limited, KGI Asia Limited, Phoenix Capital Securities Limited, Yuanta Brokerage Company Limited and YF Securities Company Limited
“PRC” or “China”	the People’s Republic of China, but for the purposes of this prospectus and for geographical reference only (unless otherwise indicated) excludes Taiwan, Macau and Hong Kong
“Relevant Securities”	it has the meaning ascribed thereto in Rule 13.15 of the GEM Listing Rules but excluding the Over-allocation Shares, if applicable
“Reorganisation”	the reorganisation of the Group as described in the paragraph headed “Corporate reorganisation” in Appendix IV to this prospectus
“R & D”	research and development
“Sale Shares”	an aggregate of 12,500,000 existing Shares to be issued as part of the Capitalisation Issue held by the Vendors being offered for sale under the Placing

DEFINITIONS

“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Securities Ordinance”	the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“SFC”	Securities and Futures Commission
“Southern China”	Southern China covers Hubei, Hunan, Guangxi, Guangdong, Jiangxi, Fujian and Hainan
“SME(s)”	small and medium sized enterprise(s)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 1st August, 2000, the principal terms of which are summarised in the section headed “Statutory and General Information — Share option scheme” in Appendix IV to this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sybase HK”	Sybase Hong Kong Limited, a wholly-owned subsidiary of Sybase Inc.
“Tradelink”	Tradelink Electronic Commerce Limited
“Trade Marks Registry”	the Trade Marks Registry of the Intellectual Property Department of the Government
“Underwriters”	CPY International, Kingsway SW Securities Limited, GOA Securities Limited, KGI Asia Limited, Phoenix Capital Securities Limited, Yuanta Brokerage Company Limited and YF Securities Company Limited
“Underwriting Agreement”	the underwriting agreement dated 11th August, 2000 in respect of the Placing and made between, among others, the Company and the Underwriters, further details of which are set out in the section headed “Underwriting”
“US”	The United States of America
“Vendors”	Pacific Dragon Resources Limited and Digital Capital Markets Limited, the vendors of the Sale Shares, and Noble Class Group Limited, the vendor of the Over-allocation Shares
“WTO”	World Trade Organisation
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	US dollars, the lawful currency of the US
“NT\$”	New Taiwan dollars, the lawful currency of Taiwan
“BD\$”	Bermuda dollars, the lawful currency of Bermuda

GLOSSARY OF TECHNICAL TERMS

This Glossary contains an explanation of terms used in this prospectus. These may not correspond to standard industry definitions.

“ASP”	application service provider, a third-party service firm, which deploys, manages and remotely hosts a pre-packaged software application through centrally located servers in a rental or lease arrangement
“B2B”	business to business
“B2C”	business to customers
“client-server”	a configuration in which one computer, designated as a server, sends information to a number of other computers known as clients
“CPU”	central processing unit
“cyberspace”	the notional environment within which electronic communication occurs
“database”	a large collection of data organised for rapid search and retrieval or a program that manages data, and can be used to store, retrieve, and sort information
“domain name”	a unique alpha-numeric designation to facilitate reference to the sets of numbers that actually locate a particular computer connected to the global information network
“DOS”	disk operating system
“e-commerce”	electronic commerce carried out through or facilitated by the Internet
“e-World”	the world where economic activities are transacted through electronic means
“enterprise portal”	a principal entry point and gateway for accessing the Internet that typically provides useful web-related services and links
“eBusiness solutions”	e-commerce business application systems for the enablement of back-end logistics management through the Internet
“ERP”	enterprise resource planning manufacturing business systems and manufacturing resource planning software with features like process operations management, procurement, and regulatory reporting, etc.
“GPRS”	General Packet Radio Service
“hacker”	person who breaks or attempts to break into a proprietary computer network, website, or other type of Internet system

GLOSSARY OF TECHNICAL TERMS

“hosting”	hosting the web presence (web pages or full Intranet systems) of another company on a contractual basis
“HTML”	Hypertext Markup Language, the programming language used to create content for a website
“HTTP”	Hypertext Transfer Protocol, the set of rules that govern the transfer of most documents travelling over the Internet which appears at the beginning of every Internet address
“Internet”	a global network of interconnected, separately administered public and private computer network
“Internet infrastructure”	the environment and facilities on which the Internet is built upon
“ISP”	Internet service provider, a company which provides businesses and individuals with access to the Internet
“ISV”	independent software vendor, a company which specializes in the development and sale of software
“Novell Network”	computer network developed by Novell, Inc. for use in local area networks
“open-architecture”	flexible, open-ended computer system
“on-line”	being connected to the Internet
“palm-top”	a computer which is small enough to be carried in the palm of hand
“PC”	personal computer
“PDA”	personal digital assistant, a hand-held computer used for scheduling, calculating, note taking and including such features as wireless cellular communications
“platform”	a computing environment which allows the development and execution of computer applications
“soft-launch”	the pre-released version of the final product to test the market response and acceptance
“UNIX”	a multi-user, multi-tasking operating system developed by Ken Thompson, Dennis Ritchie, and others and originally licenced by AT&T’s Bell Laboratories. It was originally designed for minicomputers, then revised for use on mainframes and personal computers
“user licence”	a software product licence which legally allows the licenced software to be installed and run on a single CPU or network and used by a single user at any single time

GLOSSARY OF TECHNICAL TERMS

“ValuNet”	software for lodging import and export declarations in Hong Kong provided by Tradelink
“Vertical e-solution”	e-commerce based applications that serve specific industrial segment
“WAP”	wireless application protocol, an open, global specification that allows Internet access and other broadband services on mobile wireless devices
“web”	a worldwide network of servers that support hypertext connections and other links using HTML and HTTP and which permit the communication of text, graphics, video, sound and other data over the Internet
“web page”	a single file stored on a web server that contains formatted text, graphics and hypertext links to other pages on the Internet
“web server”	a computer server that supports hypertext connection using HTML and HTTP and provides communication and application services to Internet users
“website”	a collection of web pages that have been produced by a company or an individual and are linked together by hyperlinks
“Windows”	any operating system, operating system extension or application program that provides multiple windows on screen
“Windows CE”	a version of the Windows operating system designed for small devices such as hand-held personal computers
“WML”	Wireless Markup Language

RISK FACTORS

Prior to making an investment decision, prospective investors should consider carefully all the information contained in this prospectus and in particular, the risk factors set out below.

RISKS RELATING TO THE GROUP

Competition

The Group may face significant competition from ISVs and ASPs which have moved into this area in view of the growth potential. There are no significant entry barriers to business similar to that of the Group. New entrants will continue to emerge. Any increase in competition could dilute the Group's market share, and lead to price reductions and increased expenses in marketing and product development. Any of these events could have material adverse effect on the Group's financial condition and profitability.

In addition, the ability of the Group to achieve and maintain a competitive position in the provision of products and services depends on its ability to develop new products that answers the market's demands at competitive prices. If it is unable to do so, the Group's financial condition and prospects may be adversely affected.

Reliance on key management

The Group's success is, to a significant extent, attributable to its management which comprises a handful of experienced senior executives and IT professionals. Although the Group has signed service agreements between the Group and all of its executive Directors for a term of two years (details of which are set out in the paragraph headed "Further information about directors, management and staff" in Appendix IV to this prospectus), there could be a material adverse impact on the Group's operations should any or a number of these key persons cease to be involved in the business of the Group.

Third parties' products

The Group develops its business application solutions based on the development tools and platform, deployment tools and platform, software products, and technologies of other IT vendors. In the event that any of these third parties ceases its business or ceases to produce such products, the Group will have to develop its business application solutions on a new platform. Should the aforesaid event occur, the business, operation and profitability of the Group could be affected.

Sustainability of profit

The Group achieved a growth in profit from approximately HK\$1.16 million for the financial year ended 31st March, 1999 to approximately HK\$1.54 million for the financial year ended 31st March, 2000. However, due to increasing competition from software companies, the Group's profit may be affected by decreasing selling prices and profit margins. As such, there can be no assurance that the Group can continue to achieve a growth in profit in the future.

A portion of the Groups' profit is derived from its maintenance contracts. However, with the Group transforming into a mobile B2B eBusiness solutions provider using ASP approach whereby the technical support and maintenance service fees will be all inclusive in the monthly rental, the

RISK FACTORS

Directors expect the contribution from the maintenance contracts will decrease. Further, as the ASP industry is in its embryonic stage of its life cycle, in the event that the positioning of the Group as a mobile B2B eBusiness solutions provider using ASP approach is unsuccessful, the business and the profits of the Group could be adversely affected.

Reliance on other IT vendors

The Group purchases development tools and platform, deployment tools and platform and software products for the development and deployment of its application, and hardware products as part of the total solutions to its customers of customised business applications from other IT vendors. Depending on the needs of the customers purchasing customised business application solutions, different hardware products and/or software products are sourced and provided to the customers. As such, the amount of purchases of the Group from a supplier in a year may not be the same in any subsequent years.

For each of the two years ended 31st March, 2000, the Group's top five suppliers, in terms of value, accounted for approximately 69.3% and 69.9% of the Group's purchases respectively. The largest supplier accounted for approximately 22.1% and 26.8% of the Group's purchases for each of the two years ended 31st March, 2000. Should any of these suppliers cease to supply to the Group or their products become technically obsolete and the Group is unable to find suitable replacement, the Group's business and profitability could be materially affected.

Variance of major customers

The fees for developing customised solutions accounted for approximately 29.3% and 30.6% respectively of the Group's total turnover for each of the two years ended 31st March, 2000. The five largest customers of the Group for the two years ended 31st March, 2000 were all customers of customised business application solutions. For each of the two years ended 31st March, 2000, the Group's largest customer accounted for approximately 14.7% and 19.9% of the total turnover of the Group respectively, and the five largest customers of the Group accounted for approximately 45% and 45.3% of the total turnover of the Group respectively. Since substantial fees are derived from the Group's customers purchasing customised business application solutions which are on project-by-project basis, a customer of customised business application solutions that accounts for a significant portion of the Company's revenues in a year may not generate a similar amount of revenues, if any, in subsequent years. In addition, there is no assurance that the existing customers will retain the Company in the future. The loss of, or significant reduction in the volume of work performed for, any major customer may have an adverse impact on the business and profitability of the Group.

Intellectual property rights

The Group does not currently have any registered patent or copyright protection for its business application solutions. The Group relies on a combination of non-disclosure, confidentiality and other contractual agreements with its directors, employees and other third parties, as well as privacy and trade secret laws, to protect and limit access to and distribution of the intellectual property the Group has developed or acquired. The Group has also taken measures to prevent software piracy such as installing security lock and assigning a unique licence number to its business application solutions. A security lock is a hardware-based security system which protects software from piracy and unauthorised uses. The software application cannot be operated without the security lock. A unique licence number is assigned by the Group to individual security lock to identify the right of use of the purchased software applications.

RISK FACTORS

As for the CyberM Business Series, the program is located at the ASPs and the customers only use the business application solutions upon registration without access to the program. However, despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Group's products or technology or to develop similar technology independently without authorisation. Moreover, former or existing employees of the Group who had or have access to the system architecture and the codes of the program may be able to build a similar system to compete with the Group. In addition, there are countries, such as the PRC, where effective copyright, patent, trademark and trade secret protection may be unavailable or limited. Policing unauthorised use of its proprietary technology is difficult and there can be no assurance that the steps taken by the Group will prevent misappropriation or infringement of the Group's technology. The low prices of the pirated articles might adversely affect the Group's sales and profit and, in addition, litigation may be necessary in the future to enforce the Group's intellectual property rights, protect the Group's trade secrets or determine the validity and scope of the proprietary rights of others, all of which could result in substantial costs and diversion of the Group's resources and its management's time and, as a result, may significantly harm the Group's business.

The Group's domain name, cyberm-sw.com is registered in the US. If this domain name is challenged by a third party, the Group may lose the right to use the domain name and the Group's business could be adversely affected.

Trademark Infringement

The Group will continue to market its traditional packaged software under the name of "Magic". According to a recent trademark search, trademark registration in respect of the names "Magic" and "CyberM" were not found under the relevant classes. Although the Directors believe that there is no likelihood of trademark infringement, as a contractual obligation, the Group relies on the written consent of Magic Software Enterprises Limited, a company incorporated in Israel which is independent from the Group, to use the "Magic" brandname. However, Magic Software Enterprises Limited can withdraw such consent at any time. Should this happen, the Group's business could be adversely affected.

The Group is applying for registration of certain trademarks for its products and services in Hong Kong as described in the section headed "Statutory and General Information — Intellectual Property Rights" in Appendix IV to this prospectus. The Trade Marks Registry has, by letters dated 31st July 2000, indicated to the Group that "CyberM Business", "CyberM Mobile", "CyberM Retail" and the "CyberM" trademarks are indistinctive and are therefore prima facie unacceptable for registration subject to the right of the Group to lodge appeals against the prima facie objections. The Group will review the prima facie objections of the Trade Marks Registry with its legal advisers and will file appeals within the statutory period allowed, being 6 months from the date of the letters of the Trade Marks Registry. However, there is no guarantee that such appeals or the application for registration will be successful or if successful, will not be subject to disclaimers or limitations. If the application for registration of such trademarks for the Group's products and services is ultimately not successful or is subject to any disclaimer or limitation, the use of such trademarks on its products and services will be affected and this may affect the Group's business since the goodwill associated with these trademarks cannot be fully utilised.

RISK FACTORS

Even if the application for registration of such trademarks is successful, infringement of intellectual property rights by way of the sale of counterfeit and pirated software occurs frequently in Hong Kong and the PRC. Given the price difference between counterfeit products and authentic products, total eradication of trademark infringement is very difficult. The Group's profitability could be adversely affected if any of its trademark is significantly infringed.

Product risks

The business application solutions developed by the Group form key business processes of its customers. Any defect or error in these business application solutions could result in delayed or lost client revenues, adverse customer reaction towards the Group, negative publicity, additional expenditures to correct the problems and claims against the Group. The Group will include appropriate provisions in its contracts to limit its liabilities arising from any defect or error in its business application solutions. However, the contractual provisions may not protect the Group from all the liabilities for damages.

The Group has not taken out any insurance on product liability, any successful claim made against the Group could have a material adverse effect on the Group's business, operation and financial position.

Credit risks

The Group's sales are made principally on the bases of contract deposit account, open account and cash. For the two years ended 31st March, 2000, credit period offered to customers ranged from cash on delivery to 45 days.

The Directors believe that a well-defined credit policy and strict adherence to it are of great importance to the Group's working capital management. However there is no guarantee that such credit policy could fully eliminate the Group's credit risks, and the Group's financial position, particularly its working capital level, may be negatively influenced should the financial condition of any of the Group's trade debtor deteriorate.

For the part of the mobile B2B eBusiness solutions business conducted through ASPs, it is the usual practice that the Group will only be entitled to share the profit generated from the subscription after the ASPs have received in full the rental from the subscribers. Should the ASPs fail to collect the subscription fee from the subscribers or any of them, the Group's profit could be materially affected.

Decrease in SMEs

A significant portion of the Group's software customers are the SMEs in Hong Kong. With the development of the Internet, there will be more direct trades between suppliers and purchasers, so that middlemen will have thinner margins and some of them may be squeezed out of the market. Further, with the admission of China into the WTO, there will be more foreign enterprises establishing their own sales offices in China. Such moves will eliminate some middlemen. The Group has moved into the Internet working environment in order to capture a larger market share, so that any decrease in customer base can be compensated by the increase in market share captured by the Group. However, there is no guarantee that the increase in market share as envisaged by the Group can fully compensate the decrease in customer base and the Group's client base could be adversely affected.

RISK FACTORS

Acceptance of the ASP market

The business plan of the Group and its main source of revenues are dependent on the anticipated expansion of B2B e-commerce and the ASP market in the Greater China Region. The Directors anticipate that a substantial portion of future revenues of the Group will be derived from the monthly rental of its CyberM Business Series and CyberM Mobile Series provided using ASP approach on the assumption that the SMEs in the Greater China Region will accept Internet-based B2B eBusiness solutions. ASP business is an unproven business in the Greater China Region and should the provision of Internet-based B2B eBusiness solutions using ASP approach fail to be accepted by the SMEs in the Greater China Region, the business and the profitability of the Group could be materially affected.

Quality of service of ASPs

As a mobile B2B eBusiness solutions provider using ASP approach, the Group will have to ensure that the on-line service offered by the ASP is secure and reliable, that there is no single point of failure, and that it can accommodate increasing network traffic. If the Group fails to resolve and adequately address these issues, the quality of service of the Group as a mobile B2B eBusiness solutions provider using ASP approach will suffer, and the business of the Group could be adversely affected.

The Directors expect that the Group's mobile B2B eBusiness solutions will be mainly hosted by ASPs and be available to the registered customers of such ASPs. The service agreement(s) with such ASPs normally do not specify a guaranteed minimum number of registered customers. If the marketing and promotion efforts of such ASPs are not effective or any of the service agreement(s) is terminated and the Group cannot find a suitable substitute of ASP, the business and profitability of the Group could be materially affected.

The development of B2B Enterprise Portal

One of the Group's business objectives is to develop B2B enterprise portal with the integration of its Internet-based B2B eBusiness solutions to provide all the necessary information to its customers and to generate advertising income in future. The success of the Group in implementing such revenue model will depend on the acceptance of the Internet as an effective and sustainable advertising medium, and whether the Group can successfully respond to the evolving e-commerce market and keep pace with the technological changes.

Also, by operating a portal, the Group may be held liable for information retrieved from its portal network, and there may be claims against the Group which may have an adverse effect on the Group's business and profitability.

Security risks of unauthorised access

A key factor contributing to the Group's success is its business application solutions which are developed through years of experience, further information on which is set out in the paragraph headed "Products and Services" in the section headed "General Overview of the Group" in this prospectus. The computer systems of ASPs on which the Group's business application solutions are to be hosted may be vulnerable to unauthorised access or security breaches by hackers, former or existing employees or other third parties which may result in misappropriation or unauthorised disclosure of the Group's proprietary technology. If this occurs, the Group's operations could be adversely affected.

RISK FACTORS

Security of proprietary information

By delivering the CyberM Business Series via the Internet, it creates an uncertainty regarding the security of proprietary information. Sensitive proprietary information is placed on the Internet rendering it accessible to a vast audience, and especially to competing organisations and hackers. Should there be unauthorised access and detrimental viruses, the integrity and preservation of information may be seriously affected resulting in loss of client confidence, and the business of the Group could be adversely affected.

Dependence on a reliable Internet infrastructure, third party telecommunications and infrastructure system

A key component of the Group's mobile B2B eBusiness solutions business using ASP approach and the future development of a B2B enterprise portal is dependent upon a reliable Internet infrastructure that supports efficient data transmission and provides adequate security. Any breakdown in any component of the Internet infrastructure will adversely affect the Group's operations. For the mobile B2B eBusiness solutions business using ASP approach, the Group expects that the solutions will be mainly hosted by ASPs which provide Internet infrastructure. Should the ASPs fail to perform properly, the business and the profitability of the Group could be materially affected.

The Group is also dependent upon ISPs for the delivery and transmission of its content. Any failure or inadequacy which may or may not be related to the Group's own system that causes interruptions to the Group's services or increases the response time of services could reduce user satisfaction, future traffic and the attractiveness of the Group's website to advertisers and customers.

The Group's current backup systems may not effectively cater for damage from fire, floods, typhoon, earthquakes, power loss, telecommunications failures, break-in and similar events. If any of the foregoing occurs, the Group may suffer losses of capital investment and the future revenue streams of the Group could be adversely affected.

The Group's insurance coverage is limited

E-commerce activities pose unique risks, including unanswered legal and regulatory questions, some of which can be transferred by means of acquiring insurance whilst others have to be undertaken by the Group. With e-commerce being such a new industry, the insurance market may not be able to keep pace with the speed of change and the Group may not be able to obtain all the innovative portfolio of insurance products, which will be required to cover an array of risk exposures on commercially reasonable terms.

Any successful claim made against the Group which is not covered by the Group's insurance or is in excess of its insurance coverage could have a material adverse effect on the Group's business, operations and financial position.

Dependence on business and technical alliances

The Group plans to expand its business and enhance its R & D capabilities through partnership with leading IT companies and business partners. See the paragraph headed "Business & Technical Alliance" in the section headed "General Overview of the Group" in this prospectus. As a result, any deterioration in such relationship with any of these parties could have an adverse effect on the Group's business, results of operations and financial condition.

RISK FACTORS

Expansion into new markets

As disclosed in the section headed “Statement of business objectives” in this prospectus, the Directors intend to expand the business of the Group to Taiwan and the PRC. As a result, the growth of the Group will be dependent on, among other things, whether the Group can analyse correctly the market conditions and adapt to the business environment of these untested markets, the economic conditions, the Internet environment and the development of the B2B model in those markets, and the successful consummation of the existing negotiations with potential local business partners. Depending on the exact arrangement pursuant to which the Group carries out its expansion plan, the Group may be exposed to withholding tax or other taxes imposed by the relevant authorities of those countries. Should the Group fail to adapt to the business environment of these markets, the economies of Taiwan and the PRC suffer any downturn, there is any political instability and fluctuations in currency exchange rates, or there are unexpected changes in regulatory requirements, or any of the business alliances turns out to be unsuccessful, the anticipated expansion will be affected and the business, profitability, and growth and development of the Group could be adversely affected.

Foreign exchange exposure

As disclosed in the section headed “Statement of business objectives” in this prospectus, the Directors intend to expand its business to Taiwan and the PRC. It is expected that part of the sales of the Group will be settled in foreign currencies such as Renminbi and New Taiwan dollars. Any depreciation of those foreign currencies against Hong Kong dollars could, accordingly, have an adverse impact on the performance and profitability of the Group.

Use of confidential information

The Group is in possession of confidential proprietary information of its customers, such as credit card numbers, customer profiles and transaction information. The Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) requires any person (a “data user”) who controls the collection, holding, processing or use of data to comply with the data protection principles prescribed by the Ordinance. These principles govern the manner of collection, use and security of personal data. The Group may be considered as a data user when it collects information on the subscribers for its services and therefore be required to comply with the Ordinance. The Ordinance also prohibits the use of personal data by the data user for direct marketing purposes unless certain requirement shall be complied with. Any failure to comply with The Personal Data (Privacy) Ordinance may subject the Group to a fine, and the Group may also become liable to pay compensation to the individual who suffers damage by reason of the contravention of the said Ordinance by the Group.

Year 2000 compliance

The “Year 2000” issue arises from the fact that certain computer software and other automated systems are programmed to recognise calendar years using two digits rather than four. Any computer or automated system that is affected by the Year 2000 problem may recognise a date “00” as 1900 rather than 2000. Therefore the risk of incorrect date reading may lead to potential errors in calculation. The Group recognises that if the “Year 2000” issue remains unresolved, its internal computer system as well as that of its customers will encounter major system failures, hindering the normal operation of the Group and its customers.

RISK FACTORS

Owing to the complexity of the “Year 2000” issue, there can be no assurance that the Group can eliminate the problems of “Year 2000”, some of which may be unforeseeable. Currently, the Group does not have any insurance coverage regarding the “Year 2000” issue. Should the Group fail to address the “Year 2000” issue completely, liabilities may arise that could have a material adverse effect on the Group’s operation and financial position.

RISKS RELATING TO THE INDUSTRY

Operating in a developing industry

The software services and Internet services industries are characterised by rapid technological changes, changes in consumer preferences, the frequent development and enhancement of services and products and new emerging industry standards. The introduction of services or products embodying new technologies and the emergence of new industry standards and practices can render existing services or products obsolete and unmarketable. The Group’s future success will depend, in part, on its ability to: (1) develop new business application solutions by applying leading technologies; (2) enhance the Group’s existing products and services; (3) develop new products and services that address the increasingly sophisticated and varied needs of prospective customers; and (4) respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

If the Group is unable to develop and introduce new, or to enhance existing, products or services in a timely manner in response to changing market conditions or customer requirements, the Group’s business will be affected. The enhancement of existing, and the development of new, products and services entail significant technological risks. The Group cannot assure that it will be successful in effectively using new technologies, adapting its services and products to emerging industry standards, developing, introducing and marketing service and product enhancements, or new products and services, or that the Group will not experience difficulties that could delay or prevent the successful development or marketing of these services and products, or that any such new service and product enhancement will adequately meet the requirements of the marketplace and achieve market acceptance.

In addition, if any new products or services developed by the Group do not achieve market acceptance, the Group’s business and profitability could be adversely affected.

The Group’s demand for technical personnel may not be satisfied

The software industry is a skill-intensive industry. The sales and marketing, technical support as well as the R & D function of the Group require staff conversant with the relevant computer knowledge. Accordingly, the success of the Group’s operations is reliant on the availability and continuity of the technical expertise and support. Should the Group fail to sustain and secure such expertise, its operations would be adversely affected. In addition, the cost of obtaining such expertise is expected to increase significantly in the foreseeable future which could adversely affect the profitability of the Group’s business.

The legal framework with respect to the Internet and e-commerce in Hong Kong is developing

In Hong Kong, only a few pieces of legislation are directly applicable to the Internet and commercial on-line business. It is possible that the legislature may introduce new laws with respect to the business covering issues such as content, copyright, distribution and quality of services and products. Any enactment of any new laws or regulations may hinder, whether directly or indirectly, the growth of the business of the Group.

RISK FACTORS

The introduction of any new laws and regulations or changes to any existing laws and regulations that make it more restrictive for the Group to operate and/or lead to an escalation of compliance costs would have an adverse impact on its business. If the business structure or operating system cannot be modified to conform to the then applicable law or practice or its interpretation, the Group may be unable to conduct the whole or some part of its business.

Internet regulations in the PRC

The Group's ability to develop its business in the PRC is affected by the laws of the PRC. Currently the PRC laws prohibits foreign companies from operating telecommunications business, including value-added telecommunication operations such as computer information service business. Internet content services could fall within the meaning of "computer information service business" under the guidelines issued by the Telecommunications Administration Bureau of Ministry of Post and Telecommunications, the predecessor of the Ministry of Information Industry of the PRC and could therefore be considered to be value-added telecommunication services, which are barred from foreign investment. In addition, the laws governing the PRC telecommunications industry are evolving, and the laws governing the PRC Internet industry remain undeveloped. There can be no assurance whether and to what extent PRC laws will allow the Group access to the PRC Internet market or, if access is permitted, how its laws will affect the Group's ability to penetrate the market.

Recently, the agreement between the PRC and the US on China's accession to the WTO is expected to allow foreign investors to own up to 49% of telecommunications and Internet companies, with ownership interest rising to 50% after 2 years. However, how this agreement is to be implemented remains to be seen and there is no guarantee whether and to what extent the Group can operate in the Internet and telecommunications business in the PRC.

Internet regulations in Taiwan

Taiwan has little legislation directly governing commercial Internet-related businesses. The government is currently drafting new legislation and revising existing legislation to govern and facilitate the development of commercial Internet-related businesses. Enactment and enforcement of this legislation could affect, directly or indirectly, the operations of the Group.

Taiwan classifies telecommunication operations into two types. Type I is basic carrier services, such as fixed line, mobile phone, and paging. Type II is all other telecommunications services, such as value-added telecommunication services. An ASP would be classified as a Type II telecommunications service provider. The Telecommunications Law and Administrative Regulations for Type II Telecommunication Business require Type II enterprises to be licenced. The Group, being a mobile B2B eBusiness solutions provider using ASP approach, may be subject to licencing requirement if the service is provided via the Internet. Any licencing requirement could affect the operation of the Group in Taiwan.

There are currently no restrictions on foreign investment (including Hong Kong) in subsidiaries or branches engaging in Type II services, provided, however, that foreign companies which have PRC ownership or shareholding are prohibited from investing in Taiwan legal entities. However, there can be no assurance that there will not be any restrictions in future and how such restrictions may affect the Group's business and operation.

RISK FACTORS

RISKS RELATING TO HONG KONG

Political factors

The Group's assets and operations are currently located in Hong Kong. Hong Kong is a Special Administrative Region within the PRC with its own government, legislature, legal and judicial system. According to the Sino-British Joint Declaration of the Question of Hong Kong and the Basic Law of Hong Kong, Hong Kong enjoys a high degree of autonomy from the PRC under the principle of "one country, two systems" for 50 years from 1st July, 1997. However, there is no assurance that the PRC government will continue its autonomous policy with respect to the administration of Hong Kong.

Economic Factors

Towards the end of 1997, Hong Kong's economy was affected by the financial crises in Asia. Real estate and retail sales have declined and Hong Kong has slipped into a recession. There is no assurance that the Hong Kong economy will not worsen or that the historical currency peg of the Hong Kong dollar to the US dollar will be maintained. Continued recession in Hong Kong, deflation or the discontinuation of the historical currency peg could adversely affect the Group's business and profitability.

RISKS RELATING TO THE PRC

Economic environment and political structure of the PRC

The PRC has been a socialist country since 1949. Between 1949 and 1978 its economic activities were centrally planned. Since 1978, the PRC government has adopted policies which have led to significant economic and social progress. Many of these policies are unprecedented or experimental and are expected to be refined and adjusted from time to time. Political, economic and social considerations will also lead to changes in policy from time to time. There is no assurance that refinements and changes will always have a positive impact on the Group's business. The Group's business in the PRC will also be adversely affected by changes in the political, economic and social conditions of the PRC and also by changes in policy, in laws and regulations (or the interpretation thereof), the introduction of measures to control inflation, the imposition of taxes, levies and fees, and the imposition of restrictions on currency conversion and remittances abroad.

Following the confirmation of the "Open Door Policy" and the implementation of the "socialist market economy", the PRC government has encouraged substantial private economy and foreign investment and has lessened the control over the allocation of resources and productivity of the PRC economy. However, there can be no assurance that the PRC government will continue to pursue its current policy or that such policy will not be significantly altered.

Exchange risks

In the PRC, Renminbi is not freely convertible into foreign currencies nor remitted abroad. Since the introduction of the unified exchange rate system largely based on market supply and demand in 1994, movements in the exchange rate of the Renminbi against other currencies, such as US dollars, are to an extent subject to market forces. Despite such developments, the Renminbi is still not a freely convertible currency. In addition, there is no assurance that the Renminbi will not be subject to devaluation or depreciation due to administrative or legislative intervention by the PRC government

RISK FACTORS

or adverse market movements, or that shortages in the availability of foreign currencies will not develop. Accordingly, any volatility or shortages could have a material effect on the business and profitability of the Group. Should the Group not be able to obtain sufficient foreign currencies at acceptable rates, the Group's business and profitability may be materially affected.

RISKS RELATING TO TAIWAN

Political tension between the PRC and Taiwan

The Group plans to expand its business to Taiwan and a portion of its future revenue may be derived from the Taiwan market. Taiwan has a unique international political status with both Taiwan government and the PRC government asserting sovereignty over all of China, which include Taiwan, other outlying islands and all of mainland China. Although significant economic and cultural relations have been established in recent years between Taiwan and the PRC, the PRC has refused to renounce the possibility that it may use force to gain control over Taiwan to prevent the independence of Taiwan. Relations between Taiwan and the PRC have been strained in recent years especially after the presidential election in March 2000. Any worsening of relationship between Taiwan and the PRC could have material adverse effect on the business and profitability of the Group.

Economic condition of Taiwan

Since late 1997, the New Taiwan dollars has experienced considerable volatility and depreciation as a result of the economic downturn in Asia. Continued volatility and depreciation of the New Taiwan dollars may have a material effect on the business and profitability of the Group in future. Also, Taiwan has recently experienced a recession primarily due to a reduction in exports because of the weakened demand for imported goods in many Asian countries and a continued recession in Taiwan may materially affect the business of the Group.

RISKS RELATING TO INVESTING IN GEM

Your attention is drawn to the section headed "Characteristics of GEM" in this prospectus which sets out the inherent risks associated with investing in companies listed on GEM.

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

For the purpose of the listing of the Shares on the GEM, the Company has sought waivers from the strict compliance of the GEM Listing Rules from the GEM Listing Division as described below:

Waiver on Share Option Scheme

The Share Option Scheme was conditionally adopted by a resolution in writing passed by the sole shareholder of the Company on 1st August, 2000. Rule 23.03(2) of the GEM Listing Rules requires that the total number of Shares subject to the Share Option Scheme and any other schemes must not, in aggregate exceed 10 per cent. of the issued share capital of the Company from time to time (the "Scheme Limit"). The Company has applied for a waiver from strict compliance with Rule 23.03(2) of the GEM Listing Rules so that the Scheme Limit can be increased to 30 per cent. of the issued share capital of the Company from time to time. Such waiver has been granted by the Stock Exchange subject to the following conditions:

- (1) the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other scheme, must not in aggregate, exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM unless shareholders' approval has been obtained pursuant to paragraphs (2) and (3) below;
- (2) the Company may seek approval by shareholders in general meeting to refresh the 10% limit. However, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes in these circumstances must not exceed 10% of the issued share capital of the Company from time to time.
- (3) the Company may seek separate shareholders' approval in general meeting to grant options beyond the 10% limit provided that (i) the total number of Shares subject to the Share Option Scheme and any other scheme does not in aggregate exceed 30% of the total issued share capital of the Company and (ii) the options in excess of the 10% limit are granted only to participants specified by the Company before such approval is sought;
- (4) any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by all independent non-executive Directors; and
- (5) where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) or any of his or her or its respective associates, and the proposed grant of options, when aggregated with the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of \$5 million, then the proposed grant must be subject to the approval of shareholders in general meetings. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant.

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

- (6) the following additional disclosures will be made in the annual, interim and quarterly reports of the Group:
- (i) details of options granted to the following persons: each director; and all the other participants.
 - (ii) A summary of the major terms of each share option scheme approved by shareholders.

Waiver on share disposal restriction

In order to facilitate the settlement of over-allocations in connection with the Placing, CPY International may choose to borrow Shares from shareholders of the Company under stock borrowing arrangements prior to any exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters, or the acquisition of a sufficient number of Shares from other sources. Such stock borrowing arrangements may include arrangements agreed between CPY International or its affiliated entities and Noble Class Group Limited, the substantial and initial management shareholder of the Company. An application has been made to the Stock Exchange for a waiver to be granted to Noble Class Group Limited from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of shares by initial management shareholders following a new listing, in order to allow it to enter into such share borrowing arrangements. The Stock Exchange has indicated that the waiver will be granted subject to the following conditions:

- (1) such stock borrowing arrangement with Noble Class Group Limited will only be effected by the Underwriters for settlement of over-allocations in connection with the Placing;
- (2) the maximum number of Shares borrowed from Noble Class Group Limited will be limited to the maximum number of 7,500,000 Shares which may be placed upon exercise of the Over-allocation Option; and
- (3) up to 7,500,000 Shares will be returned to Noble Class Group Limited (subject to the offset arrangement as mentioned below) no later than 3 business days following the earlier of (i) the last day on which the Over-allocation Option may be exercised or (ii) the day on which the Over-allocation Option is exercised in full.

Such stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No payments will be made to Noble Class Group Limited by the Underwriters in relation to such stock borrowing arrangement. In the event that CPY International (on behalf of the Underwriters) exercises the Over-allocation Option, such Shares received by CPY International pursuant to the exercise of the Over-allocation Option will be used to offset against the Shares owed by CPY International to Noble Class Group Limited, if any.

Companies Ordinance Waiver

The Company has also sought a waiver from the SFC in relation to certain requirements under the Companies Ordinance.

According to paragraph 27 of Part II of the Third Schedule of the Companies Ordinance (“**Paragraph 27**”), the Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the Group during the 3 preceding years.

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

According to paragraph 31 of Part II of the Third Schedule of the Companies Ordinance (“**Paragraph 31**”), the Company is required to include in this prospectus a report by the auditors and reporting accountants of the Company with respect to the financial results of the Group for each of the 3 financial years immediately preceding the issue of this prospectus.

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus and save as disclosed in this prospectus, there has been no material adverse change in the financial position of the Group since 31st March 2000 and there is no event which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

The SFC has granted waiver in relation to Paragraph 27 and Paragraph 31 so that the Group is only required to include in this prospectus its trading record, financial results and information covering the 2 financial years immediately preceding the issue of this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:—

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Placing. The Placing initially involves 37,500,000 new Shares and 12,500,000 existing Shares (subject to the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters) at the Placing Price.

The Placing is managed by CPY International and the listing of the Shares on GEM is sponsored by Core Pacific - Yamaichi. The Placing is fully underwritten by the Underwriters.

CONSENT OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (as amended and regulations thereunder) has been received from the Bermuda Monetary Authority for the issue of Shares pursuant to the Placing on the terms of this prospectus, the issue of Shares under the Capitalisation Issue, and the issue of the Shares upon the exercise of options which may be granted under the Share Option Scheme and pursuant to the general mandates referred to in the paragraph headed "Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000" in Appendix IV to this prospectus. In granting such permission and in accepting this prospectus for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any of the statements made or opinions expressed in this prospectus or in the application forms.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

No action has been taken in any jurisdiction other than Hong Kong and Bermuda to permit the offering of the Placing Shares or the distribution of this prospectus in any territory or jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction in which it is not authorised, and is not an offer or invitation to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Placing Shares are offered solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, or any other parties involved in the Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

United States

The Placing Shares have not been and will not be registered under the US Securities Act, as amended (the “Securities Act”), and may not be offered, sold or delivered within the US or to, or for the account or benefit of, US persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Placing Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the public offers of Securities Regulations 1995. In addition, no person may issue or pass on to any person in the United Kingdom any document received by it in connection with the offer of the Placing Shares unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise lawfully be issued or passed on.

Singapore

This prospectus has not been registered with the Registrar of Companies in Singapore. Accordingly, this prospectus may not be issued, circulated or distributed in Singapore nor may any of the Placing Shares be offered for subscription or sold, directly or indirectly, nor may an invitation or offer to subscribe for any Placing Shares be made (i) to persons in Singapore other than under circumstances in which such offer or sale does not constitute an offer or sale of the Placing Shares to the public in Singapore or (ii) to the public or any member of the public in Singapore other than pursuant to, and in accordance with the conditions of, an exemption invoked under Division 5A of Part IV of the Companies Act, Chapter 50 of Singapore and to persons to whom the Placing Shares will be offered or sold under such exemption. Furthermore, no advertisement may be made offering or calling attention to an offer or intended offer of the Placing Shares to the public in Singapore.

Japan

The Placing has not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). The Placing Shares which are being offered hereby may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an applicable exemption for the registration requirements of the Securities and Exchange Law and any other applicable exemption from the registration requirements of the Securities and Exchange Law and any other applicable Japanese law.

STABILISATION

In connection with the Placing, CPY International, on behalf of the Placing Underwriters, may over-allocate Shares and may cover such over-allocations by means of exercising the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters no later than 30 days after the date of this prospectus or making open-market purchases in the secondary market. The number of Shares that may be over-allocated is no greater than the number of Shares that may be sold upon the full exercise of the Over-allocation Option, being 7,500,000 Shares, which is 15% of the Shares initially available under the Placing. CPY International

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

may also, on behalf of the Underwriters, effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of CPY International.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the Placing Price of the securities.

In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares on the secondary market solely for the purpose of covering over-allocations in an offering. The stabilisation price will not exceed the Placing Price. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

In order to facilitate the settlement of over-allocations in connection with the Placing, CPY International may choose to borrow Shares from shareholders of the Company under stock borrowing arrangements prior to any exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters, or the acquisition of a sufficient number of Shares from other sources. Such stock borrowing arrangements may include arrangements agreed between CPY International or its affiliated entities and Noble Class Group Limited, the substantial and initial management shareholder of the Company.

An application has been made to the Stock Exchange for a waiver to be granted to Noble Class Group Limited from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of shares by initial management shareholders following a new listing, in order to allow it to enter into such stock borrowing arrangements. The Stock Exchange has indicated that the waiver will be granted subject to the condition that:

- (1) such stock borrowing arrangement with Noble Class Group Limited will only be effected by the Underwriters for settlement of over-allocations in connection with the Placing;
- (2) the maximum number of Shares borrowed from Noble Class Group Limited will be limited to the maximum number of 7,500,000 Shares which may be placed upon exercise of the Over-allocation Option; and
- (3) up to 7,500,000 Shares will be returned to Noble Class Group Limited (subject to the offset arrangement as mentioned below) no later than 3 business days following the earlier of (i) the last day on which the Over-allocation Option may be exercised or (ii) the day on which the Over-allocation Option is exercised in full.

Such stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No payments will be made to Noble Class Group Limited by the Underwriters in relation to such stock borrowing arrangement. In the event that CPY International (on behalf of the Underwriters) exercises the Over-allocation Option, such Shares received by CPY International pursuant to the exercise of the Over-allocation Option will be used to offset against the Shares owed by CPY International to Noble Class Group Limited, if any.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

APPLICATION FOR LISTING ON GEM

The Company has applied to the GEM Listing Committee of the Stock Exchange for listing of and permission to deal in its existing issued Shares and the Shares to be issued pursuant to the Capitalisation Issue, the Placing, and any Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme.

As at the date of this prospectus, no part of the Company's share or loan capital is listed or dealt in on any other stock exchange and the Company is not seeking or proposing to seek listing of or permission to deal in the Shares on any other stock exchange.

Pursuant to Rule 11.23(1) of the GEM Listing Rules at the time of listing and at all times thereafter, the Company must maintain the "minimum prescribed percentage" of 20% of the issued share capital of the Company in the hands of the public.

HONG KONG BRANCH REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the the Placing will be registered on the Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by Reid Management Limited in Bermuda. Only Shares registered in the Company's branch register of members maintained in Hong Kong may be traded on GEM.

Dealings in Shares registered on the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for and purchasing the Placing Shares, or about purchasing, holding, disposing of or dealing in them, you should consult an expert.

None of the Company, the Sponsor, the Lead Manager, the Underwriters, their respective directors and any other person involved in the Placing accepts responsibility for tax effects on, or liability of, any person resulting from subscribing for, or purchasing, holding, disposing of or dealing in the Placing Shares.

EXCHANGE RATE CONVERSION

In this prospectus, unless otherwise specifically provided, amounts in Renminbi have been converted into Hong Kong dollars at the rate of RMB1 = HK\$0.9145, amounts in New Taiwan dollars have been converted into Hong Kong dollars at the rate of NT\$1=HK\$0.2495 and amounts in US dollars have been converted into Hong Kong dollars at the rate of US\$1 to HK\$7.7915, as quoted on the South China Morning Post on 9th August 2000. Such conversions are for the purpose of convenience and for indication and reference purposes only and should not be construed as any representation that the Renminbi amounts, New Taiwan dollar amounts, US dollar amounts and the Hong Kong dollar amounts have been, could have been or could be converted into Hong Kong dollars, US dollars, New Taiwan dollar amounts, and Renminbi, as the case may be, at that or any other rate or at all.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Lau Chiu Pui <i>(chairman & managing Director)</i>	6/A, Tower 2 Hillsborough Court No. 18 Old Peak Road Central Hong Kong	Canadian
Mr. Yip Ho Pong	165 Tai Wo Hau Road Sun Kwai Hing Garden Block C, 27/F., Flat 1 Kwai Chung New Territories Hong Kong	Chinese
Mr. Lai Shu Pui, Fergus	Rm 601, Block I Telford Gardens Kowloon Bay Kowloon Hong Kong	Chinese
Mr. Wong Kit Mei	Flat A, 6/F., Block 12 Bauhinia Mansion Whampoa Garden Hungom Kowloon Hong Kong	Chinese
Mr. Fung Yiu Fai	Flat 4A, Tower 17 Parc Oasis Tat Chee Avenue Kowloon Hong Kong	Chinese
Non-Executive Director		
Mr. Chiu Raymond Yim	734 London Drive Milpitas CA 95035 U.S.A.	American

DIRECTORS

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Chan Siu Yeung	Room 1, 27/F. Block B Hilton Plaza Shatin New Territories Hong Kong	Chinese
Ms. Kwan Ngan Hing, Edith	F-5, Hilltop Apartment 60, Cloud View Road North Point Hong Kong	Chinese

PARTIES INVOLVED IN THE PLACING

**International Coordinator
and Sponsor**

Core Pacific - Yamaichi Capital Limited
30th Floor
Two Pacific Place
88 Queensway
Hong Kong

Lead Manager

Core Pacific - Yamaichi International (H.K.) Limited
30th Floor
Two Pacific Place
88 Queensway
Hong Kong

Underwriters

Core Pacific - Yamaichi International (H.K.) Limited
30th Floor
Two Pacific Place
88 Queensway
Hong Kong

Kingsway SW Securities Limited
5/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

GOA Securities Limited
Rm 605, Admiralty Centre
Tower 1, 18 Harcourt Road
Hong Kong

KGI Asia Limited
27/F, Asia Finance Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Phoenix Capital Securities Limited
1/F, Golden Centre
188 Des Voeux Road Central
Hong Kong

Yuanta Brokerage Company Limited
1902-3, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

PARTIES INVOLVED IN THE PLACING

YF Securities Company Limited
11/F, CMA Building
64-66 Connaught road
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong Law:
Victor Chu & Co.
19th Floor, Tower 2
The Gateway, Harbour City
Kowloon
Hong Kong

As to Bermuda Law:
Appleby Spurling & Kempe
5511 The Center
99 Queen's Road Central
Central
Hong Kong

**Legal advisers to the Sponsor,
the Lead Manager and the
Underwriters**

As to Hong Kong Law:
David Y.W. Ho & Co.
26th Floor
9 Queen's Road Central
Central
Hong Kong

Auditors and reporting accountants

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

Property valuer

DTZ Debenham Tie Leung Limited
10th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Head office and principal place of business	Units 5-7, 26th Floor Laws Commercial Plaza 788 Cheung Sha Wan Road Kowloon Hong Kong
Website	http://www.cyberm-sw.com
Company secretaries	Fung Yiu Fai, AHKSA, ACCA, BBA Michael Wood* BA, BComm, MBA, FCIS, PAdmm
Assistant secretary	A.S. & K. Services Ltd. Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Authorised representatives	Lau Chiu Pui 6/A Tower 2 Hillsborough Court 18 Old Peak Road Central Hong Kong Fung Yiu Fai Flat 4A Tower 17 Parc Oasis Tat Chee Avenue Kowloon Hong Kong
Compliance officer	Fung Yiu Fai, AHKSA, ACCA, BBA
Qualified accountant	Li Ching Wah, AHKSA, AICPA, BBA
Audit committee	Chan Siu Yeung Kwan Ngan Hing, Edith Yip Ho Pong
Authorised persons to accept service of process and notices in Hong Kong	Lau Chiu Pui

CORPORATE INFORMATION

Bermuda resident representative	James M. Keyes* Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Bermuda assistant resident representative	A. S. & K. Services Ltd.* Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Principal banker	Hang Seng Bank Limited 10 Nassau Street, Mei Foo Sun Chuen Kowloon Hong Kong
Principal share registrar and transfer office	Reid Management Limited 4th Floor Windsor Place 22 Queen Street Hamilton HM11 Bermuda
Hong Kong branch share registrar and transfer office	Central Registration Hong Kong Limited Rooms 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong

* *Mr. Michael Wood, one of the secretaries of the Company, Mr. James M. Keyes, the Bermuda resident representative, and A. S. & K Services Ltd., the Bermuda assistant resident representative will resign immediately after the listing of the Shares on the Stock Exchange, and A.S. & K. Services Ltd. will be appointed the Company's resident representative in Bermuda, and remain as assistant secretary under the Companies Act.*

THE DEVELOPMENT OF E-COMMERCE AND WIRELESS AND MOBILE DEVICE TO ACCESS CORPORATE INFORMATION

The development of e-commerce in general

When a company conducts business electronically, it can practically do business from anywhere to anywhere, 24 hours a day, 7 days a week. E-commerce differs from traditional commerce in the way information is exchanged and processed. In the traditional business world, information is exchanged through direct person-to-person contact or through the use of the telephone or mail systems. In e-commerce, information is conveyed via a communications network, a computer system, or some other electronic media.

IT advances attained in the past 25 years enable companies to reap the benefits of ubiquitous data access through the use of advanced enterprise networks. E-commerce harnesses the power of networking to create a virtuous cycle of business communications. This heightened level of communications cultivates e-commerce among businesses. IDC estimates that the number of Internet users worldwide will grow from approximately 155.6 million in 1998 to approximately 525.7 million by 2003. The rapid growth of the Internet in conjunction with free or inexpensive browser software has propelled the development of e-commerce in an unprecedented pace.

From the business point of view, the increasing competition and globalisation among businesses and the growing interactivity all encourage the development of e-commerce in general and B2B in particular. B2B solutions enable businesses to better manage their operations, reducing both product and process costs, allowing an enterprise to gain critical competitive advantages, while at the same time, enhance customer reach for suppliers and open access to buyers to multiple suppliers worldwide.

INDUSTRY OVERVIEW

IDC forecasts worldwide B2B Internet commerce to explode to US\$1.3 trillion in 2003 from US\$48.4 billion in 1998. In Hong Kong, e-commerce revenue is expected to grow to US\$5.3 billion by 2004 from US\$15.9 million in 1997 (see Figure 1 - Internet Commerce Market in Asia by Country (Source: IDC)).

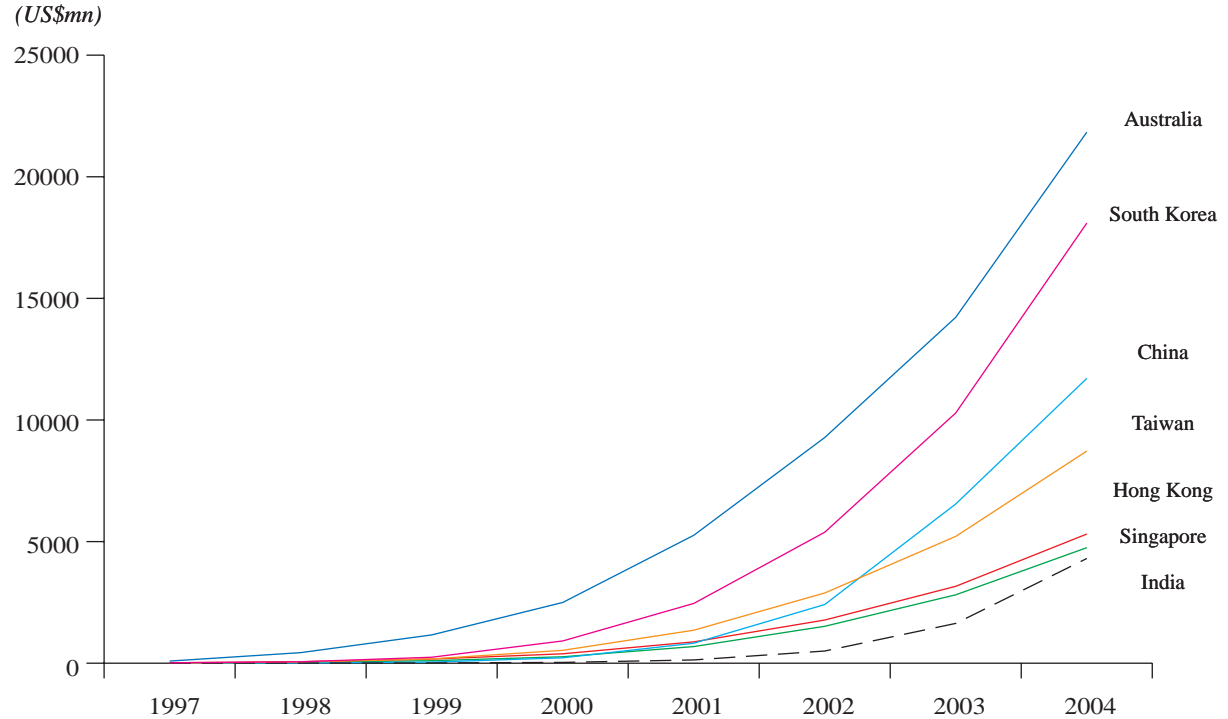


Figure 1: Internet Commerce Market in Asia by Country

Source: IDC 1999

Wireless and mobile devices to access corporate information

Mobile computing is rapidly becoming one of the foundation blocks of e-commerce, allowing users to work in any place at any time, accessing real-time data. Intelligent agent technology, reducing the amount of information needed on the screen, makes it easier for mobile users to find information and complete tasks. The hottest trend in mobile computing in 2000 will be mobile access to the Internet. With the advancement in technology, wireless mobile data is finally becoming a reality. World-renowned IT companies have already committed to provide wireless and mobile hardware and software support.

While most of the efforts focus on supporting hand-helds, palm-top computers and notebook computers, there is a trend to provide and receive information directly with mobile phones. Mobile phones are becoming ubiquitous and fairly simple to use. It is now possible to access information on the Internet through mobile phones. WAP provides a uniform technology platform with consistent content formats for delivering the Internet and Intranet-based information and services to digital mobile phones and other wireless devices. WAP creates new business opportunities for corporations by providing a new channel for existing services and the possibility for totally new services that can reach customers 24 hours a day wherever they are.

THE E-COMMERCE APPLICATION MARKET IN GREATER CHINA REGION

Internet penetration growth

The rapid increase in Internet usage in the Greater China Region has been driven by the following factors:

- *PC penetration*

Since most people access the Internet through PCs, PC penetration rates are closely correlated with the growth of the Internet. Hong Kong has one of the highest PC penetration rates in Asia, and the PRC is the largest and fastest-growing PC market in the region excluding Japan.

- *Increasing wireless Internet access*

The penetration of mobile phones is very high in Hong Kong. This combined with the decreasing cost of Internet capable phones and a growing range of wireless content providers should contribute to Internet growth in the future. In less developed China market, where fixed line penetration is low, wireless Internet access systems such as the satellite system, could be the access mode of choice and could drive Internet growth as a result.

- *The proliferation of locally sourced and targeted content*

One area of focus in the Greater China Region is the development of Chinese-language/localized content. This in turn attracts more users which stimulates the creation of more content and commerce, creating a virtuous circle of usage, investment and growth.

- *Deregulation of telecommunications markets*

Deregulation of Asian telecommunications markets should foster competition and reduce the cost of getting on-line through lower access and telecommunications charges. Hong Kong is furthest along the road of deregulation and liberalisation. The recent agreement between China and the US that paves the way for China's accession to the WTO, holds out the prospect of significant liberalisation of the PRC telecommunications market as well. As it has been seen in the developed countries, falling telecommunications costs are very important in stimulating the growth of the Internet market.

- *Government initiatives*

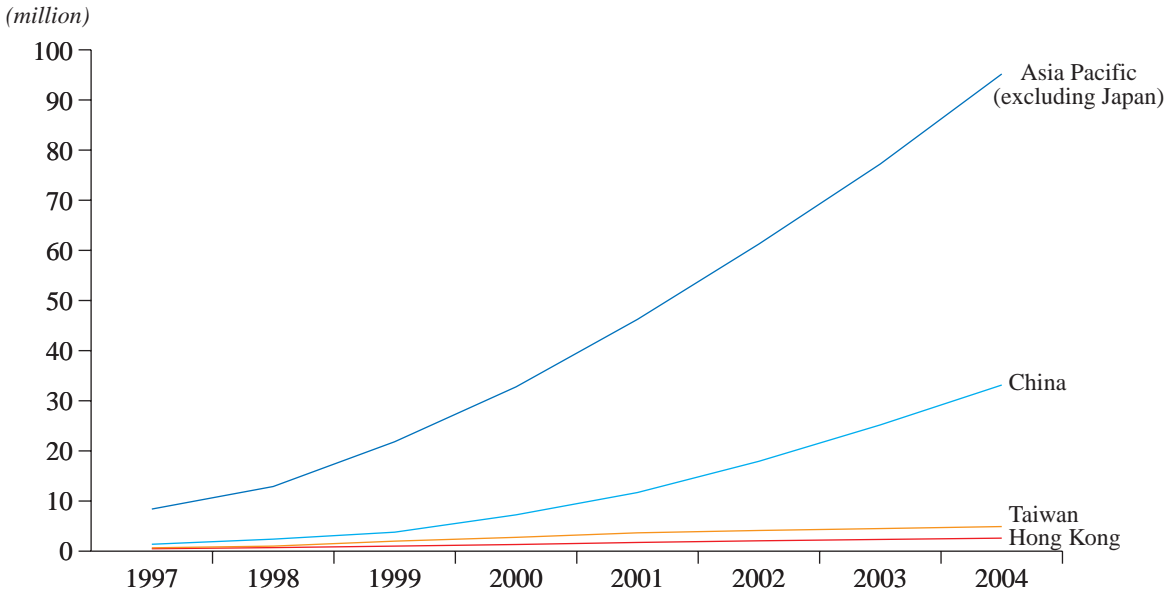
Keenly aware of the importance of the Internet, the governments of Hong Kong, Taiwan and the PRC have announced initiatives with a technology focus. IT infrastructure and other developments in the IT fields are major topics in the Hong Kong government's "Digital 21" IT Strategy, a comprehensive strategy for the development of Hong Kong into a leading digital city in the 21st century, and in China, government departments are encouraged to offer on-line service. In Taiwan, tax incentives are offered to companies adopting B2B solutions.

According to IDC, the number of Internet users in Hong Kong is expected to increase to 2.6 million by 2004 from 0.49 million in 1997, representing a CAGR of 26.9%. The number of Internet users in Taiwan is expected to increase to 4.91 million by 2004 from 0.67 million in 1997, representing a CAGR of 32.9% and the number of Internet users in the PRC is expected

INDUSTRY OVERVIEW

to increase to approximately 33.14 million by 2004 from approximately 1.38 million in 1997, representing a CAGR of 57.5%. Although the PRC is still a technologically developing country, it is expected that the Internet market in the PRC will achieve significant growth within the next five years. Figure 2 shows the forecast number of Internet users expected in China, Hong Kong and Taiwan.

Figure 2: Number of Internet users by country, 1997 - 2004



Source: IDC, 1999

Note: The number of Internet users has taken into account the overlap of business users who are also home users, without double-counting them.

B2B e-commerce market

Figure 1 above shows that the Internet commerce market in each of Hong Kong, the PRC and Taiwan is expected to grow at a great speed, with a CAGR of 129.4%, 254.6% and 163.2% respectively for a period of seven years from 1997 to 2004.

IDC estimates the Internet commerce market in the Greater China Region to reach US\$25.7 billion by 2004 from US\$27.5 million in 1997. As B2B adoption accelerates in the West, some buyers from the West are introducing policies whereby they source their products from suppliers that manage orders on-line. This forces suppliers in the Greater China Region to adopt B2B. On-line e-commerce sales in the Greater China Region are, therefore, expected to surge.

SMEs as an important driver of B2B economics

The SMEs in Hong Kong are the basic building blocks of the economy with their relatively low start-up costs and structural flexibility in a changing business environment. In Hong Kong, they account for 98% of the local business establishments and provide job opportunities to over one million people, about 60% of the workforce. In December 1999, there were more than 290,000 SMEs in Hong Kong, the majority of which was engaged in the import and export sector, followed by the wholesale, retail, restaurant and hotel sectors.

INDUSTRY OVERVIEW

The Directors believe that the SMEs in Hong Kong, like their counterparts in the US, will also be an important driver of B2B economics in Hong Kong for the following reasons: (1) the Internet provides SMEs with the capability to operate their businesses efficiently and affordably, allowing them to compete with larger corporations through a networked and level playing field; (2) as more small businesses access the Internet and set up corporate web pages, the more they will employ the Internet to execute their business strategies; and (3) the Internet also let SMEs compete on a more equitable basis with larger corporations with vast resources, arming them with on-line distribution and reach so that they can gain exposure to geographically diverse markets.

The SMEs in Taiwan, like those in Hong Kong, form the backbone of the economy of Taiwan, accounting for 97.81% of the local business establishments and providing job opportunities for 78.4% of the workforce. Without the support of the PRC vast inland resources, the SMEs in Taiwan encounter keener competition in today's globalisation of business than their counterparts in Hong Kong. In the PRC, according to the China Statistical Year book 1999, there were 14,877,000 SMEs[#] in 1998. Among the total number of SMEs in the PRC, 4,642,000 are located in the southern part of China, and 4,495,000 and 2,779,000 are located in the eastern and northern parts of China respectively.

Only business establishments in the industry sector and in the sectors of commerce, catering, trade and other services industry are included.

Opportunities for growth

In its blueprint for IT development as laid out in the "Digital 21" IT Strategy, the Government plans to build a better IT infrastructure. Once this infrastructure and its accompanying legislation are completed, Hong Kong should be able to offer a more "Internet friendly" environment than many of its regional competitors. Overall Internet growth is expected to be further enhanced by government incentives to encourage the use of the Internet such as the "Cyber-Port" initiative, which aims to build incubation facilities to establish Hong Kong as a technology/Internet hub in Asia.

Recognising the importance of the development of IT and other technology to China's economic growth, the PRC central government has granted a deduction of the value-added tax on software sales to 6% or lower from 17% for the purpose of encouraging technology development.

Taiwan has created financial structures and tax incentives to encourage companies to adopt B2B solutions. The Ministry of Economic Affairs of Taiwan announced that it expects up to 50,000 local companies to conduct commercial transactions on the Internet by the end of 2001, by which time the annual e-commerce turnover is projected to exceed US\$16 billion (NT\$500 billion).

THE E-COMMERCE APPLICATION MARKET IN ASIA

Internet penetration

There were an estimated 21.83 million Internet users in other countries in Asia Pacific (excluding Japan) in 1999. IDC forecasts that there will be 95.18 million Internet users by 2004 (see Figure 2 above). South Korea's Internet market is supported by a relatively large and wealthy population. Malaysia, the Philippines, Thailand and Indonesia rank relatively low in Internet infrastructure development but they are making steady progress. The government of Singapore has been extremely supportive of building an advanced information infrastructure.

B2B e-commerce

Asia is embracing e-commerce sooner than anticipated. Figure 1 above also shows the Internet Commerce Market in Australia, Singapore, India and South Korea. Like their counterparts in the Greater China Region, suppliers in other countries in Asia are also forced to adopt a B2B model. IDC estimates that non-Japanese Asia Pacific e-commerce will grow to US\$87.5 billion in 2004 from US\$160.3 million in 1997. The increased availability of B2B products from a range of global vendors since 1998 also accelerates e-commerce applications in Asia.

As discussed above, Asia is tapping e-commerce aggressively. However, the Asia market is fragmented through language, geography, customs and regulatory systems. As a result, it is more difficult to execute e-commerce in pan-Asia than in the US. This diversity poses unique e-market challenges for cross border communications, logistics, and customs. While B2C preceded B2B e-commerce in the US, the situation in Asia might be the reverse. Asia's deep manufacturing roots should help accelerate the B2B adoption curve.

SMEs as an important driver of B2B economics

SMEs form a significant part of most Asia economic landscapes. Given the fragmented demographics across Asia, the Directors believe that the rest of Asia displays similar metrics to those in Hong Kong. The e-world has opened up endless new possibilities for SMEs. Physical size is no longer an overpowering constraint. Since e-commerce transcends physical boundaries, distance and geography can no longer limit a company's aspirations or the scope of its market. By means of e-commerce, SMEs can search new partners and suppliers easily and cost-effectively. They can therefore effectively conduct their business and serve their local and international customers, providing value-added services in a very economical and rapid manner.

Opportunity for growth

The state of B2B e-commerce in Asia is so nascent that there are few metrics which can attest to the growth or opportunity of B2B e-commerce. However, it is not difficult to foresee to some extent the potential in Asia by comparing Asia to the US market. B2B e-commerce adoption is helping Asia make most of its manufacturing base, in effect expanding demand for its products to new markets. Greater outsourcing to, and procurement from, Asia appear to be one result of the Internet growth.

APPLICATION SERVICE PROVIDERS

B2B Internet Commerce Organisation Structure

In B2B Internet commerce, only 1% of the companies involved represents the front-end part (i.e., building a mission critical, reliable e-commerce website), while 99% represents the back-end, i.e., the vast area of the infrastructure of e-commerce, which is required to build the website mentioned above. The B2B Internet commerce infrastructure consists of many components that are critical for the operation of B2B. ASP is one of them.

Emergence of ASPs

An ASP, in its simplest form, is a third-party service firm which deploys, manages and remotely hosts a pre-packaged software application through centrally located servers in a rental or lease arrangement. These software applications are accessed remotely over the Internet. ASPs, being one of the components of the infrastructure of B2B Internet commerce, provide the expertise to manage the software applications.

INDUSTRY OVERVIEW

With the pervasiveness of the Internet and continuous development of Internet-based enabled solution application, the migration from in-house application management to a hosted application solution has become feasible. ASP industry is now in the embryonic stage of its life cycle. The emergence of ASP was mostly attributable to the convergence of software and IT infrastructure toward an Internet environment. Software has evolved from custom-coded, proprietary applications to pre-packaged or off-the-shelf applications and now to the development of net-centric applications. Net-centric software allows Internet-enabled commerce, communication and the management of information content. Likewise, IT infrastructure has evolved from a closed, mainframe environment to distributed computing and now towards a net-centric infrastructure linking all stakeholders.

Future Growth and Target Market

In the US, the ASP market has grown rapidly in the last year or so. According to Dataquest Inc., a unit of Gartner Group Inc., as published in *Electronic Commercial World*, March 2000, the ASP market is forecast to increase nearly ten times from US\$2.7 billion in 1999 to US\$22.7 billion in 2003. In a world of business based on the Internet, adoption of the ASP model is a win-win proposition all around. Since applications are run on the Internet, they can be easily distributed. End-users gain faster access to leading edge applications at sharply reduced on-site labour costs and without complex installations and updates. The early adopters and targeted markets for the ASP alternative have been SMEs which have a big pent-up demand for advanced applications which level the playing field between themselves and their larger competitors.

SMEs can rent a service that is operated by an ASP, avoiding large upfront expenditures for application implementation and upgrading, and IT staff for maintenance of new applications, operating systems and networks, and allowing them to concentrate their personnel resources on their core business or strategic value-added activities. ASPs have opened to them leading-edge software applications for accounting, human resources, manufacturing, distribution, and many other functions on a predetermined monthly fee per user licence, or on a fee-per-transaction basis.

As the US ASP market is growing at an unprecedented speed, the Directors believe that the Asia ASP market will emerge soon as e-commerce is the future for the business world. As such, the above-described model will become the most sensible, affordable and flexible for the deployment, management and enhancement of business application in the age of information, and growth in the ASP segment will be the anticipated result.

INTRODUCTION

The proliferation of intelligent devices, the Internet and mobile and wireless computing technologies are presenting new opportunities for organisations to seamlessly extend all of their electronic business information through the new Internet-based systems to anywhere where transactions occur.

The mobile and wireless computing provides a comprehensive technology platform to drive the markets for e-commerce solutions. Using these technologies, telecommuters, field salesman, remote offices and small businesses can access information remotely from desktops and laptops. These technologies also empower hand-held devices, already used for tracking personal appointments and contacts, to provide access to enterprise information. Intelligent appliances not only allow organisations to collect information remotely but also facilitate the automation of business management functions. Stock trading from mobile phones, distribution of ERP business processes, inventory management and price adjustments, are examples of how these technologies are enabling e-commerce anywhere.

WIRELESS INFORMATION ACCESS DEVICES

There is an explosion in the variety of wireless access equipment ranging from PDAs, mobile phones, modem-equipped hand-held and laptop computers.

IDC forecasts that Windows CE and palm-top will dominate the hand-held market in the future. Hand-held devices will grow dramatically in terms of the unit shipments and the significance as functional tools for enterprises in many areas of activity and commerce. The value of shipments of hand-held companions in Hong Kong and PRC, which includes PDAs, PC companions, and personal companions, are expected to increase from approximately US\$9.3 million in 1997 to approximately US\$385.6 million in 2004, representing a CAGR of 70.3% over the same period. IDC expects that the development of new software that enables the hand-held devices to be implemented as corporate enterprise tools and extends the mobile worker's environment will stimulate and drive the growth of the hand-held market.

TECHNOLOGICAL DEVELOPMENTS ENABLING CONVERGENCE OF THE INTERNET AND WIRELESS DEVICES

As the number of wireless hand-held devices designed to access the Internet increases, there is a serious need for faster and better wireless communications technologies. The emergence of high-speed wireless data access technologies and the wireless Internet access technologies have significantly improved the delivery of data from the Internet to wireless devices.

High Speed Wireless Data Access Technologies

GPRS refers to a high-speed packet data technology which provides extremely capable and flexible mobile communications. It will support, inter alia, the widely used Internet protocol. With GPRS, a user's connection to the Internet is always open, which means that mobile terminal device users such as mobile phones and modem-equipped PDAs will have the same network characteristics that are currently employed by private networks. Data will be able to be transmitted to PDAs, mobile phones and other wireless devices at rates of over 100 kbps, allowing all existing Internet applications to operate smoothly without even the need to dial up a separate ISP.

GPRS has a huge advantage from a software perspective. Today, wireless middleware is often required to allow slow speed mobile clients to work fast networks for applications such as e-mail, databases, groupware or Internet access. With GPRS, wireless middleware will often be unnecessary, and thus it should be easier to deploy wireless solutions than ever before.

Wireless Internet Access Technology

Apart from GPRS, the publication of the WAP has also significantly improved the delivery of data from the Internet to wireless devices. WAP is an open, global specification that empowers mobile users with wireless devices to easily access and interact with information and services instantly. WAP was designed to work within the constraints of hand-held wireless devices: a limited memory and CPU size, small, monochrome screens, low bandwidth, and erratic connection. WAP allows users access to Internet websites written in WML. WML websites minimise graphics and certain other functions, so as to accommodate the limited screen size and functionality of mobile devices.

By complying with WAP specifications, mobile phone manufacturers, network operators, content providers and application developers can provide Internet-based products and services that are interoperable. For end-users, WAP technology brings easy, secure access to relevant Internet/Intranet information and other services through mobile phones, pagers or other wireless devices.

Broadband channel is a high-speed, high capacity transmission channel with the ability to carry video, voice and data simultaneously. Multiple mobile device users can access data simultaneously. The WAP and GPRS have enabled the delivery of data from the Internet to mobile phones or other wireless devices in a cost-effective manner.

MOBILE AND WIRELESS COMPUTING-BASED BUSINESS APPLICATIONS

While constructing the right wireless infrastructure is a necessary enabler of the new environment, mobile and wireless computing will be truly realised only when application and computing services required for working while away from the office are provided over the mobile network. A number of vertical, niche applications of mobile computing are already available, including vehicle dispatch and routing, inventory and package tracking, and on-line transaction processing.

Portable PC and hand-held devices are increasingly important for an enterprise's field operations and remote operational data management. These devices are used for data sharing and operational functions such as sales force automation, sales inventory, pricing, order processing, parts inventory and service scheduling. In addition to operational and transactional functions, portable PC and hand-held devices with the integration to a central corporate database could be used to provide business intelligence such as customer profile information, customer history, geographic or seasonal market information, and other strategic information on a timely basis. The business intelligence achieved by applying the mobile and wireless computing technologies could greatly enhance the effectiveness of the enterprises. Moreover, with the integration to the enterprise's central service database, service history of a given customer or product could be accessed through portable PC and hand-held devices by the service professionals. If the service professional or field personnel demonstrates a solid understanding of the customer's problems and issues, a better customer relationship could be achieved.

In addition, there has been a trend to provide and receive enterprise information directly through mobile phones. Mobile phones are becoming ubiquitous and fairly simple to use. Also, it is now possible to access information on the Internet through mobile phones. WAP provides a uniform technology platform with consistent content formats for delivering the Internet and Intranet-based information and services to digital mobile phones and other wireless devices. WAP creates new business opportunities for enterprises by providing a new channel for existing services and the possibility of offering new services that can reach customers anywhere and anytime.

Mobile and wireless computing technologies make enterprise information more immediately accessible and useful.

GENERAL OVERVIEW OF THE GROUP

HISTORY AND DEVELOPMENT

The Group was founded in 1990. The Directors believe that the Group is one of the first mobile B2B eBusiness solutions providers using ASP approach and targeting the SMEs in the Greater China Region, focusing on Internet-based eBusiness solutions and mobile and wireless computing.

The Group commenced its business as a software company engaging in the development and sales of packaged software to its customers, particularly the SME in Hong Kong. In early 1990s, the Group launched Magic Accounting System. The Directors believe that Magic Accounting System was one of the first standard accounting application solutions supporting Chinese character specifically designed for the local SMEs. The Group then further developed and sold the following products: Magic Sales and Inventory System, Magic Trading System and Magic Retail System, all of them running on DOS and Novell Network.

Since 1996, in response to the technological changes and the gradual acceptance of Windows environment in Hong Kong, the Group began to upgrade all of its then existing line of products onto Windows platform. It successfully developed customised Windows-based business application solutions in 1997 and the standard Windows-based business application solutions were launched in 1998. In the period from 1995 to 1996, the Group further improved its products to support open architecture and client-server on UNIX platform. While developing its business application solutions business, the Group had also engaged in the retail sales of hardware since 1995. The hardware retail sales subsequently ceased in 1997 due to its low profit margin and strong competition.

The Group has, since 1997, focused on the development of business application solutions in view of the market demand. In 1997, the Group was awarded ISO9001 quality standard certification. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded the ISO9001 certification on its products.

Since 1997, the Group had been selling its packaged software through Msoft Systems Limited in which the Group had 40% equity interest in order to expand the sale of its packaged software into new markets such as electronics industry by leveraging on the industry knowledge of the business partner, an independent third party, of Msoft Systems Limited. Msoft Systems Limited has become dormant since 1st April, 1999 and was disposed by the Group on 30th December, 1999 for approximately HK\$78,000 on the basis of the net asset value of Msoft Systems Limited as at the date of disposal. Since the disposal, Msoft Systems Limited has ceased to have business relationship with the Group except that Noble Class Group Limited, a substantial and management shareholder of the Company, owns 40% equity interest in it. The remaining 60% equity interest is held by an independent third party.

Being a self-motivated and an established software company in Hong Kong, the Group has always kept itself abreast of the latest IT development worldwide. In early 1997, recognising the rapid development in the Internet industry in the US and the changes it brought with in the way of doing business, the Group determined to play a leading role in the age of the Internet. As Hong Kong and most other Asian countries lag behind the US, Japan and other developed countries in terms of technology, the Group has foreseen the huge potential ASP market in Hong Kong and other regions in Asia.

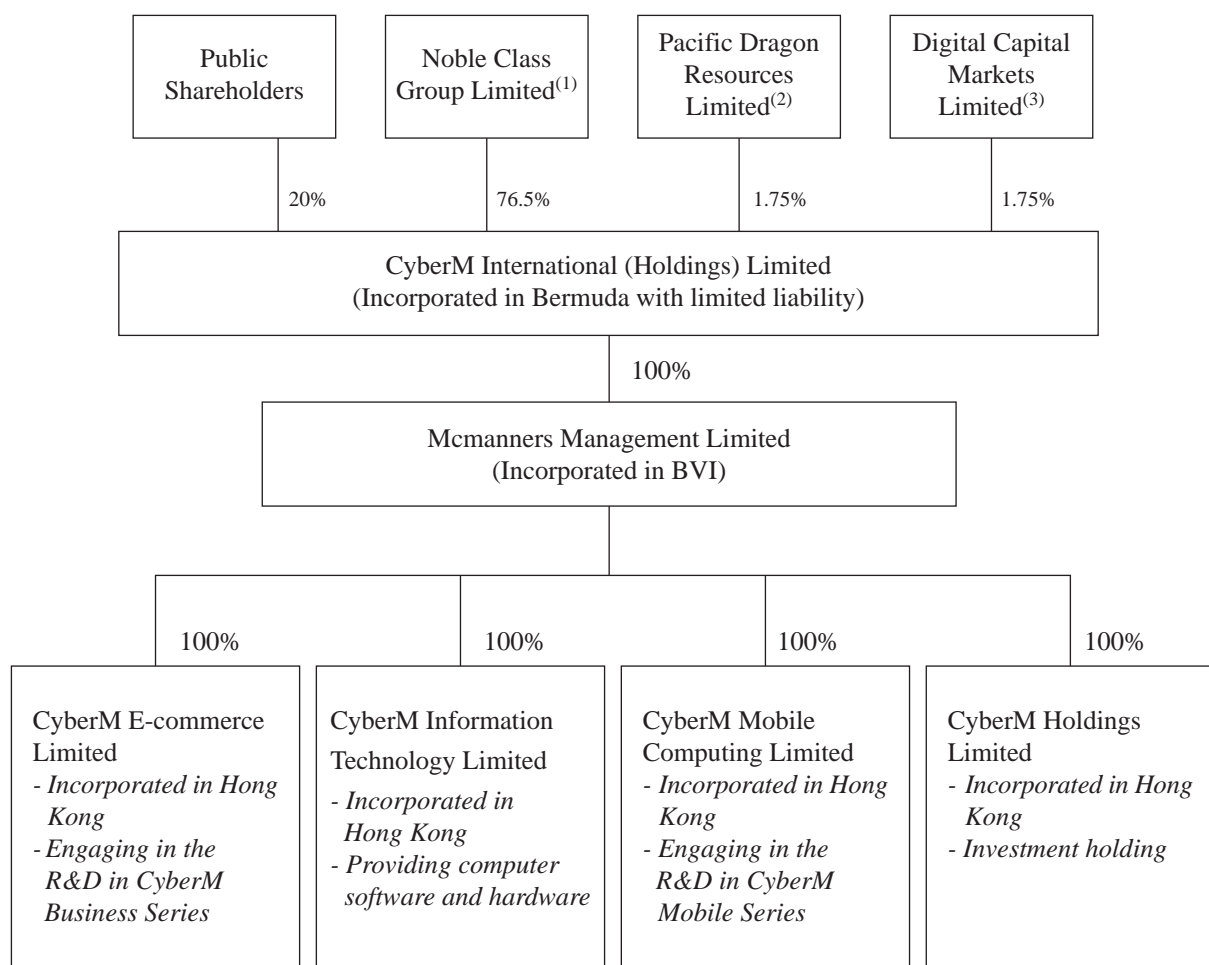
GENERAL OVERVIEW OF THE GROUP

In 1998, the Group, with its dedicated R & D team, started to focus on the R & D in Internet-based B2B eBusiness solutions. The Group also commenced the R & D in mobile and wireless computing technologies in 1999. The Group soft-launched the new Internet-based CyberM Business Series in November 1999 to its existing customers for upgrading. CyberM Business Series is distributed to the customers via the Internet and is officially launched in the third quarter of the year 2000.

In May 2000, the Group soft-launched in Hong Kong CyberM Mobile Series on palm-top and mobile phones which was built on CyberM Business Series. The solution was developed by the Group with the technical assistance of Sybase HK.

GROUP STRUCTURE

The following chart shows the structure of the Group immediately following the completion of Placing (assuming no exercise of Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters):



Notes:

- Noble Class Group Limited will beneficially own approximately 76.5% of the issued share capital of the Company (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) immediately after the completion of the Placing and the Capitalisation Issue. If the Over-allocation Option by which up to

GENERAL OVERVIEW OF THE GROUP

7,500,000 existing Shares are to be sold by Noble Class Group Limited is exercised in full, the beneficial interest of Noble Class Group Limited will be reduced to approximately 73.5%. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited (“Sunrise”), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:—

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

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

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

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

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

2. Pacific Dragon Resources Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by two third parties independent from the Directors, the substantial shareholder or initial management shareholder of the Group. Pacific Dragon Resources Limited will beneficially own 1.75% of the issued share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue.
3. Digital Capital Markets Limited, a company incorporated in British Virgin Islands and its entire issued share capital is owned by a third party independent from the Directors, the substantial shareholder or initial management shareholder of the Group. Digital Capital Markets Limited will beneficially own 1.75% of the issued share capital of the Company immediately after the completion of the Placing and the Capitalisation Issue.

GENERAL OVERVIEW OF THE GROUP

BUSINESS OF THE GROUP

The business of the Group is mainly to provide packaged software, customised business application solutions and the related technical support and maintenance services. In view of the imminent boom of the ASP market, the Group has started focusing on mobile B2B eBusiness solutions using ASP approach.

PRODUCTS AND SERVICES

The Group's products are developed based on development tools and platform, deployment tools and platform, software products and technologies of other IT vendors. They can be broadly divided into the following categories:

1. Internet-based business application solutions

CyberM Business Series

CyberM Business Series was soft-launched in November 1999 to the Group's existing customers. The solution is installed in the customers' server and the customers can access the solution away from office. With the official launch of CyberM Business Series to take place in the third quarter of 2000, the application will be mainly hosted by ASPs and the customers can access it through the Internet. It is an e-commerce business application solution for the enablement of back-end logistics management through the Internet.

CyberM Business Series is to be delivered via the Internet under an ASP approach. By paying a small amount of monthly rental to the ASPs, users can access the most up-to-date applications and are relieved of the traditional post-implementation software-related expenditure or expensive hardware installation. The Directors believe that this Internet-based business application solution is one of the first mobile B2B eBusiness solutions specifically designed for the SMEs in the Greater China Region.

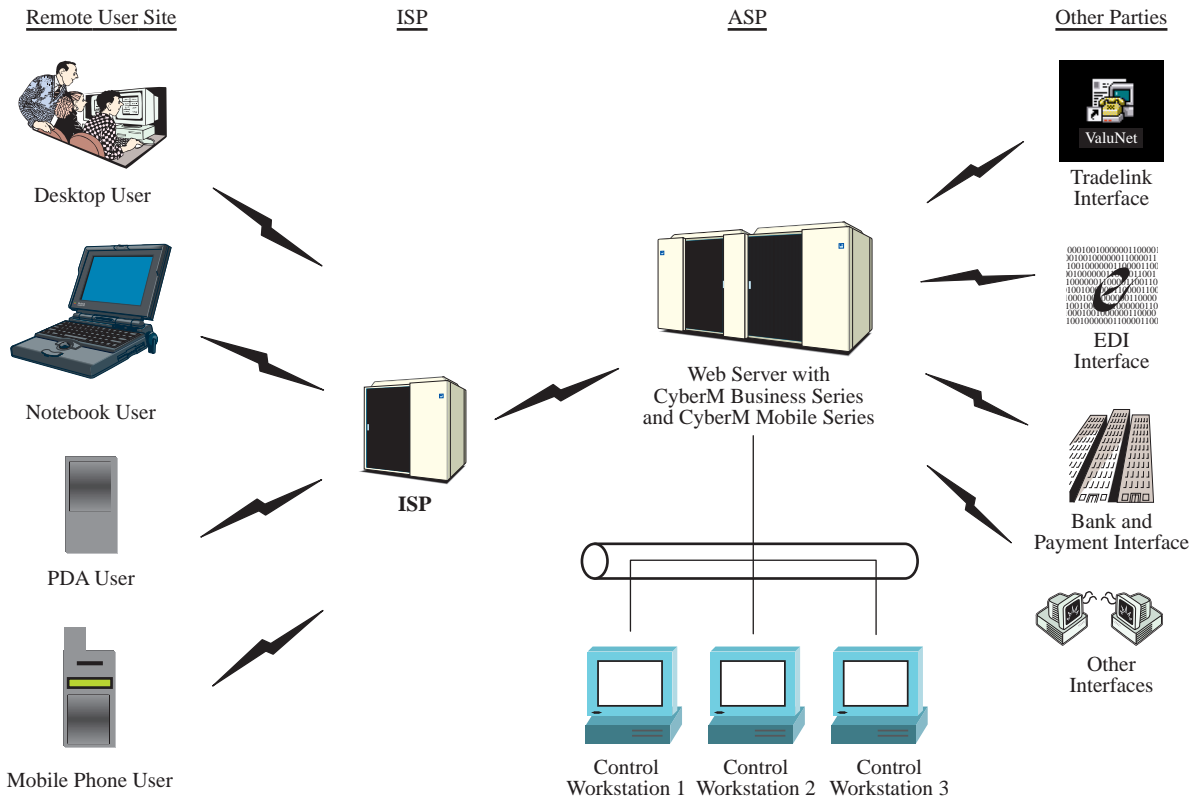
CyberM Business Series' capabilities in supply-chain management include management of products, pricing, orders, logistics, inventory, multiple warehouse locations, shipping, procurement, reporting and financial accounting. It provides interface to the widely used import/export declaration software "ValuNet" developed by Tradelink for custom declaration in Hong Kong. The users of CyberM Business Series can enter the information once in the system without the need to re-enter the same data again in the ValuNet System.

The Group has also reached an arrangement with a major international bank to explore the possibility for embedding the bank's payment interface as a value-added feature into CyberM Business Series. CyberM Business Series will allow direct interface with the bank for settlement of accounts payable and the users of CyberM Business Series will be able to make use of the interface without going through the traditional payment logistics. Apart from that, the Group is also exploring the possibility with the bank for the addition of other web-based solutions to the Group's mobile B2B eBusiness solutions in the future.

The users can also use the CyberM Mobile Series mentioned below which is built on CyberM Business Series to access important customer sales and inventory information by means of mobile phones or other mobile computing devices (e.g. palm-top) to enhance their productivity and customer services.

GENERAL OVERVIEW OF THE GROUP

System Architecture for CyberM Business Series and CyberM Mobile Series



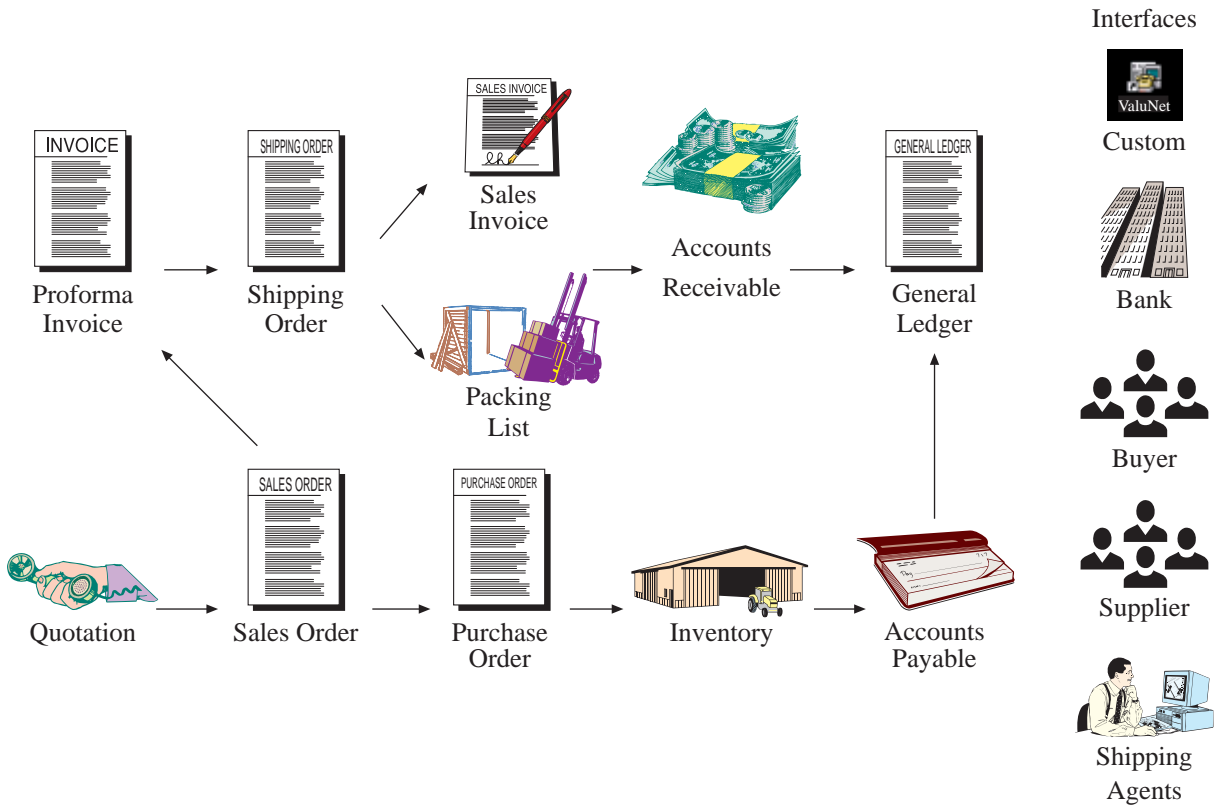
The functions of CyberM Business Series include:

- Quotation Management
- Sales Order Management
- Shipping Order Management
- Invoice & Document Management
- Purchase / Procurement Management
- Inventory Management
- Banking Facility & Letter of Credit Handling
- Financial Accounting
- General Ledger
- Accounts Receivable
- Accounts Payable

GENERAL OVERVIEW OF THE GROUP

- Budgeting
- Flexible Document Format & Report Generator

Flow Chart of CyberM Business Series



2. Mobile and wireless computing

Mobile and wireless computing provides a comprehensive platform allowing access to Internet-based B2B eBusiness solutions via mobile computing devices anytime and anywhere. Users like salesmen and traders can now access directly to the information stored in their offices or the hosting servers from remote locations. Their costs are reduced while having increased productivity and better customer services.

CyberM Mobile Series

The first CyberM Mobile Series solution developed by the Group with the technical assistance of Sybase HK was soft-launched in May 2000. The solution enables integration of mobile computing devices (palm-top and mobile phones) with Internet-based CyberM Business Series. The users can access information including customer, sales and stock information anywhere and anytime from remote locations. The orders can be inputted into the mobile computing device in the customer site and then submitted through a mobile phone to the central database server via the Internet immediately for order processing. The Directors expect that the solution will be officially launched in the third quarter of the year 2000.

GENERAL OVERVIEW OF THE GROUP

Since the products of Sybase Inc. are open-architecture based that allow running on different software and hardware platforms, the Directors believe that CyberM Mobile Series, being built on upon Sybase platform, possesses high compatibility.

The Group will continue its R & D on the application of mobile and wireless computing technologies to upgrade CyberM Mobile Series' capabilities. These solutions are expected to be interactive with Internet-based B2B eBusiness solutions both on-line and off-line. Other than supporting the palm-top and the existing mobile phone operations, it is also expected to support various mobile computing devices like Windows CE and WAP phone in the future.

To further strengthen its capabilities in mobile and wireless computing technologies, the Group has signed a collaboration agreement with Sybase HK to co-operate in the development of mobile and wireless solutions, the details of which are set out in the paragraph headed "Business & Technical Alliance".

3. Customised business application solutions

In addition to providing Internet-based business application solutions and mobile and wireless solutions, the Group also provides customised business application solutions built on its packaged software. Different from the clientele of the packaged software, the customers of customised business application solutions are mainly corporations of larger size which demand specific tailor-made features to be added on the packaged software of the Group for their internal control, business flows and other needs.

Business solutions

In response to the rapid technological changes and the penetration of the Internet, the Group is now focusing on the development of Internet-based CyberM Business Series. As Windows-based business application solutions mentioned below will phase out gradually, the Group will provide customisation on Internet-based CyberM Business Series as and when required. At present, customisation is mainly conducted on Windows-based business application solutions.

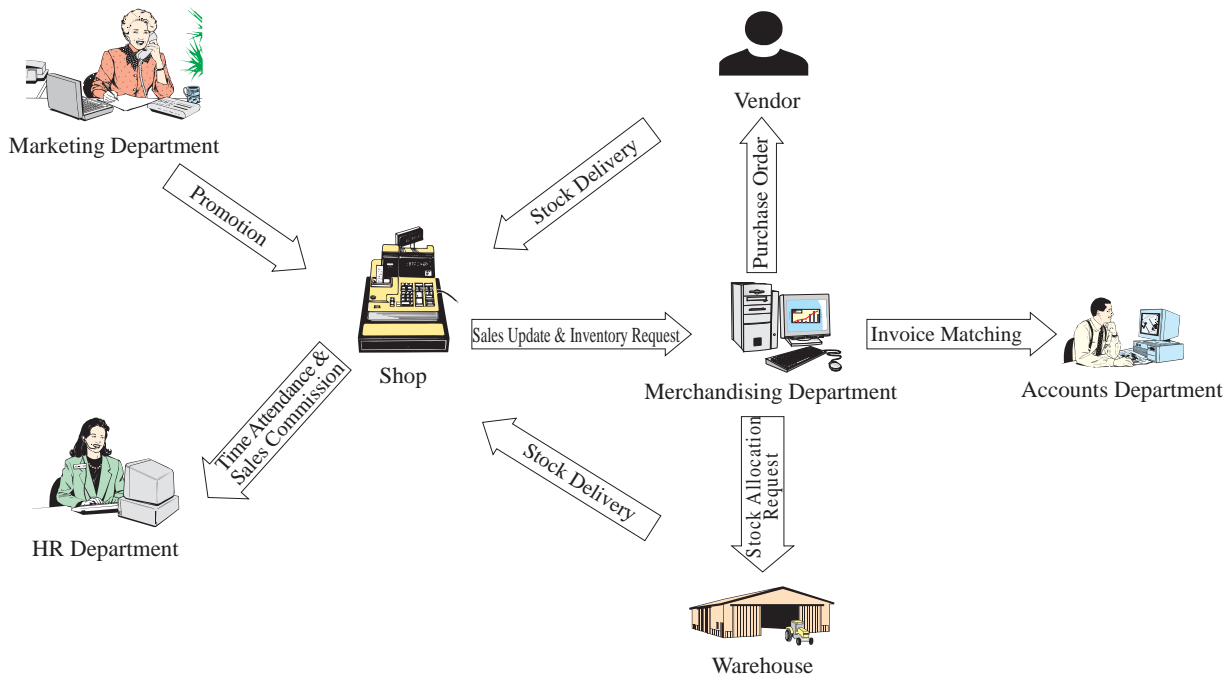
Retail solutions

The Retail solutions are specifically designed for retailers. Magic Retail System comprises separate modules catering for stand-alone shops and small chain store operations such as gift shops, speciality stores and fashion chains, and businesses with larger number of retail outlets such as supermarkets and large chain stores. The chain stores version is usually sold to retailers which have

GENERAL OVERVIEW OF THE GROUP

larger number of outlets on customised basis. The Group will continue to provide customisation on the Retail solutions as and when required. The Group intends to upgrade the current Windows-based Retail solutions onto Internet platform.

Retail solutions



For each of the two years ended 31st March, 2000, the fees for developing customised solutions represented 29.3% and 30.6% of the total turnover of the Group respectively.

4. Traditional packaged software

The Group has developed a series of Windows-based packaged software which includes retail, trading, manufacturing and accounting software solutions. Apart from manufacturing software solution, these packages are fully integrated with each other. This series of Windows-based packaged software supports various operating platforms and entry in English, as well as traditional and simplified Chinese characters. As mentioned above, the Group is now focusing on the development of Internet-based CyberM Business Series built on this series of packaged software. The Directors expect that this series of Windows-based packaged software will gradually phase out. In addition, the Group also resells software products of other IT vendor(s) in Hong Kong.

Sale of packaged software which include the sale of self-developed packaged software and the sale of software products of other IT vendor(s) accounted for 30.6% and 22.5% of the Group's total turnover for each of the two years ended 31st March, 2000 respectively. With the focus on Internet-based CyberM Business Series and CyberM Mobile Series using ASP approach on a monthly rental basis, the Directors expect that the turnover on sale of the traditional packaged software will decrease while rentals from the Internet-based CyberM Business Series and CyberM Mobile Series will become the main constituent of the turnover.

GENERAL OVERVIEW OF THE GROUP

CUSTOMER SERVICES

The SMEs, the targeted customers of the Group, are usually budget-tight and cannot afford to maintain a separate department to provide information system support. The Group, as part of its quality management, places great emphasis on the provision of comprehensive and efficient after-sale maintenance services and technical support to purchasers of both the customised business application solutions and the packaged software.

The Group provides a customer service hotline to answer enquiries from customers during usual business hours, i.e. from 9am to 6pm. If the problem cannot be resolved over the phone, the Group will access the customer's system via modem dial-up. A six-month warranty is given to each customer. For the customers purchasing customised business application solutions, the Group will arrange its staff to carry out an on-site visit to help the customer to solve the problem if the same cannot be resolved via modem dial-up. The Group has also operated a 24-hour contingency plan for the customers purchasing customised business application solutions. Technical staff will deal with enquiries after normal office hours and provide technical support if necessary. The contingency plan ensures that there are sufficient staff to handle emergencies as and when required. Upon the expiration of the warranty period, the Group will continue to provide technical support and maintenance services to its customers on regular fee basis. The Group also provides technical support and maintenance services for other hardware and/or software manufacturer.

With the launch of Internet-based CyberM Business Series and CyberM Mobile Series, the customers will be able to access the solutions anytime and anywhere. Customer services on an around-the-clock basis will be necessary. In addition to the customer services hotline which is available during usual business hours, an e-mail based enquiry service will be set up in the third quarter of the year 2000 to deal with enquiries anytime. The Group will endeavour to respond to customers' enquiries within a specific time. As the executable program code of these Internet-based solutions will be located in the hosting server(s) of the ASPs providing the infrastructure, instant technical support can be provided to deal with any problem of the software program. The Directors believe that the Group, with years of experience in providing hotline enquiries service during usual business hours and the around-the-clock emergency plan mentioned above, is well prepared and competent to provide 24-hour services to its customers.

The way of providing technical support and maintenance services is currently being modified following the transformation of the Group into a mobile B2B eBusiness solutions provider. As Internet-based solutions supplied or to be supplied by the Group are on an ASP approach, the ownership of Internet-based solutions remains with the Group, and the Group undertakes the responsibilities associated with initial and ongoing maintenance.

The Group will provide updated business application solutions, and technical support and maintenance services to the customers subscribing for the ASP services of CyberM Business Series and CyberM Mobile Series. All these charges will be covered by the monthly rental payment of the ASP services.

For each of the two years ended 31st March, 2000, turnover derived from the fees for technical support and maintenance services represented approximately 13.5% and 15.2% of the total turnover of the Group respectively. However, as the Group will focus on the provision of CyberM Business Series and CyberM Mobile Series using ASP approach, the sale of Windows-based packaged software will be reduced. The Directors expect that the fees for technical support and maintenance services to be received by the Group as a separate item will also decrease accordingly.

GENERAL OVERVIEW OF THE GROUP

REVENUE MODEL

The revenue model of the Group consists of five major revenue sources as detailed below:

Revenue source	Description
Computer hardware	Revenue is derived from the sale of computer hardware as part of the Group's customised business application solutions.
Packaged software	Revenue is primarily derived from the sale of the Group's packaged business application solutions.
Customised business application solutions	Revenue is derived from the software development and implementation services as part of the Group's customised business application solutions.
Monthly subscription of business solutions	Revenue is derived from the monthly subscription fees for CyberM Business Series and/or CyberM Mobile Series under the ASP approach.
Customer services	Revenue is mainly derived from the provision of comprehensive after-sale maintenance services and technical support to the customers of the Group's products.

PURCHASES

The Group primarily provides business application solutions developed by the Group. The Group purchases development tools and platform, deployment tools and platform and software products from other IT vendors in the development and deployment of its applications. For each of the two years ended 31st March, 2000, the purchase of software products from ISVs amounted to HK\$718,000 and HK\$1,710,000 respectively.

The Group may provide hardware products as part of the total solutions to its customers. The Group therefore usually makes back-to-back ordering and has kept limited inventory. The purchase of hardware by the Group amounted to HK\$5,080,000 for the year ended 31st March, 2000, representing 71.9% of the total costs of sales and the sale of the hardware represented 31.6% of the total turnover for the year ended 31st March, 2000.

For the year ended 31st March, 2000, the purchases are primarily made on credit basis ranged from cash on delivery to 90 days and settled in Hong Kong dollars. To date, the Group has not experienced any major difficulties in obtaining adequate purchases to meets its needs.

GENERAL OVERVIEW OF THE GROUP

SALES AND MARKETING

Sales

The traditional way of sale of the Group's Windows-based packaged software mainly through its direct sales force will undergo substantial changes after the official launch of Internet-based CyberM Business Series in the third quarter of the year 2000. Unlike the traditional way of distributing Windows-based packaged software through its direct sales force, Internet-based CyberM Business Series will be delivered via the Internet. The Directors expect that the business application solutions will be mainly hosted by ASPs to take advantage of the customer base of such ASPs and be available to the registered customers of such ASPs. For customised business application solutions, they are and will continue to be sold by the direct sales force of the Group.

For the year ended 31st March, 2000, the sales are primarily made on the bases of contract deposit account, open account and cash on delivery and settled in Hong Kong dollars.

Marketing

The Group promotes its products through advertising, participation in seminars, conferences and exhibitions on a regular basis. By joining as a partner of the Asian Solutions Centre, the Group promotes its products through the Asian Solutions Centre to potential customers in Asia through various joint marketing activities such as exhibitions and road shows. It has from time to time set up demonstration in the two showrooms in Hong Kong run by the Asian Solutions Centre. The Group will also promote its products jointly with the ASPs. The Directors believe that the aforesaid joint marketing activities will further enhance the public profile of the Group's products and brand name.

The Group's direct sales force would directly contact potential customers, maintain contacts with them and perform demonstration of its products. While promoting new products, the sales staff would from time to time collect feedback from the users as a basis for future development of new products or enhancement of existing products, so as to meet the changing needs of the Group's customers.

For each of the two years ended 31st March, 2000, the sales and marketing expenses were HK\$299,000 and HK\$612,000, representing 2.4% and 3.3% of the total turnover of the Group respectively.

Trademarks

In May 2000, the Group applied for trademark registration of its "CyberM" trademarks as described on page 170 of this prospectus. The Trade Marks Registry has, by letters dated 31st July, 2000, indicated to the Group that "CyberM Business", "CyberM Mobile", "CyberM Retail" and the "CyberM" trademarks are indistinctive and are therefore prima facie unacceptable for registration subject to the right of the Group to lodge appeals against the prima facie objections. The Group will review the prima facie objections of the Trade Marks Registry with its legal advisers and will file appeals within the statutory period allowed, being 6 months from the date of the letters of the Trade Marks Registry. However, there is no guarantee that such appeals or the application for registration will be successful or if successful, will not be subject to disclaimers or limitations. The Directors are not aware of any risk of trademark infringement by the Group under the relevant trademark classes even if the trademark registration is unsuccessful and believe that the Group's new products rely mainly on quality rather than on any brandname or trademark effect. The Group continues to market its traditional packaged software under the name of "Magic" whereas the Internet-based business

GENERAL OVERVIEW OF THE GROUP

application solutions and mobile and wireless computing will be promoted under the trademarks of CyberM Business Series and CyberM Mobile Series respectively, for the purpose of building up the Group's proprietary intellectual property right and differentiating its product lines. According to a recent trademark search, trademark registration in respect of the names "Magic" and "CyberM" were not found under the relevant classes. Although the Directors believe that there is no likelihood of trademark infringement, as a contractual obligation, the Group relies on the written consent of Magic Software Enterprises Limited, a company incorporated in Israel, which is independent from the Group, to the use of the "Magic" brandname, the Directors believe that there will be no adverse impact on the Group even if the consent is withdrawn as the Group's business relies mainly on the quality of its products and services rather than on any brandname or trademark effect.

RESEARCH AND DEVELOPMENT

The Directors have placed great emphasis on the development of cost-competitive new business application solutions in timely response to rapid technological changes and the changing needs of customers. More than 50% of the Group's human resources are dedicated to the R & D work. The team possesses strong capabilities in the development of Internet-based B2B eBusiness solutions and the application of mobile and wireless computing technologies. In November 1999, the Group soft-launched its self-developed Internet-based CyberM Business Series in Hong Kong which, the Directors believe, is one of the first Internet-based B2B eBusiness solutions designed for the SMEs in the Greater China Region.

To further enhance its capabilities on the R & D, the Group signed a collaboration agreement with Sybase HK in May 2000 for the development and promotion of Internet-based CyberM Business Series and mobile and wireless solutions, and a B2B enterprise portal, the details of which are set out in the paragraph headed "Business and Technical Alliance". Applying mobile and wireless technologies in its CyberM Business Series, the Group developed, with the technical assistance of Sybase HK, CyberM Mobile Series supporting palm-top and mobile phones.

With the efforts of the R & D team, the Group has been able to respond to the customers' changing needs by applying the latest technologies to the development of new products or enhancement of existing products. In addition to the aforesaid CyberM Business Series and CyberM Mobile Series, the Directors believe that the Group was one of the first software companies introducing packaged software in Chinese version designed for local SMEs. The Group has been able to deliver new functions and features to customers regularly to satisfy their needs. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded ISO9001 certification for its products.

For the year ended 31st March, 2000, the R & D expenses amounted to HK\$3.0 million, representing approximately 16.1% of the total turnover of the Group and an increment of 2.0% from the previous year's R & D expenses. The Directors estimate that the R & D expenses will increase by approximately 30% annually for the next two years. As the Group places great emphasis on the development of mobile B2B eBusiness solutions, the R & D team of the Group will focus on the upgrading of its products onto the Internet platform and the addition of more value-added features to its products. Resources will be allocated to the development of its CyberM Business Series and CyberM Mobile Series. The Group will conduct further research on mobile and wireless computing technologies and will continue to research on the interface with hardware and different mobile computing devices.

GENERAL OVERVIEW OF THE GROUP

QUALITY MANAGEMENT

It is the policy of the Group to provide quality business application solutions and services to its customers. Since 1997, the Group has established a quality management system based upon the applicable requirements of ISO9001 and strict adherence to the steps and procedures are required from all the staff of the Group. Regular review of the quality system will be conducted to ensure the effectiveness and suitability of the quality system.

Quality of Products

In response to the changing needs of its customers, the Group has placed great emphasis on the continuous development of new products and the enhancement of existing products. To maximise the use of its financial and human resources, feasibility studies will be conducted on every project proposed to ensure the viability of the project concerned. Every product developed will have to fulfil stringent testing and program quality control benchmarks to eliminate defects and to ensure stability. The Group's quality management continues after every sales and installation. The Group has made tremendous efforts to enhance customer satisfaction with its products.

Customer Satisfaction

Apart from the provision of customer support and services, details of which are set out in the paragraph headed "Customer Services", the Group has implemented a number of check points to ensure that every enquiry or complaint is answered and every problem is fixed to the customer's satisfaction within specific time frame. To further improve the quality of its services, the Group has taken measures to review from time to time the number of calls/complaints together with the response time for early problem detection and the implementation of remedial measures. The Group also provides training courses. For customised business application solutions, on-site support will be provided to its customers if required. The products will generally be upgraded on a regular basis.

BUSINESS & TECHNICAL ALLIANCE

Strategic Partnership with Sybase HK

In May 2000, the Group signed a collaboration agreement with Sybase HK forming a strategic alliance for the development and promotion of CyberM Business Series applicable to the trading business in Hong Kong, Taiwan and the PRC, the application of mobile and wireless computing technologies to CyberM Business Series and the development of a B2B enterprise portal. The business application solutions developed with the assistance of Sybase HK will be launched and promoted through the Asian Solutions Centre. Since the business application solutions so developed will have to use the development tools and platform, deployment tools and platform and software products of Sybase HK, the popularity of such business application solutions will bring to Sybase HK a stream of revenue. The Group will own all right, title and interest (including all intellectual property rights) in and to the applications and products created, developed or invented under the collaboration agreement.

Sybase HK is a wholly-owned subsidiary of Sybase Inc.. Sybase Inc. is headquartered in the State of California, US and has been listed on Nasdaq since August 1991. Sybase Inc. is one of the largest global independent software companies and is a leader in the growing mobile and embedded computing market. Sybase Inc. concentrates on the development of enterprise portal, mobile computing and vertical e-solution. The Group's strategic partnership with Sybase HK would greatly enhance its R & D capabilities in mobile and wireless computing technologies, the development of

GENERAL OVERVIEW OF THE GROUP

CyberM Mobile Series and the B2B enterprise portal to be developed by the Group. By applying mobile and wireless computing technologies to Internet-based B2B CyberM Business Series, the users will be able to make decisions and conduct business almost anytime and anywhere through mobile devices. The B2B enterprise portal will be effectively integrated with CyberM Business Series and CyberM Mobile Series to serve as a one-stop information centre from where the customers can on-line access publicly available information in addition to their information.

Establishing business and technical alliance with a strategic partner such as Sybase HK would allow the Group to leverage its current core products and upgrade its R & D capability. Thereby, the Group will be able to expand its market share by providing powerful new business application solutions that deliver and perform on the promise of e-commerce.

Asian Solutions Centre

The Group is one of the partners of the Asian Solutions Centre which is set up jointly by HKPC and Sybase HK. The Asian Solutions Centre is set up to provide a platform whereby the partners of the centre can provide business solutions to companies in various industries and promote the sharing of information technology and ideas among companies in Asia. It also serves to speed up the commercialisation of local information technology products and promote such products to international market through various joint marketing activities such as exhibitions and road shows. The Asian Solutions Centre currently has two showrooms in Hong Kong where different software solutions are exhibited and demonstrated.

As a partner of the Asian Solutions Centre, the Group is entitled to, among others, the use of software programs of Sybase HK and consulting and training services provided by Sybase HK. The Group is also entitled to promote its own solutions developed under the Asian Solutions Centre in both the local and the Asia market through the centre's resources and network in Asia and the joint marketing efforts organised by the centre with other partners provided that in such event, the Group will be responsible for installing such solutions and providing technical support, training service and marketing for the solutions. Such partnership would further strengthen the Group's relationship with HKPC and Sybase HK.

The Group intends to continue to develop business and technical alliances with established international IT companies and local business partners.

INTERNAL CONTROL

The Group has enforced an internal control system to ensure proper internal management, accounting and financial reporting for the Group. In addition, the Group has recruited two qualified accountants who are the executive Director and the finance manager of the Group in 2000 to strengthen its management team.

GENERAL OVERVIEW OF THE GROUP

COMPETITION

In response to the surge of B2B Internet commerce activities brought by the rapid growth in the number of Internet users, the Group has transformed itself from a traditional software developer to a mobile B2B eBusiness solutions provider using ASP approach, differentiating itself from the traditional ERP solution providers and software houses whose solutions are still Windows-based or text-based. The Directors believe that such solutions would become obsolete and unmarketable in view of the emergence of Internet-based solutions.

The Group may face significant competition from other ISVs which have also moved into this area in view of the growth potential. However, the Directors consider that the Group has a niche in the market as follows despite the intense competition from overseas and local competitors.

- The Group has started developing Internet-based CyberM Business Series since 1998. The Directors believe that the Group, being one of the first movers, has established an early presence in the ASP market in Hong Kong. Over 4,000 user licences have been sold to customers including both larger enterprises and SMEs, which will serve as an established customer base for growth.
- CyberM Business Series and CyberM Mobile Series developed by the Group are Internet-based solutions and the Directors believe that CyberM Mobile Series built on CyberM Business Series is one of the first mobile B2B eBusiness solutions designed for the SMEs in the Greater China Region.
- With the Group's experience and understandings of the unique business characteristics of the SMEs in Hong Kong over the past nine years, the Group's mobile B2B eBusiness solutions are developed specifically for the local business environment and will be offered at an affordable price to SMEs. On the other hand, the Directors believe that Internet-based products with similar functions are mostly developed by large overseas software development companies that are generally targeted at large corporations which usually require more sophisticated systems and customisation and are generally not affordable by the local SMEs.

COMPETING BUSINESS

The Directors confirm that there is no competing business conducted by any shareholder or director of the Company.

CONNECTED PARTY TRANSACTION

The Directors confirm that there is no connected transaction under the GEM Listing Rules.

STATEMENT OF ACTIVE BUSINESS PURSUITS

FOR THE YEAR ENDED 31ST MARCH, 1999

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- the Group focused on the software development and the sales of business application solutions;
- the Group sold its packaged software through Msoft Systems Limited in which the Group had 40% equity interest in order to expand the sales of its packaged software into new market such as electronics industry by leveraging on the industry knowledge of the business partner, an independent third party, of Msoft Systems Limited; and
- the Group carried out various marketing activities such as advertising, conducting seminars, and participation in tradeshow including Software Exhibition, Computer Expo and Asian Expo 98.

For the year ended 31st March, 1999, the sale of packaged software and the fees for developing customised solutions amounted to HK\$3,781,000 and HK\$3,610,000, representing 30.6% and 29.3% of the total turnover respectively.

Note: Msoft Systems Limited has become dormant since 1st April, 1999 and was disposed of by the Group on 30th December, 1999. Since the disposal, it has ceased to have business relationship with the Group except that Noble Class Group Limited, a substantial and management shareholder of the Company, owns 40% equity interest in it. The remaining 60% equity interest is held by an independent third party.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software
 - Magic Accounting System and Magic Trading System which were upgraded from DOS platform to Windows-based platform in the second quarter of the year 1998; and
 - new Windows-based Magic t-Business and Magic Retail System were launched in the fourth quarter of the year 1998; and
- Customised Business Application Solution Service
 - the Group continued to provide customised business application solution services to its customers based on its packaged software.

STATEMENT OF ACTIVE BUSINESS PURSUITS

R & D

During this period,

- the Group continued to focus on the R & D of its Internet-based business application solution and in June 1998, the first Internet-based prototype solution was tested. By December 1998, the Group was capable of applying the web on-line technique.
- the Group began to develop interface between Magic t-Business and Tradelink's electronic custom declaration system.

HUMAN RESOURCES

As at 31st March, 1999, the Group had a full-time workforce of 27 engaged in the following operations:—

Management	4
Sales and Marketing	5
Technical/Engineering	4
Finance and administration	2
R & D	9
Customer Services	3
	<hr/>
Total	27
	<hr/> <hr/>

FINANCIAL

A Summary of the audited results of the Group for this period is set out in the "Trading Record" under the section headed "Financial Information" in this prospectus.

For the year ended 31st March, 1999, the Group recorded a total turnover of HK\$12.3 million which comprised sale of computer hardware, sale of packaged software, fees for developing customised solutions and fees for technical support and maintenance services in the proportion of 26.6%, 30.6%, 29.3% and 13.5% of the total turnover respectively. For this period, sales returns accounted for 0.5% of the total turnover and no sales contract had been cancelled. Net profit for this period amounted to HK\$1.16 million.

FOR THE YEAR ENDED 31ST MARCH, 2000

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- the Group continued to concentrate on the software development and the sales of business application solutions;

STATEMENT OF ACTIVE BUSINESS PURSUITS

- the Group carried out various marketing activities such as advertising, participation in the Computer Expo, Asian IT Expo 99, Sybase Techwave Australia 2000, Win 2000 Solution Fair, China Hi-Tech Fair in Shenzhen and “Innovation 2000” organised by the Industry Department of Hong Kong;
- Mr. Lau co-founded Information and Software Industry Association in July 1999 to promote the IT industry in Hong Kong, further enhancing the Group’s profile in the IT industry; and
- the Group began to adopt the ASP approach in view of the imminent boom of ASP market.

For the year ended 31st March, 2000, the sale of packaged software and the fees of developing customised solutions amounted to about HK\$4,211,000 and HK\$5,719,000, representing 22.5% and 30.6% of the total turnover. The balance of the total turnover comprised sale of computer hardware, fees for technical support and maintenance services and rental income, which amounted to about HK\$5,932,000, HK\$2,847,000 and HK\$11,000, representing around 31.6%, 15.2% and 0.1% of the total turnover respectively.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software:
 - Magic Accounting System;
 - Magic Trading System;
 - Magic Retail System; and
 - Magic t-Business.

More features were added to Magic Accounting System, Magic Trading System and Magic t-business; and

- Customised Business Application Solution Service
 - the Group continued to provide customised business application solution services to its customers based on its packaged software; and
- Internet-based CyberM Business Series
 - new Internet-based CyberM Business Series was soft-launched to the existing customers in November 1999. The Directors believe that it is one of the first Internet-based B2B eBusiness solutions designed for the needs of the SMEs in the Greater China Region.

STATEMENT OF ACTIVE BUSINESS PURSUITS

R & D

During this period,

- the Group completed the testing of Internet-based CyberM Business Series in June 1999 and the series was ready for soft-launching in November 1999;
- the Group focused on the further development of Internet-based CyberM Business Series;
- the Group started to focus on the R & D in the application of mobile and wireless computing technologies to mobile computing devices such as palm-top and mobile phones;
- the Group developed technical interface with Tradelink on CyberM Business Series; and
- the Group entered into a memorandum of understanding with Sybase HK in January 2000, inter alia, to develop and promote CyberM Business Series, the application of mobile and wireless computing technologies to CyberM Business Series and a B2B enterprise portal. By deploying the expertise of Sybase HK in mobile and wireless computing technologies, the Group carried out the R & D in the application of mobile and wireless computing technologies to develop CyberM Mobile Series. A remote computing demonstration solution, through mobile devices supporting palm-top and mobile phones, was successfully developed by the Group with the technical assistance of Sybase HK in January 2000.

EXPANSION AND BUSINESS ALLIANCE

During this period,

- to streamline the operation, the Group moved to its present office which houses the whole Group in a single unit; and
- the Group entered into various business and technical alliances:
 - signed a memorandum of understanding in January 2000 with Sybase HK to develop and promote CyberM Business Series, the application of mobile and wireless computing technologies to CyberM Business Series and a B2B enterprise portal; and
 - joined as a partner of the Asian Solutions Centre.

STATEMENT OF ACTIVE BUSINESS PURSUITS

HUMAN RESOURCES

To cope with the expansion of the business, the number of staff was increased from 27 to 38 as at 31st March, 2000. They were engaged in the following operations:—

Management	5
Sales and Marketing	6
Technical/Engineering	7
Finance and administration	3
R & D	13
Customer Services	4
	<hr/>
Total	38
	<hr/> <hr/>

FINANCIAL

A Summary of the audited results of the group for this period is set out in the “Trading Record” under the section headed “Financial Information” in this prospectus.

During this period, the Group achieved a growth in both turnover and profits. The Group’s turnover increased by 51.7% to HK\$18.72 million. Total turnover (excluding sales of computer hardware and rental income of about HK\$5.94 million which comprised approximately 31.7% of the total turnover) experienced a growth of 41.0% as compared to the year ended 31st March, 1999. Sales returns accounted for 0.4% of the total turnover and no sales contract had been cancelled during this period. The Group assesses the collectibility of each individual accounts receivable balance and records provision against specific doubtful balances whenever consider necessary, which include some aged and slow payment accounts even with no dispute. During the year ended 31st March, 2000, provision of bad and doubtful debts was approximately HK\$1.31 million, comprising general provision of approximately HK\$0.22 million and specific provision of approximately HK\$1.09 million for slow-moving outstanding debts. The combined profits of the Group for the period increased by 32.6% to HK\$1.54 million. The improvement is mainly attributable to the Group’s effort in advertising and promotion activities and the emphasis on software development works to keep pace with the market needs and technological changes.

CyberM Business Series was only soft-launched in November 1999. Although this series accounted for an insignificant contribution to the Group’s turnover for the year ended 31st March, 2000, the Directors expect that the turnover of the Series will increase following the official launch of the same in the third quarter of the year 2000.

FOR THE PERIOD FROM 1ST APRIL, 2000 TO THE LATEST PRACTICABLE DATE

REVENUE AND BUSINESS DEVELOPMENT

During this period,

- CyberM Mobile Series supporting palm-top and mobile phones was soft-launched in May 2000;

STATEMENT OF ACTIVE BUSINESS PURSUITS

- the Group conducted various marketing activities such as holding product seminars with Asian Solutions Centre and mobile and wireless computing symposium with HKPC and participating in tradeshow of Computer Expo; and
- the Group continued to focus on the development of Internet-based B2B eBusiness solutions.

PRODUCTS AND SERVICES

During this period, the Group sold the following products and provided the following services:

- Packaged Software:
 - Magic Accounting System;
 - Magic Trading System;
 - Magic Retail System; and
 - Magic t-Business; and
- Customised Business Application Solution Service:
 - the Group continued to provide customised business application solution services to its customers based on its packaged software; and
- Internet-based B2B eBusiness solutions:
 - CyberM Business Series.

R & D

During this period, the Group

- conducted further R & D in Internet-based CyberM Business Series;
- conducted further R & D in mobile and wireless computing technologies especially in WAP technology; and
- conducted further research on CyberM Business Series to provide more value-added interfaces to its users.

EXPANSION AND BUSINESS ALLIANCE

During this period, the Group

- entered into a collaboration agreement with Sybase HK in May 2000;
- entered into an arrangement with a major international bank to explore the possibility for embedding the bank's payment interface into CyberM Business Series; and

STATEMENT OF ACTIVE BUSINESS PURSUITS

- entered into a co-operation agreement and a supplementary agreement on 14th May, 2000 and 19th July, 2000 respectively with Corp2net.com Limited, an ASP and a wholly-owned subsidiary of DigiTel Group Limited which has been listed on GEM since July 2000, to jointly promote CyberM Business Series to the customers of Corp2net.com Limited and CyberM E-commerce Limited through www.corp2net.com after the launch of CyberM Business Series in the third quarter of the year 2000.

FINANCIAL

During the period, the Group achieved turnover and net profit after taxation of approximately HK\$2.9 million and HK\$0.4 million respectively. Further R & D in CyberM Business Series and CyberM Mobile Series have been carried out by the Group. The Group commenced marketing and promotion of CyberM Business Series during this period.

STATEMENT OF BUSINESS OBJECTIVES

OVERALL BUSINESS OBJECTIVE

The Group's overall business objective is to establish itself as a leading mobile B2B eBusiness solutions provider using ASP approach for the SMEs in the Greater China Region. With the increasing adoption of IT in the global business environment, effective use of IT becomes a key factor to success and it is important for the SMEs in the Greater China Region to invest in IT application so as to increase their competitive advantages. As mentioned in the section headed "Industry Overview" in this prospectus, the Directors expect that SMEs will be a potential market for growth. The Group aims to develop and promote comprehensive mobile B2B eBusiness solutions for business enterprises, especially for SMEs in light of the evolutionary changes of business landscape brought by the global emergence of e-commerce and mobile and wireless computing technologies. With the Group's established R & D capability, in-depth experience in the Hong Kong SME market, vision focus and forward thinking attitude, and the cost competitiveness of its products, the Directors believe that the Group will be in a strong position to capture the SME market in the Greater China Region.

BUSINESS STRATEGIES

Target Customer - SMEs

- With the rising trend in Internet-based B2B e-commerce activities worldwide, the e-world has opened up endless opportunities for SMEs. The Group has focused and will continue to focus on the development of business application solutions that will meet the needs of SMEs and will place great emphasis on its customer services by providing training, maintenance services and technical support to them.

Solution Focus - a one-stop all-in-one solution

- The Group aims to develop comprehensive mobile B2B eBusiness solutions for the SMEs in the Greater China Region and a B2B enterprise portal with enriched contents serving as an one-stop information centre, which allows users to do business wirelessly anywhere and anytime. The B2B enterprise portal will serve as an entry gateway or on-line directory for the users of the Group's CyberM Business Series to access business and enterprise information relating to SMEs from the Internet, with value-added services and features provided. Subject to the prevailing market conditions, the Group will not charge its users any membership fees or service fees at the initial stage of services. As e-commerce is expected to be the global trend of development, the Group will devote considerable resources in developing Internet-based CyberM Business Series integrated with mobile and wireless computing technologies to enable users to access on-line their own back-office/logistic system anywhere around the world and to transact their business in the cyberspace.

Vision Focus - mobile B2B eBusiness

- The Group has responded to the rapid technological changes in a timely manner. With the rapid advancement in technology, B2B eBusiness solutions accessed over the Internet has become feasible and the Directors believe that the traditional in-house software application would gradually become obsolete and unmarketable. To meet the future changes, the Group has well in advance started to develop its Internet-based B2B eBusiness solutions and positioned itself as a mobile B2B eBusiness solutions provider using ASP approach to take advantage of the imminent boom of the ASP market. The Group will continue to respond to technological changes and changing market conditions in a timely manner to maintain and to increase its market share.

STATEMENT OF BUSINESS OBJECTIVES

Focus on High-Potential Growth Market - specific plan in the development of new markets

- The Group has selected specific areas with high growth potentials to market its products. The products will be first developed and marketed in Hong Kong, and, with the further development of customised features for each individual market, will be marketed in other markets in the Greater China Region. The Group plans to line up with ASPs in the PRC and Taiwan to host the Group's products and to assist in the marketing and promotion work. The Directors believe that the Group is able to explore the PRC and Taiwan markets based on following reasons:
 - the Group's products can be customised to meet specific requirements of SMEs in the PRC and Taiwan;
 - the Group has experience in handling customers from SMEs; and
 - the Group has experience in forming business alliance with ASPs and multi-international IT company. Such experience would help the Group to form business alliance with local technology companies in Taiwan and the PRC.

Expand through Organic Growth and Business Alliances

- The Group will continue to form strategic and business alliances with leading IT companies and business partners. Apart from its gradual expansion, the Group has teamed up with Sybase HK to jointly develop and promote CyberM Business Series applying mobile and wireless computing technologies, and a B2B enterprise portal. The Directors believe that business and strategic alliances will enhance its R & D capabilities, expand the sales channel of the Group and enable the Group to establish itself in the new markets. The Group will also look for local partners in different countries.

Dedicated to R & D

- The Group will continue to strengthen its R & D capability. The Group believes that ongoing R & D in new products and technologies will enable it to keep abreast of market development which is critical to maintaining a leadership position in the changing marketplace. The Group will continue to enhance its capability in product and application development. In addition to the co-operation with international IT companies, the Group will continue to co-operate with HKPC in the R & D and the application of new technologies such as mobile and wireless computer technologies to meet the needs of SMEs and in the promotion of IT application to them. The Group will continue to recruit software engineers to enhance its R & D capability.

More Value-Added Features

- The Group develops and provides value-added features to its customers on a regular basis. In addition to the application of the latest technology to the Group's business application solutions, the Group will continue to establish alliances with banks and shipping companies to provide interfaces to its CyberM Business Series. The Directors believes that only continuous enhancement of its products, which meets the needs of changing business environment, can bring success to the Group. The Group will keep upgrading its products.

STATEMENT OF BUSINESS OBJECTIVES

Well-Defined Marketing Strategies

- The Group, while focusing in the local SME market, will gradually branch out to the SME markets in the Greater China Region. In addition to the formation of strategic and business alliances to establish foothold in new markets, the Group will promote its solutions in Asia through the Asian Solutions Centre. The Group will continue to promote its corporate image and brand name to increase the general awareness of its products by participation in international computer exhibitions, tradeshows, seminars and professional conferences on IT both in Hong Kong and overseas.

COMPETITIVE ADVANTAGES

The Directors believe that the Group is well-positioned to benefit from the evolutionary changes brought by e-commerce and mobile and wireless computing technologies and to fulfil the needs of SMEs in their quest for automation.

New products based on latest technologies

The management team keeps a close watch on the IT development and has been able to respond efficiently and effectively to the changing technologies and business environment by developing or upgrading the products of the Group to meet the technological changes and different demands of the Group's customers. The Group's customised business application solutions were upgraded onto Windows-based platform from the early DOS platform in as early as 1997 and the Group started to develop Internet-based CyberM Business Series in 1998. The Directors believe that Internet-based CyberM Business Series is one of the first Internet-based B2B eBusiness solutions designed for the SMEs in the Greater China Region.

Experienced management and professional personnel

The Directors believe that the success of the Group is largely attributable to the vision and the experience of its senior management team. Mr. Lau has over 20 years of experience in the IT industry and is a co-founder of Information and Software Industry Association in Hong Kong. His extensive knowledge in the industry and business connections with international IT companies have proven to be a valuable asset to the Group.

Established R & D team

The Group places great emphasis on the R & D and about half of its staff engage in the R & D. Its established R & D team is able to respond swiftly to changing customers' needs and new technological development. The team has strong R & D capabilities to develop B2B eBusiness solutions and provide customised business application solutions. Generally, the R & D staff are creative and energetic and headed by experienced management.

For each of the two financial years ended 31 March, 2000, the R & D expenses amounted to about HK\$2,960,000 and HK\$3,020,000, representing 40.9% and 36.9% of the operating expenses before the provision for bad and doubtful debts respectively.

STATEMENT OF BUSINESS OBJECTIVES

Technical alliances with international IT company and HKPC

To further enhance its R & D capability and to provide comprehensive mobile B2B eBusiness solutions to its customers, the Group has formed strategic partnership with Sybase HK for the development and promotion of CyberM Business Series and mobile and wireless solutions, and a B2B enterprise portal. The Group is also working with HKPC to develop applications of mobile and wireless computing technologies.

In-depth knowledge of local market and customer-oriented

The Group has developed valuable insight of the local market. Its packaged software are specifically developed to meet the needs of the local SMEs in Hong Kong and are reasonably priced and user-friendly enough to give the Group an edge over its competitors.

Market recognition - established customer base in the SME market

The Group has been established for over 9 years. The Directors believe that the Group is one of the first Hong Kong-based software companies being awarded the ISO9001 certification on its products. The Group is well known in the local software industry.

Over 4,000 user licences of the Group's solutions have been sold to its customers, including both larger enterprises and SMEs. The Directors believe that the established customer base of the Group will serve as a base for the marketing of its mobile B2B eBusiness solutions, and the B2B enterprise portal to be developed.

Quality customer services

The Group places great emphasis on the provision of timely and quality maintenance services and technical support to its customers. Apart from the enquiry hotline and technical assistance during usual business hours, for those customers purchasing customised business application solutions, the Group also maintains a contingency plan on a 24-hour basis to provide technical support to them in case of emergency. The Group is well-prepared for the technical support requirement brought by the launch of Internet-based CyberM Business Series and CyberM Mobile Series. The Group endeavours to provide timely response to its customers.

BASES AND ASSUMPTIONS

The Directors have assessed the potential of the market as identified in the Group's statement of active business pursuits during the Forward Looking Period and formulated the proposed strategies to achieve the Group's business objectives on the basis of past industry trend, as well as anticipated future growth and expected demand based on the Directors' past experience, and the Directors have made the following principal assumptions in making such assessment and formulation.

1. The Group is not adversely affected by any of the risk factors set out under the section headed "Risk Factors".
2. The business objectives for any of the specified periods have been stated on the basis that they may have to be revised or adjusted by the Group from time to time in the light of factors such as changes in market conditions, market response to particular products and

STATEMENT OF BUSINESS OBJECTIVES

whether the Group has successfully achieved its stated business objectives in the preceding period or periods. It has also been assumed that the Group does not experience any significant delay in achieving its stated business objectives in any of the specified periods.

3. The Group does not encounter any significant difficulty in the R & D of any of its new products.
4. The Group is not materially adversely affected by any change in political, legal, fiscal or economic conditions in the Greater China Region.
5. The Group is not materially adversely affected by any change in legislation, rules or regulations in the Greater China Region or Bermuda where the Company is established.
6. The business to be carried out by the Group in the PRC is not prohibited or restricted by the PRC Internet Laws or any other relevant laws or regulations. Should the Group's business in the PRC be prohibited or restricted in any respect, the Group may not be able to carry out the business objectives as herein stated.

STATEMENT OF BUSINESS OBJECTIVES

The Group's specific business objectives during the Forward Looking Period are (i) to adopt the ASP approach, (ii) to further develop and refine its Internet-based B2B eBusiness solutions, (iii) to jointly develop with Sybase HK the mobile and wireless solutions, (iv) to establish a B2B enterprise portal, and (v) to expand the sales of its products into the Greater China Region.

It should be noted that as the Group operates in a fast-growing and changing IT market, the following implementation plans have been formulated on the basis of the Directors' best estimate of market trend and demand and may be subject to changes should any material changes in market conditions arise. Furthermore, the expansion into the PRC and Taiwan markets is subject to the relevant regulatory approvals being granted. As a result, the following implementation plans should be read with caution.

PERIOD 1: SIX MONTHS ENDING 30TH SEPTEMBER, 2000

Revenue and Business Development

- study and research the development of the IT industry and the SME market for strategic planning purpose

Hong Kong

- provide CyberM Business Series on an ASP approach
- promote CyberM Business Series and CyberM Mobile Series through the Asian Solutions Centre and conduct marketing campaigns
- expand the sales and marketing department
- strengthen customer service functions in Hong Kong

STATEMENT OF BUSINESS OBJECTIVES

Taiwan

- study and research the market, the business environment and the relevant legal framework
- formulate the marketing strategies for the Taiwan market and identify potential marketing channels

The PRC

- study and research the market, the business environment and the relevant legal framework
- formulate the marketing strategies and identify potential marketing channels in Southern China

Products and Services

- formally launch CyberM Business Series first, and then CyberM Mobile Series in Hong Kong
- develop interfaces with banks, shipping companies and/or freight forwarders in Hong Kong
- continue to monitor and analyse the latest market trends and feedback from the users on the business application solutions

R & D

- enhance CyberM Business Series to provide a one-stop solution to its customers in Hong Kong and research and study the customisation of CyberM Business Series according to the local business requirements and regulations for the Southern China market and the Taiwan market
- continue to research and further develop CyberM Mobile Series and other mobile business application solutions
- continue to research the Internet and mobile and wireless technologies to enhance the performance, capability and security of CyberM Business Series and CyberM Mobile Series and the B2B enterprise portal to be developed

Expansion and Business Alliance

- contemplate alliance with ASP(s) to host and promote CyberM Business Series to their enterprise customers in Hong Kong
- explore alliance opportunities with local bodies and organisations in Hong Kong to promote CyberM Business Series
- seek alliance with potential PRC local business partner(s) to host CyberM Business Series
- continue the negotiation with local business partners in Taiwan

STATEMENT OF BUSINESS OBJECTIVES

- continue to look for alliances and/or joint venture opportunities in the Greater China Region

PERIOD 2: SIX MONTHS ENDING 31ST MARCH, 2001

Revenue and Business Development

- continue the business development activities from the previous period
- study the framework for the development of the B2B enterprise portal

Products and Services

- continue the products and services activities from the previous period
- launch CyberM Mobile Series supporting mobile computing devices including Windows CE
- research and develop interface with banks, shipping companies and/or freight forwarders in Taiwan and Southern China

R & D

- continue the R & D activities from the previous period
- carry out product version upgrade and further enhancement of CyberM Business Series and CyberM Mobile Series
- research and study the customisation of CyberM Business Series for the Taiwan Market and the Southern China market
- research and study the B2B enterprise portal interface with CyberM Business Series and CyberM Mobile Series

Expansion and Business Alliance

- continue the expansion and business alliance activities from the previous period
- explore the possibility of setting up a joint venture and/or a local sales, marketing and customer services team in Taiwan
- subject to the setting up of the relevant joint venture(s) in China, establish local customer services team(s) and sales office(s) in Southern China and a regional headquarter in Guangzhou

PERIOD 3: SIX MONTHS ENDING 30TH SEPTEMBER, 2001

Revenue and Business Development

- continue the business development activities from the previous period
- subject to the expansion needs, set up a new office at the Cyber-Port in Hong Kong

STATEMENT OF BUSINESS OBJECTIVES

- evaluate the feasibility of developing an industry-specific vertical B2B enterprise portal, which purpose is to provide information for users from a particular industry
- subject to the setting up of a business partnership in Taiwan, establish a customer service centre in Taiwan
- subject to the feasibility studies of the Southern China market and the setting up of the relevant joint venture(s), establish a customer service centre in Southern China
- subject to the setting up of the relevant partnership(s)/joint venture(s), conduct marketing campaigns in Taiwan and Southern China
- research and study the market situation and business environment in Eastern China
- formulate the marketing strategies and identify potential marketing channels in Eastern China

Products and Services

- continue the product and services activities from the previous period
- launch CyberM Mobile Series supporting mobile computing devices including WAP phone
- subject to the setting up of the relevant partnership(s)/joint venture(s), launch CyberM Business Series and CyberM Mobile Series in Taiwan and Southern China

R & D

- continue the R & D activities from the previous period
- continue to enhance CyberM Business Series
- research the customisation of CyberM Business Series according to the local business requirements and regulations of the Eastern China market
- commence the development of the B2B enterprise portal with specifications for the Greater China Region environment
- research and upgrade the Windows-based Magic Retail System onto Internet-based CyberM Retail Series

Expansion and Business Alliance

- continue the expansion and business alliance activities from the previous period
- establish new alliance(s) with ASP(s) to host and promote CyberM Business Series and CyberM Mobile Series in Taiwan and Southern China
- explore alliance opportunities with local bodies and organisations in Southern China and Taiwan to promote CyberM Business Series and CyberM Mobile Series

STATEMENT OF BUSINESS OBJECTIVES

- explore the possibilities of forming alliances with local partners in Eastern China
- explore the possibilities of forming alliances and partnerships with network operators, distributors and mobile phone manufacturers to promote CyberM Mobile Series

PERIOD 4: SIX MONTHS ENDING 31ST MARCH, 2002

Revenue and Business Development

- continue the business development activities from the previous period
- conduct marketing campaigns to promote the B2B enterprise portal along with CyberM Business Series and CyberM Mobile Series in the Greater China Region
- study the market condition and business environment of the potential Northern China market and formulate the marketing strategies and identify the marketing channels.

Products and Services

- continue the products and services activities from the previous period
- launch the B2B enterprise portal in the Greater China Region
- subject to the setting up of the relevant joint venture(s), research and develop interface with banks, shipping companies and/or freight forwarders in Eastern China
- continue the development of Internet-based CyberM Retail Series

R & D

- continue the R & D activities from the previous period
- study and research the customisation of CyberM Business Series to cater for individual market segments in the PRC

Expansion and Business Alliance

- continue the expansion and business alliance activities from the previous period
- subject to the setting up of the relevant joint venture(s), establish local customer services team(s) and sales office(s) in Eastern China
- subject to the setting up of the relevant joint venture(s), establish a regional headquarter of Eastern China in Shanghai
- explore the possibility of forming alliances with local partners in Northern China

STATEMENT OF BUSINESS OBJECTIVES

PERIOD 5: SIX MONTHS ENDING 30TH SEPTEMBER, 2002

Revenue and Business Development

- continue the business development activities from the previous period
- subject to the setting up of the relevant joint venture(s), conduct marketing campaign in Eastern China on its CyberM Business Series and CyberM Mobile Series, Internet-based CyberM Retail System and the B2B enterprise portal
- subject to the feasibility studies of the Eastern China market and the setting up of the relevant joint venture(s), establish a customer service system in Eastern China

Products and Services

- continue the products and services activities from the previous period
- subject to the setting up of the relevant joint venture(s), launch CyberM Business Series and CyberM Mobile Series in Eastern China
- subject to the setting up of the relevant joint venture(s), research and develop interface with banks, shipping companies and/or freight forwarders in Northern China
- launch Internet-based CyberM Retail System in Hong Kong

R & D

- continue the R & D activities from the previous period
- carry out research on the feasibility of the development of industry-specific vertical B2B eBusiness solutions on an ASP approach for selected industries in the Greater China Region

Expansion and Business Alliance

- continue the expansion and business alliance activities from the previous period
- subject to the setting up of the relevant joint venture(s), establish an office in Beijing as the regional headquarter in Northern China
- establish new alliances with ASP(s) to host and promote CyberM Business Series and CyberM Mobile Series in Eastern China
- subject to the setting up of the relevant joint venture(s), explore alliance opportunities with local bodies and organisations in Eastern China to promote CyberM Business Series and CyberM Mobile Series
- subject to the setting up of the relevant joint venture(s), establish local customer services team(s) and sales office(s) in Northern China

STATEMENT OF BUSINESS OBJECTIVES

PERIOD 6: SIX MONTHS ENDING 31ST MARCH, 2003

Revenue and Business Development

- continue the business development activities from the previous period
- subject to the setting up of the relevant joint venture(s), conduct marketing activities in Northern China
- subject to the feasibility studies of the Northern China market and the setting up of the relevant joint venture(s), establish a customer service system in Northern China

Products and Services

- continue the product and services activities from the previous period
- subject to the setting up of the relevant joint venture(s), launch CyberM Business Series and CyberM Mobile Series in Northern China

R & D

- continue the R & D activities from the previous period
- subject to the result of the feasibility studies, carry out the R & D in the development of vertical B2B eBusiness solutions on an ASP approach for selected industries in the Greater China Region

Expansion and Business Alliance

- continue the expansion and business alliance activities from the previous period
- establish new alliances with ASP(s) to host and promote CyberM Business Series and CyberM Mobile Series in Northern China
- explore alliance opportunities with local bodies and organisations in Northern China to promote CyberM Business Series and CyberM Mobile Series

YEAR 2000 COMPLIANCE

The use of two digits to represent the year in certain computer databases to save storage space has created the Year 2000 issue in computers. Computer hardware and software which are not Year 2000 compliant may generate incorrect results for processing or retrieving time-related information.

The Group has reviewed its internal computer system for Year 2000 compliance. The result of the review indicates that the Group's computer hardware and software are Year 2000 compliant.

The Group has also completed the review of its products for Year 2000 compliance and solutions have been supplied to its customers. The result of the review indicates that its products are Year 2000 compliant.

The Directors confirm that the Group has not experienced any problem relating to Year 2000 compliance issue since 1st January, 2000. According to the Directors, the Group does not adopt or maintain any insurance policy for the Year 2000 compliance issue.

USE OF PROCEEDS

The net proceeds to the Group from the Placing (other than those derived from the sale of the 12,500,000 existing Shares by the Vendors and the sale of up to 7,500,000 existing Shares by Noble Class Group Limited pursuant to the Over-allocation Option) at HK\$0.93 per Placing Share (after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing) are approximately HK\$28.4 million. The Directors presently intend to apply such net proceeds as follows:

	Period I	Period II	Period III	Period IV	Period V	Period VI	Subtotal by category
	<i>(HK\$million)</i>						
R & D in the technology, new functions and customisation of B2B eBusiness solutions	0.15	0.32	0.49	0.60	0.35	—	1.91
Promotion of CyberM Business Series	0.58	0.80	0.92	1.97	—	—	4.27
R & D in the new functions and customisation of mobile and wireless mobile computing technologies	0.11	0.68	0.92	1.01	—	—	2.72
Promotion of CyberM Mobile Series	—	0.80	0.99	0.66	—	—	2.45
R & D and promotion of a B2B enterprise portal	—	—	0.78	0.87	—	—	1.65
Set up and expand new offices in Hong Kong	—	—	1.00	—	—	—	1.00
Expand into the Greater China Region	—	0.40	4.60	0.75	0.50	1.25	7.50
Total	<u>0.84</u>	<u>3.00</u>	<u>9.70</u>	<u>5.86</u>	<u>0.85</u>	<u>1.25</u>	<u>21.50</u>

The balance of approximately HK\$6.9 million will be used as additional working capital required for the anticipated increase in business volume of the Group.

To the extent that the net proceeds to the Group from the Placing (other than those derived from the sale of the 12,500,000 existing Shares by the Vendors and the sale of up to 7,500,000 existing Shares by Noble Class Group Limited pursuant to the Over-allocation Option) are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposit.

For details of the various plans stated above, including the expected timing thereof, please refer to the section headed “Statement of business objectives”.

In the event that there is any material modification to the use of proceeds as stated above, the Company will issue an announcement of such modification.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Lau Chiu Pui, aged 43, is the chairman and the managing Director of the Company. He has been responsible for the overall strategic planning and business development of the Group since its establishment in 1990. Mr. Lau has over 20 years of in-depth IT experience. He has been actively participating in the IT development in Hong Kong. Mr. Lau is the co-founder and council member of the Information and Software Industry Association. He holds a bachelor degree in science from the University of Toronto, Canada.

Yip Ho Pong, aged 34, is an executive Director of the Company. He is responsible for the Group's overall strategic planning and formulation of corporate strategy for the Sales and Marketing operation. He holds a bachelor degree in science from the University of Toronto. He joined the Group in 1991.

Lai Shu Pui, Fergus, aged 35, is an executive Director of the Company. He is responsible for the customer and technical service operations of the Group. He joined the Group in 1992 and has about nine years of experience in the IT Industry in Hong Kong.

Wong Kit Mei, aged 35, is an executive Director of the Company. He joined the Group in 1991. He holds a bachelor degree with honours in engineering in manufacturing engineering from The Hong Kong Polytechnic University. He is responsible for the R & D functions of the Group.

Fung Yiu Fai, aged 38, is an executive Director of the Company. Since joining the Group in January 2000, he has been responsible for the Group's corporate and financial planning, formulation and implementation of the business policies of the Group. He holds a bachelor degree in business administration from the Chinese University of Hong Kong. Prior to joining the Group, Mr Fung was financial controller of a listed company in Hong Kong. Mr. Fung has 14 years' experience in auditing and accounting. He is the company secretary and compliance officer of the Group. He is also an associate member of the Hong Kong Society of Accountants.

NON-EXECUTIVE DIRECTOR

Chiu Raymond Yim, aged 49, holds a bachelor degree in Electronics Engineering Technology from California Polytechnics State University at San Luis Obispo, California and a MBA from Pepperdine University. He is currently the vice president of Business Development Asia Pacific and Japan of IAnywhere Solution Inc., a subsidiary of Sybase Inc.. Mr. Chiu has over 25 years' experience in the technology industry. His experience ranges from product development, operations management, business development, sales and marketing to venture investments.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chan Siu Yeung, aged 42, holds a bachelor degree in business administration with honours, a master of business administration degree in finance, a master of science degree in information systems, and a Ph.D in accounting. He is currently an academic and a business and information systems researcher affiliated with Hong Kong Baptist University. Dr. Chan has 9 years' experience in banking and accounting. He also has extensive consultancy training and experience in the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Philippines, Singapore and Hong Kong. He is a chartered certified accountant in both Hong Kong and the United Kingdom, an associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants.

Kwan Ngan Hing, Edith, aged 51, has over thirty years IT experience. Ms. Kwan previously held directorship and senior management positions in the Hong Kong Jockey Club, NCR Limited, AT&T Asia/Pacific Inc., the Hong Kong Polytechnic University, and the Dow Chemical Pacific Limited. She acted as a member of the Management Committee of the Joint Universities Computer Centre in Hong Kong. She is now playing an active role in the Hong Kong Computer Society. She holds a MBA degree from the University of Warwick, Coventry, United Kingdom.

SENIOR MANAGEMENT

Wong Kwai Fun, aged 44, joined the Group in March 1998, She is the human resources & administration manager of the Group. She had over 20 years administration experiences related to the IT Industry.

Cheung Chi Man, aged 30, joined the Group in February 1998. She is the development manager of the Group. She holds a bachelor degree in business computing from the Deakin University, Australia.

Chan Pui Kuen, aged 28, joined the Group in June 1992. She is the project manager of the Group. She holds a bachelor degree in computer science from the Victoria University of Technology, Australia.

Leung Man Kit, aged 28, joined the Group in November 1997. He is the project manager of the Group. He holds a bachelor degree in computing and information systems from the University of London, United Kingdom.

Chan Tse Kin, aged 27, joined the Group in November 1997. He is the senior technical analyst of the Group. He holds a bachelor degree in computer science from the Victoria University of Technology, Australia.

Shek Ho Fai, aged 29, joined the Group in March 1999. He is the senior system analyst of the Group. He holds a bachelor degree in computing from the Oxford Brookes University, United Kingdom.

COMPANY SECRETARY & COMPLIANCE OFFICER

Fung Yiu Fai, aged 38, is the company secretary and compliance officer of the Group. Since joining the Group in early 2000, he is responsible for the corporate and financial planning, formulation and implementation of the business policies for the Group. He holds a bachelor degree in business administration from the Chinese University of Hong Kong. Mr. Fung has 14 years' experience in auditing and accounting.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

QUALIFIED ACCOUNTANT

Li Ching Wah, aged 27, joined the Group as a finance manager in 2000, and has 5 years' comprehensive audit experience. Ms. Li holds a bachelor degree in business administration from the Chinese University of Hong Kong. She is an associate member of the Hong Kong Society of Accountants.

AUDIT COMMITTEE

The Group established an audit committee on 1st August, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial process and internal control system of the Group and provide comments to the board of Directors of the Company.

The following sets out the members of the Group's audit committee:

Name	Position in the audit committee	Position in the board of Directors
Chan Siu Yeung	chairman	Independent non-executive Director
Kwan Ngan Hing, Edith	member	Independent non-executive Director
Mr. Yip	member	Executive Director

STAFF

Apart from the Directors and senior management of the Group mentioned above, as at 31st March, 2000, the Group employed a total of 38 full-time employees. A breakdown of employees by their functions is as follows:

	Hong Kong
Management	5
Sales and marketing	6
Technical/Engineering	7
Finance and administration	3
R & D	13
Customer Services	<u>4</u>
Total	<u><u>38</u></u>

The Group has not, up to 31st March, 2000, experienced any labour dispute and the Directors consider that the Group has good employer and employee relations. It provides in-house and on-the-job training for all its staff.

The Group operates different remuneration schemes for sales and non-sales employees. Sales personnel are remunerated on the basis of on-target-earning packages comprising salary and sales commission. Non-sales personnel are offered year-end bonus based on individual merits. The Group has also arranged for its employees a defined contribution provident fund, which is managed by an independent trustee. The Group makes monthly contributions to the scheme with an amount ranging

DIRECTORS, SENIOR MANAGEMENT AND STAFF

from 3% to 7% of the employees' basic salaries. The employees are entitled to receive 100% of the Group's employer 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 Group has applied for MPF exemption for its existing ORSO scheme and will open ORSO membership to all employees joining the Group on or after 1st December, 2000.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme for the benefits of its employees, details of which are set out in the section headed "Statutory and General Information — Share Option Scheme". The Directors believe that the Share Option Scheme will assist in the recruitment and retention of high calibre executives and employees.

SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDER

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue and assuming that the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters is not exercised (but without taking into consideration the Shares which may be taken up pursuant to the Placing and the Capitalisation Issue), the following shareholder will be interested in 10% or more of the voting power at any general meeting of the Company:

Name	Number of Shares	Approximate percentage of holding/voting power
Noble Class Group Limited (<i>Note</i>)	191,250,000	76.5%*

* Assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised

Note:

Noble Class Group Limited will beneficially own approximately 76.5% of the issued share capital (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) of the Company immediately after the completion of the Placing and the Capitalisation Issue. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited (“Sunrise”), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:—

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

SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

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

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

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

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

If the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited is exercised in full, the interests of the above substantial shareholder in the share capital of the Company will be as follows:

Name	Number of Shares	Approximate percentage of holding/voting power
Noble Class Group Limited	183,750,000	73.5%

INITIAL MANAGEMENT SHAREHOLDER

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue and assuming that the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited is not exercised (but without taking into consideration the Shares which may be taken up pursuant to the Placing and the Capitalisation Issue), apart from Noble Class Group Limited as described above, no shareholder will be directly or indirectly interested in 5% or more of the voting power at general meetings of the Company and who are able, as a practical matter, to direct or influence the management of the Company.

SIGNIFICANT SHAREHOLDER

So far as the Directors are aware, immediately following the completion of the the Placing and the Capitalisation Issue and assuming that the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited is not exercised (but without taking into consideration the Shares which may be taken up pursuant to the Placing and the Capitalisation Issue), apart from the substantial and initial management shareholders as disclosed above, no shareholder will be interested in 5% or more of the voting power at any general meeting of the Company.

UNDERTAKINGS

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as sponsor and international coordinator of the Placing), the Underwriters and the Stock Exchange that:—

- (i) it will place with an escrow agent acceptable to the Exchange (approved by Core Pacific - Yamaichi (on behalf of the Underwriters)) as required by the GEM Listing Rules its Relevant Securities during the Management Relevant Period;
- (ii) it will not, and shall procure that none of its associates and the companies controlled by it or nominees or trustees holding in trust for it shall, within the Management Relevant Period, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into an agreement to dispose of) in respect of any of the Relevant Securities nor permit the registered holder to dispose of (nor enter into an agreement to dispose of) any of its direct or indirect interest in the Relevant Securities;
- (iii) it will in the event that it pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.17 of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules, at any time during the Management Relevant Period, it must, inform the Company and Core Pacific - Yamaichi immediately in the event it becomes aware that the pledgee or the chargee has disposed of or intends to dispose of such interest and of the number of Relevant Securities affected.

All the Shares which are held by Noble Class Group Limited will be placed with HSBC Trustee (Hong Kong) Limited, the escrow agent, at the listing of the Company on the GEM. Pursuant to the Underwriting Agreement signed by, among others, Noble Class Group Limited, the Company and the Underwriters, Noble Class Group Limited has granted to the Underwriters the Over-allocation Option which is exercisable by CPY International in its sole and absolute discretion (for and on behalf of the Underwriters) at any time during the period commencing on the date of this prospectus and expiring on the 30 day after such date (the “Option Period”) to require, inter alia, Noble Class Group Limited to sell up to 7,500,000 existing Shares to such person(s) and in such numbers as CPY International in its sole and absolute discretion (for and on behalf of the Underwriters) may direct. The Over-allocation Option shall be exercised by written notice (the “Option Notice”) served by CPY International (on behalf of the Underwriters) on the Company and Noble Class Group Limited at any time during the Option Period. Upon receipt of a certified copy of the Option Notice which sets out the number of existing Shares required to be delivered by Noble Class Group Limited (the “Over-allocation Sale Shares”), the time, date and method of payment and delivery of such Shares, HSBC Trustee (Hong Kong) Limited, being the escrow agent, is authorised by CPY International and Noble Class Group Limited and is obliged to deliver the share certificates in respect of the Over-allocation Sale Shares representing the Over-allocation Sale Shares in accordance with the time, date and method of delivery as set out in the Option Notice.

SUBSTANTIAL, INITIAL MANAGEMENT AND SIGNIFICANT SHAREHOLDERS

Noble Class Group Limited, Sunrise International (Holdings) Limited, Arawak Trust Company Limited, AMS Trustees Limited, Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung have undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period they will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into an agreement to dispose of), distribute any interest nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interests in the Company.

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period it will not dispose of its 76.5% shareholding (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) in the Company.

Sunrise International (Holdings) Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that it will not dispose of its direct interest in Noble Class Group Limited within the Management Relevant Period.

Arawak Trust Company Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

AMS Trustees Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

SHARE CAPITAL

The authorised and issued share capital of the Company are as follows:

HK\$

Authorised share capital:

<u>1,000,000,000</u>	Shares	<u>100,000,000</u>
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Issued and to be issued, fully paid or credited as fully paid:

27,279,980	Shares in issue	2,727,998
185,220,020	Shares to be issued under the Capitalisation Issue	18,522,002
37,500,000	Shares to be issued under the Placing (excluding the Sales Shares and the existing Shares under the Over-allocation Option)	3,750,000
<hr/>		<hr/>

Total:

<u>250,000,000</u>	Shares	<u>25,000,000</u>
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Pursuant to Rule 11.23(1) of the GEM Listing Rules at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of its issued share capital of the Company in the hands of the public, which in the case of the Company, is not less than 20%.

Assumptions

This table assumes the Placing becomes unconditional.

It takes no account of any of the Shares which may be issued under the Share Option Scheme, or under the general mandate (see below), or which may be bought back by the Company (see below).

Ranking

The Placing Shares will rank pari passu in all respects with all of the Placing Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Placing Shares after the date of this prospectus other than participation in the Capitalisation Issue.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. A summary of the main terms of the scheme is set out in the section headed “Statutory and General Information — Share option scheme”.

Under the scheme, full-time employees and executive Directors of the Group may be given options which entitle them to subscribe for the Shares representing up to a maximum of 30% of the issued share capital of the Company from time to time (not counting shares which may be issued under the Scheme).

SHARE CAPITAL

General mandate to issue new Shares

The Directors have been granted a general unconditional mandate (as referred to in the paragraph headed “Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000 under the section “Statutory and General Information”.) to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

1. 20% of the total nominal amount of the share capital of the Company issued and to be issued (following completion of the Placing and the Capitalisation Issue); and
2. the total amount of the share capital of the Company purchased by the Company under the general mandate to repurchase shares (if any).

The Directors may, in addition to the Shares which they are authorised to issue under the above mandate, allot, issue and deal with Shares under a rights issue, script dividend scheme or similar arrangement or Shares to be issued upon the exercise of options granted under the Share Option Scheme.

This mandate will expire:

- at the end of the Company’s next annual general meeting; or
- at the end of the period within which the Company is required by law or its bye-laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of its shareholders in general meeting;

whichever is the earliest.

General mandate to repurchase Shares

If the Placing becomes unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers of the Company to buy back the Shares with a total nominal value of not more than 10% of the total nominal amount of the share capital of the Company issued and to be issued (as set out in the above table).

This mandate only relates to repurchase made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — Repurchase by the Company of its own securities”.

This mandate will expire:

- at the end of the Company’s next annual general meeting; or
- at the end of the period within which the Company is required by law or its bye-laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of its shareholders in general meeting;

whichever is the earliest.

FINANCIAL INFORMATION

INDEBTEDNESS

Borrowing

As at the close of business on 31st May, 2000, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had aggregate outstanding borrowings of approximately HK\$4,841,000, comprising long-term bank loan of approximately HK\$2,041,000, outstanding finance lease obligations of approximately HK\$490,000, and amount due to a director of approximately HK\$2,310,000. The aforesaid amount due to a director was assigned to a shareholder on 30th June, 2000 and was thereafter capitalised on 1st August, 2000.

Collaterals

As at 31st May, 2000, the Group's total banking facilities amounting to approximately HK\$2,041,000 were secured by a mortgage on the Workshop No.1 including the flat roof thereof on the 5th Floor of Premier Centre, No.20 Cheung Shun Street, Cheung Sha Wan, Kowloon with a net book value of HK\$1,700,000 and personal guarantees provided by Mr. Lau, a director, and an independent third party. The Group's outstanding finance lease obligations amounting to approximately HK\$490,000 were secured by underlying fixed assets with a net book value of approximately HK\$534,000.

Disclaimers

Save as aforesaid or otherwise disclosed in this prospectus, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding mortgages, charges, debentures or other loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, or hire purchase contracts or any guarantees or other material contingent liabilities outstanding at the close of business on 31st May, 2000.

Release from guarantees

On 26th July, 2000, the relevant bank to which Mr. Lau, a director and a third party have provided personal guarantees to secure the Group's banking facilities released the personal guarantees provided by Mr. Lau and the third party, and replaced such guarantees by a corporate guarantee provided by the Company.

No material changes

The Directors have confirmed that, save as disclosed above, there has not been any material change in the indebtedness and contingent liabilities of the companies comprising the Group since 31st May, 2000.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the applicable rates of exchange in effect at the close of business on 31st May, 2000.

FINANCIAL INFORMATION

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at the close of business on 31st May, 2000, the Group had total banking facilities of approximately HK\$2,041,000.

As at 31st May, 2000, the Group had bank and cash balances of approximately HK\$1,955,000. Taking into consideration of the financial resources available to the Group, including internally generated funds, the available banking facilities, advances from a director (approximately HK\$2,310,000 of amount due to a director, which was assigned to a shareholder on 30th June, 2000 was capitalised by the close of business on 1st August, 2000) and the net proceeds of the Placing, the Directors are of the opinion that the Group will have sufficient resources to meet its foreseeable capital expenditure.

Net current assets

As at 31st May, 2000, the Group had net current assets of approximately HK\$1,692,000. The current assets comprised inventories of approximately HK\$709,000, accounts receivable of approximately HK\$2,446,000, prepayments, deposits and other current assets of approximately HK\$1,940,000, and cash and bank deposits of approximately HK\$1,955,000. The current liabilities comprised current portion of long-term bank loans of approximately HK\$247,000, current portion of finance lease obligations of approximately HK\$139,000, accounts payable of approximately HK\$2,571,000, receipts in advance of approximately HK\$1,022,000, accruals and other payables of approximately HK\$919,000, and taxation payable of approximately HK\$460,000.

Commitments and contingent liabilities

As at 31st May, 2000, the Group had operating lease commitments of approximately HK\$1,014,000. As of the same date, the Group had no material contingent liabilities.

RULES 17.15 TO 17.21 OF THE GEM LISTING RULES

The Group did not advance any money to any entity which exceeded 25% of the Company's audited consolidated net assets, did not provide any financial assistance and guarantees to affiliated companies of the Company in aggregate exceeded 25% of the Company's audited consolidated net assets, did not have any pledge over any interest of its shares by the controlling shareholder to secure debts, guarantees or support of other obligations of the Group, and did not enter into any loan agreements importing specific performance obligations on the controlling shareholder. The Directors are not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

TRADING RECORD

The SFC has granted waiver in relation to paragraphs 27 and 31 of Part II of the Third Schedule of the Companies Ordinance so that the Group is only required to include in this prospectus its trading record, financial results and information covering the 2 financial years immediately preceding the issue of this prospectus - see the section headed “Companies Ordinance waiver” on page 32 of this prospectus.

The following table summarises the Group’s audited combined results for each of the two financial years ended 31st March, 2000. The summary has been prepared on the basis that the current structure of the Group had been in existence throughout such period and is extracted from the accountants’ report, the text of which is set out in Appendix I to this prospectus.

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover		
Sales of computer hardware	3,280	5,932
Sales of packaged software	3,781	4,211
Fees for developing customised solutions	3,610	5,719
Fees for technical support and maintenance services	1,668	2,847
Rental income	—	11
	12,339	18,720
Total turnover	12,339	18,720
Cost of sales	(3,128)	(7,062)
	9,211	11,658
Gross profit	9,211	11,658
Other revenue	30	—
Distribution and selling expenses	(299)	(612)
Software development expenditures	(2,960)	(3,020)
General and administrative expenses	(4,124)	(5,855)
	1,858	2,171
Profit from operations	1,858	2,171
Interest income	—	14
Interest expense	(283)	(256)
	1,575	1,929
Profit before share of loss of an associated company	1,575	1,929
Share of loss of an associated company	(93)	—
	1,482	1,929
Profit before taxation	1,482	1,929
Taxation	(319)	(387)
	1,163	1,542
Profit attributable to shareholders	1,163	1,542
Dividends	—	—
Earning per share — Basic*	<u>HK0.55 cents</u>	<u>HK0.73 cents</u>

Note:

* The calculation of the basic earnings per share for the relevant years is based on the profit attributable to shareholders for each of the relevant years and assuming 212,500,000 shares in issue and issuable, comprising 27,279,980 shares in issue as at the date of the prospectus and 185,220,020 shares to be issued pursuant to the Capitalisation Issue as described more fully in the paragraph headed “Resolution in writing of the sole shareholder of the Company passed on 1st August, 2000” in Appendix IV to this prospectus.

FINANCIAL INFORMATION

The profit attributable to shareholders would have been impacted as follows after adjustment for notional directors' emoluments under service contracts detailed in Section 3.f(iii) of the Accountants' Report in Appendix I to this prospectus:

	1999	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to shareholders	1,163	1,542
Adjustment for notional directors' emoluments	<u>(549)</u>	<u>(793)</u>
Adjusted profit attributable to shareholders	<u>614</u>	<u>749</u>

ANALYSIS OF BREAKDOWN OF TURNOVER, MAJOR EXPENSES AND PROFITS

Turnover and revenue recognition

Turnover comprises (i) the net invoiced value for sale of packaged software and computer hardware, after allowance for returns and discounts, (ii) fees for developing customised solutions, (iii) fees for technical support and maintenance services, and (iv) rental income.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Fees for developing customised solutions are recognised when the services are performed by reference to identifiable phases of progress of the underlying projects. Fees for technical support and maintenance services are recognised ratably over the term of the contracts. Rental income is recognised when rental is receivable. Management fees are recognised when the service is rendered. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

Advanced payments received from customers prior to delivery of merchandise, development of customised solutions or rendering of other services are recorded as receipts in advance. No work-in-progress was recognised as there were no material direct costs attributable to these services.

Taxation

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

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

The Group's activities are subject to Hong Kong profits tax, which was provided at the rate of 16% for the two financial years ended 31st March, 2000 on the estimated assessable profit arising or derived from Hong Kong.

FINANCIAL INFORMATION

Software development expenditures

R & D expenditures relating to software development and enhancement are expensed in the period in which they are incurred.

LARGEST CUSTOMERS AND SUPPLIERS

For the two financial years ended 31st March, 2000, the top five suppliers of the Group accounted for about 69.3% and 69.9%; and the largest supplier accounted for about 22.1% and 26.8% of the Group's total purchases respectively.

The Group's five largest customers accounted for about 45% and 45.3% respectively, of the total turnover of the Group for the two financial years ended 31st March, 2000 respectively. The Group's largest customer accounted for about 14.7% and 19.9%, respectively of the total turnover of the Group for the two financial years ended 31st March, 2000.

None of the Directors, their respective associates or any shareholders of the Company who own more than 5% of the issued share capital of the Company after completion of the Placing and the Capitalisation Issue has any interest in the Group's five largest suppliers or customers during the period referred to above.

PROPERTY INTERESTS

Property owned in Hong Kong

The Group owns an investment property at Workshop No.1 (including the Flat Roof), 5th Floor, Premier Centre, No. 20 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong. The workshop has a gross floor area of approximately 1,223 sq.ft. and a flat roof area of 428 sq.ft. and are rented to an independent third party.

Property leased in Hong Kong

The Group's operations are located at its leased premises. The Group leases three office units on 26th Floor, Laws Commercial Plaza, Cheung Sha Wan, Kowloon, Hong Kong with a total saleable floor area of approximately 2,665 sq.ft. from an independent third party. The Group has entered into a tenancy agreement for a term of two years from 15th January, 2000 to 14th January, 2002. For further details on this, please refer to Appendix II to this prospectus.

DTZ Debenham Tie Leung Limited has valued the property interests of the Group as at 31st May, 2000 at approximately HK\$1.7 million. The texts of the letter and the summary of valuation issued by DTZ Debenham Tie Leung Limited in respect of the property interests owned and rented by the Group are set out in Appendix II to this prospectus.

FINANCIAL INFORMATION

DIVIDENDS AND WORKING CAPITAL

Dividends

No dividend has been declared by the Group for the two financial years ended 31st March, 2000. The Directors expect that, in future, the amount of dividends will be approximately one third of the total earnings of the Group. However, the amount of dividends will be subject to the discretion of the Directors and will be dependent upon the Group's earning, financial condition, cash requirements and availability and other relevant factors.

Working capital

The Directors are of the opinion that taking into account of the financial resources available to the Group, including internally generated funds, the available banking facilities and the net proceeds of the Placing, the Group has sufficient working capital for its present requirements.

FOREIGN EXCHANGE RISK

Since all revenues and expenses of the Group have been denominated in Hong Kong dollars and US dollars, the Directors do not consider that the Group is exposed to any significant or undue foreign exchange risk.

DISTRIBUTABLE RESERVES

As at 31st March, 2000, the Company had no reserves available for distribution to its shareholders as at that date.

FINANCIAL INFORMATION

ADJUSTED NET ASSETS

The following pro forma statement of adjusted net assets of the Group is based on the audited combined net assets of the Group as at 31st March, 2000 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below:

	<i>HK\$'000</i>
Audited combined net assets of the Group as at 31st March, 2000	1
Combined profit attributable to the shareholders of the Group for the two months ended 31st May, 2000 based on its unaudited management accounts	417
Capitalisation of amount due to Noble Class Group Limited (<i>Note 2</i>)	2,310
Estimated net proceeds of the Placing (other than those derived from the sale of the 12,500,000 existing Shares by the Vendors and the sale of up to 7,500,000 existing Shares by Noble Class Group Limited pursuant to the Over-allocation Option)	<u>28,403</u>
Adjusted net assets	<u><u>31,131</u></u>
Adjusted net assets value per Share (based on 250,000,000 Shares in issue and to be issued as mentioned herein) (<i>Note 1</i>)	<u><u>HK12.45 cents</u></u>

Notes:

- (1) The adjusted net assets value per Share is based on the 250,000,000 Shares in issue and to be issued immediately following completion of the Placing and the Capitalisation Issue but taking into no account of any Shares which may be allotted and issued upon the exercise of options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to in the section headed "Further information about the Company" in Appendix IV — see pages 161 to 168.
- (2) On 1st August, 2000, amount due to Noble Class Group Limited, a company under a trust scheme of which, among others, Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung, the Directors of the Company are the discretionary objects, amounting to approximately HK\$2,310,000 was capitalised.

NO MATERIAL CHANGE

The Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31st March, 2000 (being the date to which the latest audited combined statements of the Group were made up).

UNDERWRITING

UNDERWRITERS

Core Pacific - Yamaichi International (H.K.) Limited
Kingsway SW Securities Limited
GOA Securities Limited
KGI Asia Limited
Phoenix Capital Securities Limited
Yuanta Brokerage Company Limited
YF Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering up to 37,500,000 new Shares for subscription and the Vendors are offering an aggregate of 12,500,000 existing Shares for sale with an Over-allocation Option of up to 7,500,000 existing Shares granted by Noble Class Group Limited to the Underwriters for sale to investors who are professional and institutional investors and other investors on and subject to the terms and conditions set out in the Underwriting Agreement at the Placing Price.

Pursuant to the Underwriting Agreement and subject to the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Shares in issue and the Shares to be issued as mentioned herein and to certain other conditions set out in the Underwriting Agreement, the Underwriters have severally agreed to subscribe or purchase or procure places to subscribe for or purchase the Placing Shares in accordance with the terms of the Underwriting Agreement.

Grounds for termination

The obligations of the Underwriters to subscribe or procure subscribers are subject to termination if certain events, including force majeure, shall occur at any time prior to 8:45 a.m. (Hong Kong) time on the date on which the share certificates are available which is expected to be 16th August, 2000. The Underwriters are entitled to terminate their obligations under the Underwriting Agreement at any time prior to 8:45 a.m. on 16th August, 2000 upon the occurrence of, but not limited to, any of the following events which is expected to be or before 8:45 a.m. on 16th August, 2000:—

- (i) there shall develop, occur or come into force:—
 - (a) any event, or series of events, beyond the reasonable control of the Placing Underwriters (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, terrorism, economic sanction, acts of God or interruption or delay in transportation) which in the reasonable opinion of CPY International has or have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof; or
 - (b) any change in local, national, financial, economic, political, military, industrial, fiscal, regulatory or market conditions or sentiments and matters and/or disasters (including any moratorium, suspension or material restriction on trading in securities

UNDERWRITING

generally on the Stock Exchange) and if in the reasonable opinion of CPY International any such change or disasters would materially adverse to the business, financial or other conditions or prospect of the Group taken as a whole, or prejudicially affect the Placing; or

- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, Bermuda, Taiwan, the British Virgin Islands or any other jurisdiction relevant to the Company and its subsidiaries and if in the reasonable opinion of CPYI any such new law or change materially and adversely affect or may be expected materially and adversely affect the business, financial or other condition or prospects of the Group taken as a whole; or
 - (d) the imposition of economic sanctions or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for the U.S. or by the European Union (or any member thereof) Hong Kong, Taiwan, the PRC or any other jurisdiction relevant to the Company and its subsidiaries if in the reasonable opinion of CPY International any such imposition would make it inadvisable or inexpedient to proceed with the Placing; or
 - (e) a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, the U.S., Bermuda, Taiwan, the British Virgin Islands or any other jurisdiction relevant to the Company and its subsidiaries if, in the reasonable opinion of CPY International, any such change or development materially and adversely affect or may be expected materially and adversely affect the business, financial or other condition or prospects of the Group taken as a whole;
 - (f) any litigation or claim of material importance of any third party being threatened or instigated against any member of the Group.
- (ii) there has come to the notice of CPY International:—
- (a) that any statement, reasonably considered by CPY International to be material, contained in this prospectus was when any of such documents were issued, or has become, untrue, incorrect or misleading in any material respect; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus Date, constitute an omission therefrom reasonably considered by CPY International to be material to the Placing; or
 - (c) any event, act or omission which gives or is likely to give rise to any material liability of any party to the Underwriting Agreement (other than the Placing Underwriters or Core Pacific - Yamaichi) the Company pursuant to the indemnities referred to in the Underwriting Agreement; or
 - (d) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on any of the Placing Underwriters or Core Pacific - Yamaichi); or

UNDERWRITING

- (e) any event, act or omission which, if it had occurred prior to the execution of the Underwriting Agreement, would have rendered any of the representations and warranties, or any other provisions, contained in the Underwriting Agreement untrue, incorrect or misleading or
- (f) any adverse change in the business or in the financial or trading position of any member of the Group which is material in the context of the Placing; or
- (g) any breach, reasonably considered by CPY International to be material, of any of the representations and warranties, or any other provision, contained in the Underwriting Agreement (other than those given by the Placing Underwriters or Core Pacific - Yamaichi, if any).

Undertakings

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Offer), the Underwriters and the Stock Exchange that:—

- (i) it will place with an escrow agent acceptable to the Exchange (approved by Core Pacific - Yamaichi (on behalf of the Underwriters)) as required by the GEM Listing Rules its Relevant Securities during the Management Relevant Period;
- (ii) it shall not, and shall procure that none of its associates and the companies controlled by it or nominees or trustees holding in trust for it shall, within the Management Relevant Period, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into an agreement to dispose of) in respect of any of the Relevant Securities nor permit the registered holder to dispose of (nor enter into an agreement to dispose of) any of its direct or indirect interest in the Relevant Securities;
- (iii) it shall in the event that it pledges or charges any direct or indirect interest in the Relevant Securities under Rule 13.17 of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.17(5) of the GEM Listing Rules, at any time during the Management Relevant Period, it must, inform the Company and CPY immediately in the event it becomes aware that the pledgee or the chargee has disposed of or intends to dispose of such interest and of the number of Relevant Securities affected.

All the Shares which are held by Noble Class Group Limited will be placed with HSBC Trustee (Hong Kong) Limited, the escrow agent, at the listing of the Company on the GEM. Pursuant to the Underwriting Agreement signed by, among others, Noble Class Group Limited, the Company and the Underwriters, Noble Class Group Limited has granted to the Underwriters the Over-allocation Option which is exercisable by CPY International in its sole and absolute discretion (for and on behalf of the Underwriters) at any time during the period commencing on the date of this prospectus and expiring on the 30 day after such date (the “Option Period”) to require, inter alia, Noble Class Group Limited to sell up to 7,500,000 existing Shares to such person(s) and in such numbers as CPY International in its sole and absolute discretion (for and on behalf of the Underwriters) may direct. The Over-allocation Option shall be exercised by written notice (the “Option Notice”) served by CPY International (on behalf of the Underwriters) on the Company and Noble Class Group Limited at any

UNDERWRITING

time during the Option Period. Upon receipt of a certified copy of the Option Notice which sets out the number of existing Shares required to be delivered by Noble Class Group Limited (the “Over-allocation Sale Shares”), the time, date and method of payment and delivery of such Shares, HSBC Trustee (Hong Kong) Limited, being the escrow agent, is authorised by CPY International and Noble Class Group Limited and is obliged to deliver the share certificates in respect of the Over-allocation Sales Shares representing the Over-allocation Sale Shares in accordance with the time, date and method of delivery as set out in the Option Notice.

Noble Class Group Limited, Sunrise International (Holdings) Limited, Arawak Trust Company Limited, AMS Trustees Limited, Mr. Lau, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung have undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period they will not, save as provided in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into an agreement to dispose of), distribute any interest nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their respective direct or indirect interests in the Company.

Noble Class Group Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that within the Management Relevant Period it will not dispose of its 76.5% shareholding (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) in the Company.

Sunrise International (Holdings) Limited has undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that it will not dispose of its direct interest in Noble Class Group Limited within the Management Relevant Period.

Arawak Trust Company Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

AMS Trustees Limited has further undertaken to the Company, Core Pacific - Yamaichi (in its capacity as the international coordinator and sponsor of the Placing), the Underwriters and the Stock Exchange that they will not accept additional beneficiary nor remove any of the existing beneficiaries, and will not distribute nor dispose of (or enter into any agreement to dispose of) any trust property under the relevant trust during the Management Relevant Period pursuant to the relevant GEM Listing Rules.

Commission and expenses

The Underwriters will receive an underwriting commission of 3% of the Placing Price of all the Placing Shares (out of which each Underwriter will pay its own sub-underwriting commissions). In addition, Core Pacific - Yamaichi will receive a financial advisory and documentation fee for acting as the Sponsor to the Placing. Such commission and fee, together with the Stock Exchange listing fees, the Stock Exchange transaction levy payable by the Company, legal and other professional fees and printing and other expenses relating to the Placing, which are estimated to amount in aggregate to approximately HK\$8.6 million which the Placing to be raised (assuming the Over-allocation Option

UNDERWRITING

by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters is not exercised). If the Over-allocation Option is not exercised, the Group will bear 75% while the Vendors will bear 25% of such commission, fees and expenses. If the Over-allocation Option is exercised in full, the Group will bear 65.22% while the Vendors will bear 21.74% and Noble Class Group Limited will bear 13.04% of such commission, fees and expenses.

Sponsor's interests in the Company

A sponsor agreement dated 11th August, 2000 was entered into between Core Pacific - Yamaichi and the Company whereby the Company has appointed Core Pacific - Yamaichi to act as its sponsor for the purposes of the GEM Listing Rules for a fixed term period covering at least the remainder of the financial year during which the listing occurs and the two financial year thereafter pursuant to which Core Pacific - Yamaichi will receive a fee.

Save as provided for under the Underwriting Agreement, neither Core Pacific - Yamaichi nor its associates have or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities).

No director or employee of Core Pacific - Yamaichi who is involved in providing advice to the Company has or may, as a result of the Placing, have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed by any such director or employee pursuant to the Placing).

Neither Core Pacific - Yamaichi nor its associates has accrued any material benefit as a result of the successful outcome of the Placing, including by way of example, the repayment of material outstanding indebtedness or success fees save and except for the receipt of underwriting and placing commission by CPY International, one of the Underwriters to the Placing, and the documentation and financial advisory fee to be received by Core Pacific - Yamaichi pursuant to the Underwriting Agreement.

No director or employee of Core Pacific - Yamaichi has a directorship in the Company or any other company in the Group.

Underwriter's interest in the Company

Save as provided for under the Underwriting Agreement and disclosed otherwise in this prospectus, none of the Underwriters has any shareholding interests in the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any member of the Group.

Over-allocation Option

Noble Class Group Limited has granted CPY International the Over-allocation Option, exercisable by CPY International, on behalf of the Underwriters within 30 days after the date of this prospectus, to require Noble Class Group Limited to sell up to an aggregate of 7,500,000 existing Shares which are equivalent to 15% of the Placing Shares (other than the Over-allocation Shares) or approximately 13.04% of the Placing Shares (assuming the Over-allocation Option is exercised in full), at the Placing Price solely to cover over-allocations in the Placing, if any.

STRUCTURE OF THE PLACING

CONDITIONS OF THE PLACING

The Placing will be conditional on:

- 1 the GEM Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Placing (including the additional Shares which may be issued pursuant to the exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters); and
- 2 the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by CPY International, on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 10th September, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be caused to be published by the Company in the GEM website on the next day following such lapse.

PREFERENCE TO EMPLOYEES UNDER THE PLACING

A maximum of 5,000,000 Shares, being 10% of the initial number of Shares comprised in the Placing, are available for allocation to full-time employees of the Group (excluding the Directors and their associates) on a preferential basis at the Placing Price.

OVER-ALLOCATION

In connection with the Placing, Noble Class Group Limited has granted the Over-allocation Option to the Underwriters, exercisable by CPY International, on behalf of the Underwriters, at any time and from time to time within 30 days from the date of this prospectus. Pursuant to the Over-allocation Option, Noble Class Group Limited may be required to sell, at the Placing Price, up to 7,500,000 existing Shares, representing a total of 15% of the number of the 50,000,000 Shares initially being offered under the Placing, solely to cover over-allocations in the Placing, if any. CPY International may also cover over-allocations in the Placing by a combination of (i) purchases in the secondary market; and/or (ii) exercise of the Over-allocation Option, either in part or in full. Any such secondary market purchase will be made in compliance with all applicable laws and regulatory requirements and the price of any such secondary market purchases shall not exceed the Placing Price. In the event that the Over-allocation Option is exercised, a press announcement will be made.

STABILISATION

In connection with the Placing, CPY International, on behalf of the Underwriters, may over-allocate Shares and may cover such over-allocations by means of exercising the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters no later than 30 days after the date of this prospectus or making open-market purchases in the secondary market. The number of Shares that may be over-allocated is no greater than the number of Shares that may be sold upon the full exercise of the Over-allocation Option, being

STRUCTURE OF THE PLACING

7,500,000 Shares, which is 15% of the Shares initially available under the Placing. CPY International may also, on behalf of the Underwriters, effect transactions which stabilise or maintain the market price of the Shares. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case, in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilising transactions be effected in connection with the distribution of Shares, they will be done at the absolute discretion of CPY International.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the Placing Price of the securities. The stabilisation price will not exceed the Placing Price.

In Hong Kong, such stabilisation activities are restricted to cases where underwriters genuinely purchase shares on the secondary market solely for the purpose of covering over-allocations in an offering. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

In order to facilitate the settlement of over-allocations in connection with the Placing CPY International may choose to borrow Shares from shareholders of the Company under stock borrowing arrangements prior to any exercise of the Over-allocation Option, or the acquisition of a sufficient number of Shares from other sources. Such stock borrowing arrangements may include arrangements agreed between CPY International or its affiliated entities and Noble Class Group Limited, the substantial and initial management shareholder of the Company.

An application has been made to the Stock Exchange for a waiver to be granted to Noble Class Group Limited from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of shares by initial management shareholders following a new listing, in order to allow it to enter into such stock borrowing arrangements. The Stock Exchange has indicated that the waiver will be granted subject to the condition that:

- (1) such stock borrowing arrangement with Noble Class Group Limited will only be effected by the Underwriters for settlement of over-allocations in connection with the Placing;
- (2) the maximum number of Shares borrowed from Noble Class Group Limited will be limited to the maximum number of 7,500,000 Shares which may be placed upon exercise of the Over-allocation Option; and
- (3) up to 7,500,000 Shares will be returned to Noble Class Group Limited (subject to the offset arrangement as mentioned below) no later than 3 business days following the earlier of (i) the last day on which the Over-allocation Option may be exercised or (ii) the day on which the Over-allocation Option is exercised in full.

Such stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements. No payments will be made to Noble Class Group Limited by the Underwriters in relation to such stock borrowing arrangement. In the event that CPY International (on behalf of the Underwriters) exercises the Over-allocation Option, such Shares received by CPY International pursuant to the exercise of the Over-allocation Option will be used to offset against the Shares owed by CPY International to Noble Class Group Limited, if any.

STRUCTURE OF THE PLACING

THE PLACING

The Company is initially offering 37,500,000 new Shares for subscription and the Vendors are offering an aggregate of 12,500,000 existing Shares for sale with an Over-allocation Option of up to 7,500,000 existing Shares granted by Noble Class Group Limited for sale by way of the Placing. The Placing is fully underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreement.

Pursuant to the Placing, it is expected that the Underwriters or agents nominated by the Underwriters on behalf of the Company shall place the Placing Shares at the Placing Price payable by the subscribers of the Placing Shares. Investors subscribing for or purchasing the Placing Shares are also required to pay 1% brokerage and a 0.01% Stock Exchange transaction levy. 5,000,000 Shares, representing 10% of the total number of the Shares initially being offered under the Placing, will be available for application by full-time employees of the Group. The balance of the Placing Shares will be placed with professional and institutional investors and other investors anticipated to have a sizeable demand for the Placing Shares in Hong Kong. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities and entities which regularly invest in shares and other securities.

All decisions concerning the allocation of Placing Shares to prospective places pursuant to the Placing will be made on the basis of and by reference to a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Placing Shares, after the listing of the Shares on GEM. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. In addition, the Directors and Core Pacific - Yamaichi will observe the minimum public float requirement under the GEM Listing Rules when making allocations of the Placing Shares to investors who are anticipated to have a sizeable demand for such Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on 17th August, 2000.

The Shares will be traded in board lots of 4,000 each.

SHARES WILL BE ELIGIBLE FOR CCASS

If the GEM Listing Committee of the Stock Exchange grants the listing of and permission to deal in the Shares and the Company complies with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on any other date Hongkong Clearing chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Arthur Andersen & Co, Certified Public Accountants, Hong Kong.



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

11th August, 2000

The Directors
CyberM International (Holdings) Limited
Core Pacific - Yamaichi Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to CyberM International (Holdings) Limited ("the Company") and its subsidiaries (hereinafter collectively referred to as "the Group") for inclusion in the prospectus of the Company dated 11th August, 2000 ("the Prospectus").

The Company was incorporated in Bermuda on 3rd March, 2000 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company has not carried on any business since its incorporation, except that on 1st August, 2000 it acquired the entire issued share capital of McManners Management Limited through a share exchange and consequently became the holding company of the Group. McManners Management Limited acts as an intermediate holding company of the other companies comprising the Group.

As at the date of this report, no audited financial statements have been prepared by the Company and McManners Management Limited as they were not subject to any statutory audit requirements in their jurisdictions of incorporation. We have, however, reviewed all relevant transactions of these companies for the years covered by this report, and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

In December 1999, CyberM Holdings Limited, a group company, disposed of its entire 40% equity interest in Msoft Systems Limited, a company incorporated in Hong Kong, which was dormant during the year ended 31st March, 2000. For the purpose of preparing this report, the Group's 40% share of the results of Msoft Systems Limited has been included in the combined results of the Group for the years ended 31st March, 1999 and 2000 up to the date of disposal.

We have acted as auditors of the other companies comprising the Group for the years covered in this report or since their respective dates of incorporation where this is a shorter period, except for CyberM Holdings Limited, CyberM E-commerce Limited, CyberM Information Technology Limited, CyberM Mobile Computing Limited and Msoft Systems Limited for the year ended 31st March, 1999, which were audited by Messrs. Lam, Lee & So CPA Company Limited, Certified Public Accountants, Hong Kong.

We have examined the audited financial statements or management accounts of the companies now comprising the Group for the years ended 31st March, 1999 and 2000, or since their respective dates of incorporation where this is a shorter period, and have examined the audited financial statements of Msoft Systems Limited for the year ended 31st March, 1999 and the management accounts of Msoft Systems Limited up to the date of its disposal. Our examinations were made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The summaries of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000 and of the combined net assets of the Group as at 31st March, 2000 ("the Summaries") set out in this report have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group as well as Msoft Systems Limited on the basis set out in Section 1 below, after making such adjustments as are appropriate.

The Directors of the respective companies now comprising the Group are responsible for preparing financial statements of the respective companies which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of the Company are also responsible for the summaries of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000 and of the combined net assets of the Group as at 31st March, 2000. It is our responsibility to form an independent opinion on the summaries of the combined results of operations and of the combined net assets of the Group.

In our opinion, the Summaries, together with the notes thereon, give, for the purpose of this report, a true and fair view of the combined results of operations of the Group for the years ended 31st March, 1999 and 31st March, 2000 and of the combined net assets of the Group as at 31st March, 2000.

1. BASIS OF PRESENTATION

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries (all of which are private companies or, if incorporated or established outside of Hong Kong, have substantially the same characteristics as a Hong Kong private company):

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Mcmanners Management Limited	British Virgin Islands 12th March, 1997	US\$10,000	100%	Investment holding
CyberM Holdings Limited (formerly known as Magic Holdings Limited)	Hong Kong 28th May, 1997	HK\$10,000	100%	Inactive since 31st March, 2000, previously investment holding
CyberM E-commerce Limited (formerly known as Magic E-Commerce Limited and Focus Computer Store Limited)	Hong Kong 30th May, 1990	HK\$250,000	100%	Inactive up to 31st March, 2000, thereafter research and development in CyberM Business Series
CyberM Information Technology Limited (formerly known as Magic Information Technology Limited and Magic Computer (H.K.) Limited)	Hong Kong 21st December, 1990	HK\$700,000	100%	Development and trading of computer software, trading of computer hardware and provision of computer consultancy services
CyberM Mobile Computing Limited (formerly known as Magic Mobile Computing Limited and Joyful Sky Limited)	Hong Kong 26th March, 1997	HK\$2	100%	Inactive up to 31st March, 2000, thereafter research and development in CyberM Mobile Series

The summary of the combined results of operations includes the results of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout the years covered by this report or since their respective dates of incorporation where this is a shorter period, and the results of Msoft Systems Limited until the date of its disposal, as described above. The summary of the combined net assets of the Group as at 31st March, 2000 has been prepared to present the assets and liabilities of the companies now comprising the Group as at that date, as if the current group structure had been in existence as at 31st March, 2000.

Significant transactions and balances between companies now comprising the Group have been eliminated on combination.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are as follows:

a. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment.

b. Associated company

An associated company is a company, not being a subsidiary, in which the Group holds 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its management. Investment in associated company is stated at the Group's share of the fair value of the separable net assets of the associated company at the time of acquisition, plus the Group's share of undistributed post acquisition profits/losses and reserves of the associated company.

c. Turnover and revenue recognition

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

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Fees for developing customised solutions are recognised when the services are performed by reference to identifiable phases of progress of the underlying projects. Fees for technical support and maintenance services are recognised ratably over the term of the contracts. Rental income is recognised when rental is receivable. Management fees are recognised when the service is rendered. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

Advance payments received from customers prior to delivery of merchandise, development of customised solutions or rendering of other services are recorded as receipts in advance. No work-in-progress was recognised as there were no material direct costs attributable to these services.

d. Taxation

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

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

e. **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

f. **Advertising and promotion**

The costs for advertising and promotion are expensed in the period in which they are incurred.

g. **Staff retirement benefits**

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

h. **Software development expenditures**

Research and development expenditures relating to software development and enhancement are expensed in the period in which they are incurred.

i. **Fixed assets and depreciation**

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

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

Management assesses the recoverability of the carrying amount of fixed assets periodically with reference to the open market value as determined by independent qualified valuers. The amount of any write-down of fixed assets is recognised as an expense in the period in which the write-down occurs.

Gains and losses on disposal of fixed assets are recognised in the income statements based on the net disposal proceeds less the then carrying amount of the assets.

Fixed assets held under finance leases are accounted for on the same basis as described above.

j. Investment property

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

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

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

l. Leases

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

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

m. **Foreign currency translation**

Companies within the Group maintain their books in Hong Kong dollars. Transactions in other currencies during the year are translated into Hong Kong dollars at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statements of the individual companies.

3. RESULTS OF OPERATIONS

The following is a summary of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000, prepared on the basis set out in Section 1 above:

	<i>Note</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	(a)	12,339	18,720
Cost of sales		<u>(3,128)</u>	<u>(7,062)</u>
Gross profit		9,211	11,658
Other revenue		30	—
Distribution and selling expenses		(299)	(612)
Software development expenditures		(2,960)	(3,020)
General and administrative expenses		<u>(4,124)</u>	<u>(5,855)</u>
Profit from operations		1,858	2,171
Interest income		—	14
Interest expense		<u>(283)</u>	<u>(256)</u>
Profit before share of loss of an associated company		1,575	1,929
Share of loss of an associated company		<u>(93)</u>	<u>—</u>
Profit before taxation	(b)	1,482	1,929
Taxation	(c)	<u>(319)</u>	<u>(387)</u>
Profit attributable to shareholders		<u>1,163</u>	<u>1,542</u>
Dividends	(d)	<u>—</u>	<u>—</u>
Earnings per share — Basic	(e)	<u>HK0.55 cents</u>	<u>HK0.73 cents</u>

The profit attributable to shareholders would have been impacted as follows after adjustment for notional directors' emoluments under service contracts detailed in Section 3.f(iii) below:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit attributable to shareholders	1,163	1,542
Adjustment for notional directors' emoluments	<u>(549)</u>	<u>(793)</u>
Adjusted profit attributable to shareholders	<u>614</u>	<u>749</u>

Notes:

a. **Turnover and revenue**

Turnover and revenue consisted of:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sales of computer hardware	3,280	5,932
Sales of packaged software	3,781	4,211
Fees for developing customised solutions	3,610	5,719
Fees for technical support and maintenance services	1,668	2,847
Rental income	<u>—</u>	<u>11</u>
Total turnover	12,339	18,720
Management fees	30	—
Interest income	<u>—</u>	<u>14</u>
Total revenue	<u>12,369</u>	<u>18,734</u>

b. Profit before taxation

Profit before taxation was stated after charging and crediting the following:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
After charging –		
Staff costs	4,469	5,175
Less: amount included in software development expenditures	<u>(2,485)</u>	<u>(2,614)</u>
	1,984	2,561
Operating lease rentals of premises	255	356
Software development expenditures	2,960	3,020
Advertising and promotion costs	117	244
Provision for bad and doubtful debts	141	1,307
Depreciation of fixed assets		
- owned assets	230	176
- assets held under finance leases	—	70
Impairment in value of fixed assets*	334	—
Interest expense on		
- bank loan not wholly repayable within five years	283	230
- finance leases	—	26
Auditors' remuneration	<u>39</u>	<u>168</u>
After crediting –		
Rental income less outgoings	—	11
Interest income from bank deposits	<u>—</u>	<u>14</u>

* : This represents a write-down of the carrying value of leasehold land and building by reference to the open market value of the land and building as at 31st March, 1999 as determined by DTZ Debenham Tie Leung Limited, independent qualified valuers.

c. Taxation

Taxation consisted of:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current taxation		
- Hong Kong profits tax	325	387
- Special rebate by the Government of Hong Kong Special Administrative Region	<u>(6)</u>	<u>—</u>
	<u>319</u>	<u>387</u>

Hong Kong profits tax was provided at the rate of 16% for the years ended 31st March, 1999 and 31st March, 2000 on estimated assessable profit arising in or derived from Hong Kong.

On 3rd March, 1999, the Government of Hong Kong Special Administrative Region announced a special profits tax rebate of 10% on the profits tax charged and paid for the year of assessment 1997/98 (year ended 31st March, 1998). In this connection, the tax rebate received amounting to approximately HK\$6,000 was recognised in the combined results of operations of the Group for the year ended 31st March, 1999.

There was no significant unprovided deferred taxation for the years ended 31st March, 1999 and 31st March, 2000.

d. **Dividends**

No dividend has been paid or declared by the Company since its incorporation.

The following dividend was paid by CyberM Information Technology Limited out of its retained profit to its then shareholders:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
CyberM Information Technology Limited	1,400	—
Less: Intra-group dividend received by CyberM Holdings Limited	<u>(1,400)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

e. **Earnings per share**

The calculation of basic earnings per share for the years ended 31st March, 1999 and 31st March, 2000 is based on the profit attributable to shareholders during the years and assuming 212,500,000 shares in issue and issuable, comprising 27,279,980 shares in issue as at the date of the Prospectus and 185,220,020 shares to be issued pursuant to the Capitalisation Issue as described in page 162 Appendix IV to the Prospectus.

f. **Directors' and senior executives' emoluments**

i. Details of emoluments paid to directors of the Company were:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	—	—
Other emoluments		
- Basic salaries and allowances	998	689
- Bonuses	50	54
- Pension scheme contributions	<u>47</u>	<u>61</u>
	<u>1,095</u>	<u>804</u>

No director waived any emoluments during the years covered by this report.

During the year ended 31st March, 2000, three shareholders of Mcmanners Management Limited, the intermediate holding company of other companies comprising the Group, transferred certain shares at nil consideration to Mr. Fung Yiu Fai as inducement to him in joining the Group as an executive director. Upon completion of the reorganisation as mentioned in Section 7.b below, such shares are converted into an effective interest of 6,375,000 shares (representing 3% interest in the Company before the placing of 37,500,000 new shares) in the Company held by Noble Class Group Limited, a company under a trust scheme of which among others, Mr. Fung Yiu Fai is one of the discretionary objects.

Save as disclosed above, no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the years ended 31st March, 1999 and 2000.

The number of directors whose remuneration fall within the following band are as follows:

	1999	2000
Nil to HK\$ 1,000,000	<u>4</u>	<u>5</u>

The four executive directors received individual emoluments of approximately Nil, HK\$415,000, HK\$311,000, and HK\$369,000 for the year ended 31st March, 1999 and the five executive directors received individual emoluments of approximately Nil, HK\$269,000, HK\$221,000 HK\$239,000 and HK\$75,000 for the year ended 31st March, 2000.

Under the arrangements currently in force, the aggregate amount of fees and other emoluments payable to the directors of the Company for the year ending 31st March, 2001 is estimated to be approximately HK\$1,545,000.

- ii. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Basic salaries and allowances	1,529	1,283
Bonuses	107	107
Pension scheme contributions	<u>58</u>	<u>51</u>
Number of directors	3	1
Number of employees	<u>2</u>	<u>4</u>
	<u>5</u>	<u>5</u>

During the years ended 31st March, 1999 and 31st March, 2000, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The remuneration of each of the highest paid individuals falls within the band of Nil to HK\$1,000,000 during the years ended 31st March, 1999 and 31st March, 2000.

- iii. Notional adjustment:

Each of the executive directors of the Company has entered into a service agreement with the Company for a term of two years subsequent to 31st March, 2000. The annual remuneration and benefits in kind for the five executive directors under these service agreements in aggregate amounted to approximately HK\$1,748,000 with effect from August 2000. Had the service agreements been effective during the years ended 31st March, 1999 and 2000, the combined results of operations of the Group would have been impacted by a notional adjustment as follows:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Notional directors' emoluments under service contracts	1,748	1,748
Directors' emoluments paid	<u>(1,095)</u>	<u>(804)</u>
Less: tax effect	653 <u>(104)</u>	944 <u>(151)</u>
	<u>549</u>	<u>793</u>

g. **Retirement benefits**

The Group has arranged for its employees a defined contribution provident fund, which is managed by an independent trustee. The Group makes monthly contributions to the scheme with an amount ranging from 3% to 7% of the employees' basic salaries. The employees are entitled to receive 100% of the Group's employer contribution and the accrued interest thereon upon retirement or leaving the Group after completing nine years of service, or at a reduced scale of between 30% to 90% after completing three to nine years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group's employer contribution. For the years ended 31st March, 1999 and 2000, the aggregate amounts of employer contribution made by the Group were approximately HK\$94,000 and HK\$121,000, respectively, after deduction of forfeited contributions of approximately HK\$8,000 and HK\$16,000, respectively. As at 31st March, 2000, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

h. **Related party transactions**

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

As at 31st March, 2000, the Group's banking facilities were secured by, among others, a personal guarantee provided by Mr. Lau Chiu Pui, a director of the Company. Subsequent to 31st March, 2000, the personal guarantee provided by the director of the Company was released and replaced by a corporate guarantee provided by the Company.

Particulars of significant transactions between the Group and related parties during the years covered by this report are summarised below:

	1999	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-continuing:		
Msoft Systems Limited (i)		
- Purchases from the Group	315	—
- Management fees earned by the Group	30	—
Noble Class Group Limited (ii)		
- Acquisition of Msoft Systems Limited from the Group at net book value	<u>—</u>	<u>78</u>

Notes:

- (i) Msoft Systems Limited was a 40% owned associated company of the Group. In December 1999, the Group disposed of its entire 40% interest in Msoft Systems Limited to Noble Class Group Limited, a company under a trust scheme of which, among others, Mr. Lau Chiu Pui, Mr. Yip Ho Pong, Mr. Lai Shu Pui, Mr. Wong Kit Mei and Mr. Fung Yiu Fai, the directors of the Company are discretionary objects.
- (ii) Noble Class Group Limited was a company under a trust scheme of which, among others, Mr. Lau Chiu Pui, Mr. Yip Ho Pong, Mr. Lai Shu Pui, Mr. Wong Kit Mei and Mr. Fung Yiu Fai, the directors of the Company, are the discretionary objects.

In the opinion of the Directors of the Company, the above related party transactions were carried out in the usual course of the business of the Group and on normal commercial terms.

4. NET ASSETS

The following is a summary of the combined net assets of the Group as at 31st March, 2000, prepared on the basis set out in Section 1 above.

	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	(a)		1,022
Investment property	(b)		1,700
Long-term investments	(c)		330
Current assets:			
Inventories	(d)	269	
Accounts receivable		2,569	
Prepayments, deposits and other current assets	(e)	1,005	
Cash and bank deposits		<u>2,217</u>	
Total current assets		<u>6,060</u>	
Current liabilities:			
Long-term bank loan, current portion	(f)	(242)	
Finance lease obligations, current portion	(g)	(133)	
Accounts payable		(2,980)	
Receipts in advance		(43)	
Accruals and other payables		(794)	
Taxation payable		<u>(396)</u>	
Total current liabilities		<u>(4,588)</u>	
Net current assets			<u>1,472</u>
Total assets less current liabilities			4,524
Non-current liabilities:			
Long-term bank loan, non-current portion	(f)		(1,837)
Finance lease obligations, non-current portion	(g)		(376)
Due to a director*	(h)		<u>(2,310)</u>
Net assets	(i)		<u><u>1</u></u>

* Subsequently capitalised (see Section 7.a).

Notes:

a. **Fixed assets**

Fixed assets consisted of:

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Leasehold improvements	260	(11)	249
Furniture and fixtures	438	(207)	231
Computer equipment	876	(724)	152
Motor vehicle	<u>457</u>	<u>(67)</u>	<u>390</u>
	<u>2,031</u>	<u>(1,009)</u>	<u>1,022</u>

The motor vehicle and certain furniture with a net book value of approximately HK\$390,000 and HK\$170,000, respectively, were held under finance leases (see Section 4.g).

b. **Investment property**

Investment property was transferred from fixed assets on 1st March, 2000 at the then carrying value of HK\$1,700,000.

The investment property is located in Hong Kong and is held under a medium-term lease on the basis of the rights of extension by virtue of the New Territories Leases (Extension) Ordinance 1998. It is stated at its open market value of HK\$1,700,000 as at 31st March, 2000 as determined by DTZ Debenham Tie Leung Limited, independent qualified valuers. The investment property is mortgaged as collateral for the Group's banking facilities (see Section 6.a).

c. **Long-term investments**

Long-term investments represented cost of club debentures.

d. **Inventories**

Inventories held for trading purpose comprised computer software products.

e. **Prepayments, deposits and other current assets**

Prepayments, deposits and other current assets consisted of:

	<i>HK\$'000</i>
Rental and utility deposits	205
Deferred share issuance expenditures	777
Others	<u>23</u>
	<u>1,005</u>

f. **Long-term bank loan**

Details of long-term bank loan, which was secured, were:

	<i>HK\$'000</i>
Amounts repayable within a period	
- not exceeding one year	242
- more than one year but not exceeding two years	270
- more than two years but not exceeding five years	1,006
- more than five years	561
	<u>2,079</u>
Less: Amounts repayable within one year included under current liabilities	<u>(242)</u>
	<u><u>1,837</u></u>

Refer to Section 6 for details of the Group's banking facilities.

g. **Finance lease obligations**

Details of obligations under finance leases, net of future finance charges, were:

	<i>HK\$'000</i>
Amounts repayable within a period	
- not exceeding one year	133
- more than one year but not exceeding two years	154
- more than two years but not exceeding five years	222
	<u>509</u>
Less: Amounts repayable within one year included under current liabilities	<u>(133)</u>
	<u><u>376</u></u>

h. **Due to a director**

This represents an amount due to Mr. Lau Chiu Pui, a director of the Company, which was unsecured and non-interest bearing. The amount due to a director was capitalised subsequent to 31st March, 2000 (see Section 7.a).

i. **Net assets of the Company**

The Company was incorporated on 3rd March, 2000. On the basis as set out in Section 1 above, the net assets of the Company as at 31st March, 2000 amounted to approximately HK\$1,000, representing investment in subsidiaries.

j. **Distributable reserves**

The Company has not carried on any business since its incorporation, except for the acquisition on 1st August, 2000 of the subsidiaries set out in Section 1 above. Accordingly, the Company had no reserve available for distribution to shareholders as at 31st March, 2000.

5. COMMITMENTS

As at 31st March, 2000, the Group had commitments in respect of rented premises under a non-cancellable operating lease agreement extending to January 2002 amounting to approximately HK\$1,118,000. The amount of commitments payable within the next twelve months was analysed as follows:

	<i>HK\$'000</i>
Lease expiring within two to five years	624

6. BANKING FACILITIES

As at 31st March, 2000, the Group had an outstanding bank loan of approximately HK\$2,079,000. This was secured by:

- a. a mortgage over the Group's investment property with an open market value of HK\$1,700,000 (see Section 4.b); and
- b. personal guarantees provided by Mr. Lau Chiu Pui, a director of the Company, and a third party.

Subsequent to 31st March, 2000, the personal guarantees provided by the director of the Company and the third party were released and replaced by a corporate guarantee provided by the Company.

7. SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31st March, 2000 and up to the date of this report:

- a. on 30th June, 2000, the amount due to Mr. Lau Chiu Pui, a director of the Company, amounting to approximately HK\$2,310,000 was assigned to Noble Class Group Limited and was thereafter capitalised on 1st August, 2000;
- b. the Group completed a reorganisation in preparation for a listing of shares of the Company on The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate reorganisation" of Appendix IV to this prospectus; and
- c. pursuant to a written resolution of the sole shareholder of the Company dated 1st August, 2000, resolutions were passed to effect the transactions set out in the subsection headed "Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000" of Appendix IV to this prospectus.

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st March, 2000. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st March, 2000.

Yours faithfully,
ARTHUR ANDERSEN & CO
Certified Public Accountants

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the auditors and reporting accountants of the Company, Arthur Andersen & Co, Certified Public Accountants, Hong Kong.



ARTHUR ANDERSEN

Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

11th August, 2000

The Directors
CyberM International (Holdings) Limited
Core Pacific - Yamaichi Capital Limited

Dear Sirs,

We set out below our report on the financial information relating to CyberM International (Holdings) Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) for inclusion in the prospectus of the Company dated 11th August, 2000 (“the Prospectus”).

The Company was incorporated in Bermuda on 3rd March, 2000 as an exempted company under the Companies Act 1981 of Bermuda (as amended). The Company has not carried on any business since its incorporation, except that on 1st August, 2000 it acquired the entire issued share capital of McManners Management Limited through a share exchange and consequently became the holding company of the Group. McManners Management Limited acts as an intermediate holding company of the other companies comprising the Group.

As at the date of this report, no audited financial statements have been prepared by the Company and McManners Management Limited as they were not subject to any statutory audit requirements in their jurisdictions of incorporation. We have, however, reviewed all relevant transactions of these companies for the years covered by this report, and carried out such procedures as we considered necessary for inclusion of the financial information relating to these companies in this report.

In December 1999, CyberM Holdings Limited, a group company, disposed of its entire 40% equity interest in Msoft Systems Limited, a company incorporated in Hong Kong, which was dormant during the year ended 31st March, 2000. For the purpose of preparing this report, the Group’s 40% share of the results of Msoft Systems Limited has been included in the combined results of the Group for the years ended 31st March, 1999 and 2000 up to the date of disposal.

We have acted as auditors of the other companies comprising the Group for the years covered in this report or since their respective dates of incorporation where this is a shorter period, except for CyberM Holdings Limited, CyberM E-commerce Limited, CyberM Information Technology Limited, CyberM Mobile Computing Limited and Msoft Systems Limited for the year ended 31st March, 1999, which were audited by Messrs. Lam, Lee & So CPA Company Limited, Certified Public Accountants, Hong Kong.

We have examined the audited financial statements or management accounts of the companies now comprising the Group for the years ended 31st March, 1999 and 2000, or since their respective dates of incorporation where this is a shorter period, and have examined the audited financial statements of Msoft Systems Limited for the year ended 31st March, 1999 and the management accounts of Msoft Systems Limited up to the date of its disposal. Our examinations were made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Society of Accountants.

The summaries of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000 and of the combined net assets of the Group as at 31st March, 2000 ("the Summaries") set out in this report have been prepared from the audited financial statements or, where appropriate, management accounts of the companies now comprising the Group as well as Msoft Systems Limited on the basis set out in Section 1 below, after making such adjustments as are appropriate.

The Directors of the respective companies now comprising the Group are responsible for preparing financial statements of the respective companies which give a true and fair view. In preparing these financial statements, it is fundamental that appropriate accounting policies are selected and applied consistently. The Directors of the Company are also responsible for the summaries of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000 and of the combined net assets of the Group as at 31st March, 2000. It is our responsibility to form an independent opinion on the summaries of the combined results of operations and of the combined net assets of the Group.

In our opinion, the Summaries, together with the notes thereon, give, for the purpose of this report, a true and fair view of the combined results of operations of the Group for the years ended 31st March, 1999 and 31st March, 2000 and of the combined net assets of the Group as at 31st March, 2000.

1. BASIS OF PRESENTATION

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries (all of which are private companies or, if incorporated or established outside of Hong Kong, have substantially the same characteristics as a Hong Kong private company):

Name	Place and date of incorporation	Issued and fully paid share capital	Percentage of equity interest attributable to the Group	Principal activities
Mcmanners Management Limited	British Virgin Islands 12th March, 1997	US\$10,000	100%	Investment holding
CyberM Holdings Limited (formerly known as Magic Holdings Limited)	Hong Kong 28th May, 1997	HK\$10,000	100%	Inactive since 31st March, 2000, previously investment holding
CyberM E-commerce Limited (formerly known as Magic E-Commerce Limited and Focus Computer Store Limited)	Hong Kong 30th May, 1990	HK\$250,000	100%	Inactive up to 31st March, 2000, thereafter research and development in CyberM Business Series
CyberM Information Technology Limited (formerly known as Magic Information Technology Limited and Magic Computer (H.K.) Limited)	Hong Kong 21st December, 1990	HK\$700,000	100%	Development and trading of computer software, trading of computer hardware and provision of computer consultancy services
CyberM Mobile Computing Limited (formerly known as Magic Mobile Computing Limited and Joyful Sky Limited)	Hong Kong 26th March, 1997	HK\$2	100%	Inactive up to 31st March, 2000, thereafter research and development in CyberM Mobile Series

The summary of the combined results of operations includes the results of the companies now comprising the Group, as if the current structure of the Group had been in existence throughout the years covered by this report or since their respective dates of incorporation where this is a shorter period, and the results of Msoft Systems Limited until the date of its disposal, as described above. The summary of the combined net assets of the Group as at 31st March, 2000 has been prepared to present the assets and liabilities of the companies now comprising the Group as at that date, as if the current group structure had been in existence as at 31st March, 2000.

Significant transactions and balances between companies now comprising the Group have been eliminated on combination.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group in arriving at the financial information set out in this report, which conform with accounting principles generally accepted in Hong Kong, are as follows:

a. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment.

b. Associated company

An associated company is a company, not being a subsidiary, in which the Group holds 20% or more of its issued voting share capital as a long-term investment and can exercise significant influence over its management. Investment in associated company is stated at the Group's share of the fair value of the separable net assets of the associated company at the time of acquisition, plus the Group's share of undistributed post acquisition profits/losses and reserves of the associated company.

c. Turnover and revenue recognition

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

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Fees for developing customised solutions are recognised when the services are performed by reference to identifiable phases of progress of the underlying projects. Fees for technical support and maintenance services are recognised ratably over the term of the contracts. Rental income is recognised when rental is receivable. Management fees are recognised when the service is rendered. Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.

Advance payments received from customers prior to delivery of merchandise, development of customised solutions or rendering of other services are recorded as receipts in advance. No work-in-progress was recognised as there were no material direct costs attributable to these services.

d. Taxation

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

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

e. **Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred.

f. **Advertising and promotion**

The costs for advertising and promotion are expensed in the period in which they are incurred.

g. **Staff retirement benefits**

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

h. **Software development expenditures**

Research and development expenditures relating to software development and enhancement are expensed in the period in which they are incurred.

i. **Fixed assets and depreciation**

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

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

Management assesses the recoverability of the carrying amount of fixed assets periodically with reference to the open market value as determined by independent qualified valuers. The amount of any write-down of fixed assets is recognised as an expense in the period in which the write-down occurs.

Gains and losses on disposal of fixed assets are recognised in the income statements based on the net disposal proceeds less the then carrying amount of the assets.

Fixed assets held under finance leases are accounted for on the same basis as described above.

j. Investment property

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

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

k. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method of costing and includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is based on estimated selling prices in the ordinary course of business less further costs expected to be incurred to disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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

l. Leases

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

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

m. **Foreign currency translation**

Companies within the Group maintain their books in Hong Kong dollars. Transactions in other currencies during the year are translated into Hong Kong dollars at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statements of the individual companies.

3. RESULTS OF OPERATIONS

The following is a summary of the combined results of operations of the Group for the years ended 31st March, 1999 and 2000, prepared on the basis set out in Section 1 above:

	<i>Note</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	(a)	12,339	18,720
Cost of sales		<u>(3,128)</u>	<u>(7,062)</u>
Gross profit		9,211	11,658
Other revenue		30	—
Distribution and selling expenses		(299)	(612)
Software development expenditures		(2,960)	(3,020)
General and administrative expenses		<u>(4,124)</u>	<u>(5,855)</u>
Profit from operations		1,858	2,171
Interest income		—	14
Interest expense		<u>(283)</u>	<u>(256)</u>
Profit before share of loss of an associated company		1,575	1,929
Share of loss of an associated company		<u>(93)</u>	<u>—</u>
Profit before taxation	(b)	1,482	1,929
Taxation	(c)	<u>(319)</u>	<u>(387)</u>
Profit attributable to shareholders		<u>1,163</u>	<u>1,542</u>
Dividends	(d)	<u>—</u>	<u>—</u>
Earnings per share — Basic	(e)	<u>HK0.55 cents</u>	<u>HK0.73 cents</u>

The profit attributable to shareholders would have been impacted as follows after adjustment for notional directors' emoluments under service contracts detailed in Section 3.f(iii) below:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit attributable to shareholders	1,163	1,542
Adjustment for notional directors' emoluments	<u>(549)</u>	<u>(793)</u>
Adjusted profit attributable to shareholders	<u>614</u>	<u>749</u>

Notes:

a. **Turnover and revenue**

Turnover and revenue consisted of:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sales of computer hardware	3,280	5,932
Sales of packaged software	3,781	4,211
Fees for developing customised solutions	3,610	5,719
Fees for technical support and maintenance services	1,668	2,847
Rental income	<u>—</u>	<u>11</u>
Total turnover	12,339	18,720
Management fees	30	—
Interest income	<u>—</u>	<u>14</u>
Total revenue	<u>12,369</u>	<u>18,734</u>

b. Profit before taxation

Profit before taxation was stated after charging and crediting the following:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
After charging –		
Staff costs	4,469	5,175
Less: amount included in software development expenditures	<u>(2,485)</u>	<u>(2,614)</u>
	1,984	2,561
Operating lease rentals of premises	255	356
Software development expenditures	2,960	3,020
Advertising and promotion costs	117	244
Provision for bad and doubtful debts	141	1,307
Depreciation of fixed assets		
- owned assets	230	176
- assets held under finance leases	—	70
Impairment in value of fixed assets*	334	—
Interest expense on		
- bank loan not wholly repayable within five years	283	230
- finance leases	—	26
Auditors' remuneration	<u>39</u>	<u>168</u>
After crediting –		
Rental income less outgoings	—	11
Interest income from bank deposits	<u>—</u>	<u>14</u>

* : This represents a write-down of the carrying value of leasehold land and building by reference to the open market value of the land and building as at 31st March, 1999 as determined by DTZ Debenham Tie Leung Limited, independent qualified valuers.

c. Taxation

Taxation consisted of:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current taxation		
- Hong Kong profits tax	325	387
- Special rebate by the Government of Hong Kong Special Administrative Region	<u>(6)</u>	<u>—</u>
	<u>319</u>	<u>387</u>

Hong Kong profits tax was provided at the rate of 16% for the years ended 31st March, 1999 and 31st March, 2000 on estimated assessable profit arising in or derived from Hong Kong.

On 3rd March, 1999, the Government of Hong Kong Special Administrative Region announced a special profits tax rebate of 10% on the profits tax charged and paid for the year of assessment 1997/98 (year ended 31st March, 1998). In this connection, the tax rebate received amounting to approximately HK\$6,000 was recognised in the combined results of operations of the Group for the year ended 31st March, 1999.

There was no significant unprovided deferred taxation for the years ended 31st March, 1999 and 31st March, 2000.

d. **Dividends**

No dividend has been paid or declared by the Company since its incorporation.

The following dividend was paid by CyberM Information Technology Limited out of its retained profit to its then shareholders:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
CyberM Information Technology Limited	1,400	—
Less: Intra-group dividend received by CyberM Holdings Limited	<u>(1,400)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

e. **Earnings per share**

The calculation of basic earnings per share for the years ended 31st March, 1999 and 31st March, 2000 is based on the profit attributable to shareholders during the years and assuming 212,500,000 shares in issue and issuable, comprising 27,279,980 shares in issue as at the date of the Prospectus and 185,220,020 shares to be issued pursuant to the Capitalisation Issue as described in page 162 Appendix IV to the Prospectus.

f. **Directors' and senior executives' emoluments**

i. Details of emoluments paid to directors of the Company were:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Fees	—	—
Other emoluments		
- Basic salaries and allowances	998	689
- Bonuses	50	54
- Pension scheme contributions	<u>47</u>	<u>61</u>
	<u>1,095</u>	<u>804</u>

No director waived any emoluments during the years covered by this report.

During the year ended 31st March, 2000, three shareholders of Mcmanners Management Limited, the intermediate holding company of other companies comprising the Group, transferred certain shares at nil consideration to Mr. Fung Yiu Fai as inducement to him in joining the Group as an executive director. Upon completion of the reorganisation as mentioned in Section 7.b below, such shares are converted into an effective interest of 6,375,000 shares (representing 3% interest in the Company before the placing of 37,500,000 new shares) in the Company held by Noble Class Group Limited, a company under a trust scheme of which among others, Mr. Fung Yiu Fai is one of the discretionary objects.

Save as disclosed above, no incentive payment for joining the Group or compensation for loss of office was paid or payable to any director for the years ended 31st March, 1999 and 2000.

The number of directors whose remuneration fall within the following band are as follows:

	1999	2000
Nil to HK\$ 1,000,000	<u>4</u>	<u>5</u>

The four executive directors received individual emoluments of approximately Nil, HK\$415,000, HK\$311,000, and HK\$369,000 for the year ended 31st March, 1999 and the five executive directors received individual emoluments of approximately Nil, HK\$269,000, HK\$221,000, HK\$239,000 and HK\$75,000 for the year ended 31st March, 2000.

Under the arrangements currently in force, the aggregate amount of fees and other emoluments payable to the directors of the Company for the year ending 31st March, 2001 is estimated to be approximately HK\$1,545,000.

- ii. Details of emoluments paid to the five highest paid individuals (including directors and other employees) were:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Basic salaries and allowances	1,529	1,283
Bonuses	107	107
Pension scheme contributions	<u>58</u>	<u>51</u>
Number of directors	3	1
Number of employees	<u>2</u>	<u>4</u>
	<u>5</u>	<u>5</u>

During the years ended 31st March, 1999 and 31st March, 2000, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

The remuneration of each of the highest paid individuals falls within the band of Nil to HK\$1,000,000 during the years ended 31st March, 1999 and 31st March, 2000.

- iii. Notional adjustment:

Each of the executive directors of the Company has entered into a service agreement with the Company for a term of two years subsequent to 31st March, 2000. The annual remuneration and benefits in kind for the five executive directors under these service agreements in aggregate amounted to approximately HK\$1,748,000 with effect from August 2000. Had the service agreements been effective during the years ended 31st March, 1999 and 2000, the combined results of operations of the Group would have been impacted by a notional adjustment as follows:

	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Notional directors' emoluments under service contracts	1,748	1,748
Directors' emoluments paid	<u>(1,095)</u>	<u>(804)</u>
Less: tax effect	653 <u>(104)</u>	944 <u>(151)</u>
	<u>549</u>	<u>793</u>

g. **Retirement benefits**

The Group has arranged for its employees a defined contribution provident fund, which is managed by an independent trustee. The Group makes monthly contributions to the scheme with an amount ranging from 3% to 7% of the employees' basic salaries. The employees are entitled to receive 100% of the Group's employer contribution and the accrued interest thereon upon retirement or leaving the Group after completing nine years of service, or at a reduced scale of between 30% to 90% after completing three to nine years of service. The forfeited contributions made by the Group and related accrued interest are used to reduce the Group's employer contribution. For the years ended 31st March, 1999 and 2000, the aggregate amounts of employer contribution made by the Group were approximately HK\$94,000 and HK\$121,000, respectively, after deduction of forfeited contributions of approximately HK\$8,000 and HK\$16,000, respectively. As at 31st March, 2000, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

h. **Related party transactions**

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

As at 31st March, 2000, the Group's banking facilities were secured by, among others, a personal guarantee provided by Mr. Lau Chiu Pui, a director of the Company. Subsequent to 31st March, 2000, the personal guarantee provided by the director of the Company was released and replaced by a corporate guarantee provided by the Company.

Particulars of significant transactions between the Group and related parties during the years covered by this report are summarised below:

	1999	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-continuing:		
Msoft Systems Limited (i)		
- Purchases from the Group	315	—
- Management fees earned by the Group	30	—
Noble Class Group Limited (ii)		
- Acquisition of Msoft Systems Limited from the Group at net book value	<u>—</u>	<u>78</u>

Notes:

- (i) Msoft Systems Limited was a 40% owned associated company of the Group. In December 1999, the Group disposed of its entire 40% interest in Msoft Systems Limited to Noble Class Group Limited, a company under a trust scheme of which, among others, Mr. Lau Chiu Pui, Mr. Yip Ho Pong, Mr. Lai Shu Pui, Mr. Wong Kit Mei and Mr. Fung Yiu Fai, the directors of the Company are discretionary objects.
- (ii) Noble Class Group Limited was a company under a trust scheme of which, among others, Mr. Lau Chiu Pui, Mr. Yip Ho Pong, Mr. Lai Shu Pui, Mr. Wong Kit Mei and Mr. Fung Yiu Fai, the directors of the Company, are the discretionary objects.

In the opinion of the Directors of the Company, the above related party transactions were carried out in the usual course of the business of the Group and on normal commercial terms.

4. NET ASSETS

The following is a summary of the combined net assets of the Group as at 31st March, 2000, prepared on the basis set out in Section 1 above.

	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	(a)		1,022
Investment property	(b)		1,700
Long-term investments	(c)		330
Current assets:			
Inventories	(d)	269	
Accounts receivable		2,569	
Prepayments, deposits and other current assets	(e)	1,005	
Cash and bank deposits		<u>2,217</u>	
Total current assets		<u>6,060</u>	
Current liabilities:			
Long-term bank loan, current portion	(f)	(242)	
Finance lease obligations, current portion	(g)	(133)	
Accounts payable		(2,980)	
Receipts in advance		(43)	
Accruals and other payables		(794)	
Taxation payable		<u>(396)</u>	
Total current liabilities		<u>(4,588)</u>	
Net current assets			<u>1,472</u>
Total assets less current liabilities			4,524
Non-current liabilities:			
Long-term bank loan, non-current portion	(f)		(1,837)
Finance lease obligations, non-current portion	(g)		(376)
Due to a director*	(h)		<u>(2,310)</u>
Net assets	(i)		<u><u>1</u></u>

* Subsequently capitalised (see Section 7.a).

Notes:

a. **Fixed assets**

Fixed assets consisted of:

	Cost <i>HK\$'000</i>	Accumulated depreciation <i>HK\$'000</i>	Net book value <i>HK\$'000</i>
Leasehold improvements	260	(11)	249
Furniture and fixtures	438	(207)	231
Computer equipment	876	(724)	152
Motor vehicle	<u>457</u>	<u>(67)</u>	<u>390</u>
	<u>2,031</u>	<u>(1,009)</u>	<u>1,022</u>

The motor vehicle and certain furniture with a net book value of approximately HK\$390,000 and HK\$170,000, respectively, were held under finance leases (see Section 4.g).

b. **Investment property**

Investment property was transferred from fixed assets on 1st March, 2000 at the then carrying value of HK\$1,700,000.

The investment property is located in Hong Kong and is held under a medium-term lease on the basis of the rights of extension by virtue of the New Territories Leases (Extension) Ordinance 1998. It is stated at its open market value of HK\$1,700,000 as at 31st March, 2000 as determined by DTZ Debenham Tie Leung Limited, independent qualified valuers. The investment property is mortgaged as collateral for the Group's banking facilities (see Section 6.a).

c. **Long-term investments**

Long-term investments represented cost of club debentures.

d. **Inventories**

Inventories held for trading purpose comprised computer software products.

e. **Prepayments, deposits and other current assets**

Prepayments, deposits and other current assets consisted of:

	<i>HK\$'000</i>
Rental and utility deposits	205
Deferred share issuance expenditures	777
Others	<u>23</u>
	<u>1,005</u>

f. **Long-term bank loan**

Details of long-term bank loan, which was secured, were:

	<i>HK\$'000</i>
Amounts repayable within a period	
- not exceeding one year	242
- more than one year but not exceeding two years	270
- more than two years but not exceeding five years	1,006
- more than five years	561
	<u>2,079</u>
Less: Amounts repayable within one year included under current liabilities	<u>(242)</u>
	<u><u>1,837</u></u>

Refer to Section 6 for details of the Group's banking facilities.

g. **Finance lease obligations**

Details of obligations under finance leases, net of future finance charges, were:

	<i>HK\$'000</i>
Amounts repayable within a period	
- not exceeding one year	133
- more than one year but not exceeding two years	154
- more than two years but not exceeding five years	222
	<u>509</u>
Less: Amounts repayable within one year included under current liabilities	<u>(133)</u>
	<u><u>376</u></u>

h. **Due to a director**

This represents an amount due to Mr. Lau Chiu Pui, a director of the Company, which was unsecured and non-interest bearing. The amount due to a director was capitalised subsequent to 31st March, 2000 (see Section 7.a).

i. **Net assets of the Company**

The Company was incorporated on 3rd March, 2000. On the basis as set out in Section 1 above, the net assets of the Company as at 31st March, 2000 amounted to approximately HK\$1,000, representing investment in subsidiaries.

j. **Distributable reserves**

The Company has not carried on any business since its incorporation, except for the acquisition on 1st August, 2000 of the subsidiaries set out in Section 1 above. Accordingly, the Company had no reserve available for distribution to shareholders as at 31st March, 2000.

5. COMMITMENTS

As at 31st March, 2000, the Group had commitments in respect of rented premises under a non-cancellable operating lease agreement extending to January 2002 amounting to approximately HK\$1,118,000. The amount of commitments payable within the next twelve months was analysed as follows:

	<i>HK\$'000</i>
Lease expiring within two to five years	<u>624</u>

6. BANKING FACILITIES

As at 31st March, 2000, the Group had an outstanding bank loan of approximately HK\$2,079,000. This was secured by:

- a. a mortgage over the Group's investment property with an open market value of HK\$1,700,000 (see Section 4.b); and
- b. personal guarantees provided by Mr. Lau Chiu Pui, a director of the Company, and a third party.

Subsequent to 31st March, 2000, the personal guarantees provided by the director of the Company and the third party were released and replaced by a corporate guarantee provided by the Company.

7. SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31st March, 2000 and up to the date of this report:

- a. on 30th June, 2000, the amount due to Mr. Lau Chiu Pui, a director of the Company, amounting to approximately HK\$2,310,000 was assigned to Noble Class Group Limited and was thereafter capitalised on 1st August, 2000;
- b. the Group completed a reorganisation in preparation for a listing of shares of the Company on The Stock Exchange of Hong Kong Limited, the details of which are set out in the subsection headed "Corporate reorganisation" of Appendix IV to this prospectus; and
- c. pursuant to a written resolution of the sole shareholder of the Company dated 1st August, 2000, resolutions were passed to effect the transactions set out in the subsection headed "Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000" of Appendix IV to this prospectus.

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st March, 2000. In addition, no dividend has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31st March, 2000.

Yours faithfully,
ARTHUR ANDERSEN & CO
Certified Public Accountants



Formerly C Y Leung & Company

原梁振英測量師行

11th August, 2000

The Directors
CyberM International (Holdings) Limited
Units 5-7, 26th Floor
Laws Commercial Plaza
788 Cheung Sha Wan Road
Cheung Sha Wan
Kowloon

Dear Sirs,

In accordance with your instructions for us to value the property interests held by CyberM International (Holdings) Limited or its subsidiaries (together referred to as the “Group”) in Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of the property interests as at 31st May, 2000 (the “date of valuation”). In addition, we have also acted in accordance with your instruction to conduct a valuation of property interest no. 1 as at 31st March, 2000.

Our valuation of each of the property interests represents its open market value which we would define as intended to mean “an opinion of the best price at which the sale of an interest in property would have been completed unconditionally for cash consideration on the date of valuation, assuming:—

- (a) a willing seller;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the price and terms and for the completion of the sale;
- (c) that the state of the market, level of values and other circumstances were, on any earlier assumed date of exchange of contracts, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective purchaser with a special interest; and
- (e) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.”

Our valuations have been made on the assumption that the Group sells the property interests on the open market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the values of the property interests.

In valuing property interest no. 1 which is held under a Government Lease expired before 30th June, 1997, we have taken into account that under the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of the People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance such lease has been extended without premium until 30th June, 2047 and that a rent of three per cent. of the rateable value is charged per annum from the date of extension.

In valuing property interest no. 1 which is held by the Group for investment purposes, we have adopted the investment approach of valuation by considering the capitalised income derived from the existing tenancy and the reversionary potential of the property interest and by making reference to comparable sales evidence as available on the market.

Property interest no. 2 which is rented by the Group has no commercial value due mainly to the prohibitions against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

We have relied to a considerable extent on the information provided by the Group, particularly in respect of planning approvals, statutory notices, easements, tenure, identification of properties, particulars of occupancy, lettings, rentals, floor plans, floor areas and all other relevant matters.

We have not been provided with copies of title documents relating to the property but we have caused searches to be made at the Urban Land Registry. However, we have not searched the original documents to ascertain ownership or to verify any lease amendments which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are only approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspections, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of any onerous nature which could affect their values.

We enclose herewith a summary of valuations and our valuation certificates for your attention.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor
A.H.K.I.S., A.R.I.C.S.
Director

Note: Mr. K.B. Wong is a Chartered Surveyor who has extensive experience in the valuation of properties in Hong Kong.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 31st May, 2000 HK\$
Group I — Property interest owned by the Group	
1. Workshop No. 1 including the Flat Roof thereof on 5th Floor, Premier Centre, No. 20 Cheung Shun Street, Cheung Sha Wan, Kowloon	1,700,000
Sub-total:	<u>1,700,000</u>
Group II — Property interest rented by the Group	
2. Unit Nos. 5, 6 and 7 on 26th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon	No commercial value
Sub-total:	<u>No commercial value</u>
Grand total:	<u><u>1,700,000</u></u>

VALUATION CERTIFICATE

Group I — Property interest owned by the Group

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31st March, 2000	Capital value in existing state as at 31st May, 2000
1. Workshop No. 1 including the Flat Roof thereof on 5th Floor, Premier Centre, No. 20 Cheung Shun Street, Cheung Sha Wan, Kowloon	The property comprises an industrial unit together with its flat roof on the 5th floor of a 14-storey industrial building completed in 1994.	The property is let to a tenant for a term of two years from 1st March, 2000 at a monthly rent of HK\$11,000 exclusive of rates, management fees and Government rent subject to a right of early termination by the tenant during the second year of the term upon written notice of not less than 3 months.	HK\$1,700,000	HK\$1,700,000
21/2625th parts or shares of and in New Kowloon Inland Lot No. 5538	The property has gross floor areas of approximately as follows:— Gross Floor Area <i>sq.m. sq.ft.</i> Workshop No. 1 113.62 1,223 Flat Roof 39.76 428			
	The property is held from the Government for a term of 99 years from 1st July, 1898 less the last three days which has been statutorily extended to 30th June, 2047. The current annual Government rent payable for the property is an amount equal to 3% of the rateable value of the property.			

Notes:

- (1) The registered owner of the property is CyberM Information Technology Limited (formerly known as Magic Information Technology Limited and Magic Computer (H.K.) Limited respectively) in which the Group has an attributable interest of 100%.
- (2) The property is subject to a mortgage in favour of Hang Seng Finance Limited to secure general credit facilities. Mortgagee's consent to the tenancy was obtained after the creation of the tenancy. In this respect, the Group has been advised that since the mortgagee has, unconditionally, expressed in writing that it has no objection to the existing tenancy agreement, in the absence of fraud or misrepresentation, the mortgagee is deemed to have waived its rights as a mortgagee to demand for immediate repayment of the outstanding mortgage loan or to take possession of the property by reason of the Group's failure to seek the mortgagee's prior consent to the tenancy agreement.

Group II — Property interest rented by the Group

Property	Description and tenancy particulars	Capital value in existing state as at 31st May, 2000
2. Unit Nos. 5, 6 and 7 on 26th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon	<p>The property comprises three office units on the 26th floor of a 34-storey industrial/office building completed in about 1999.</p> <p>The approximate saleable area of the property is 247.58 sq.m. (2,665 sq.ft.) and is currently occupied by the Group as an office.</p> <p>The property is currently subject to a tenancy for a term of two years from 15th January, 2000 to 14th January, 2002 at a monthly rent of HK\$52,000, exclusive of rates, Government rent and management fees.</p>	No commercial value

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Company and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association of the Company empowers it to purchase its own shares and this power is exercisable by the Board of Directors (“the Board”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 1st August, 2000. The following is a summary of certain provisions of the Bye-laws.

a. Directors

(i) *Power to allot and issue shares*

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and in regard to such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder. The Board may, subject to the approval of the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) *Power to dispose of the assets of the Company or any subsidiary*

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

(iii) *Compensation or payments for loss of office*

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) *Loans to Directors*

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarized in section 4(n) of this Appendix.

(v) *Financial assistance to acquire shares of the Company*

(aa) subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide directly or indirectly money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

(bb) subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and

(cc) the conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he is to his knowledge materially interested, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:—

- (aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director in respect of money lent by him or obligations incurred or undertaken by him at the request of or for the benefit of the Company and any of its subsidiaries;
 - (bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the Director has himself assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;
 - (cc) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (dd) any contract or arrangement in which the Director is interested in the same manner as other holders of shares or debentures or securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company;
 - (ee) any contract or arrangement concerning any other company in which the Director is interested directly or indirectly whether as an officer or a member or in which the Director is beneficially interested other than a company in which the Director together with any of his associates owns five (5) per cent or more of the issued shares or voting rights of any class of shares of such company (or of any third company through which his interest is derived) or of the voting rights;
 - (ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors and employees of the Company or any of its subsidiaries and does not give the Director any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
 - (gg) any proposal concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director may benefit.
- (vii) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) *Retirement, appointment and removal*

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation save for any executive chairman and managing director. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

(ix) *Borrowing powers*

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

b. **Alterations to constitutional documents**

The Memorandum of Association of the Company may, with the consent of the Minister of Finance of Bermuda, be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

c. **Alterations of capital**

The Company may from time to time by ordinary resolution:—

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) cancel any shares which at the date of the passing the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;
- (v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;
- (vi) change the currency denomination of its share capital; and
- (vii) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

d. Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

e. Special resolutions - majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

f. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative shall have one vote and on a poll, every member present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

g. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

h. Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being be required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

i. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

j. Transfer of shares

All transfers of shares may be effected by transfer in writing in the usual or common form (which includes such form of transfer as may be prescribed by the stock exchange on which the Shares are listed) and which may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless such sum, if any, as the Board shall from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

k. Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

l. Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

m. Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

n. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. On a vote on a show of hands, only a member present in person or by a duly authorised corporate representative may vote. On a poll votes may be given either personally or by a duly authorised corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND BERMUDA COMPANY LAW

Where that member is a recognised clearing house within the meaning of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise, but, notwithstanding the generality of the foregoing shall not have the right to vote individually on a show of hands.

o. Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

p. **Inspection of register of members**

There are no provisions in the Bye-laws relating to inspection of the register of members.

q. **Quorum for meetings and separate class meetings**

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

r. **Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(o) of this Appendix.

s. **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

t. **Stock**

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words “share” and “member” therein shall include “stock” and “stockholder”.

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u. Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

Note: The Companies Act prevents a company from giving financial assistance in the subscription of its shares (subject to certain exceptions). A subscription right reserve may only be created and used for the above purpose if an exception applies.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting and if the Company intends to adopt any objects enabling it to carry on any “restricted business activity” for the purposes of the Companies Act, the prior consent of the Minister of Finance of Bermuda will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at a general meeting of which not less than 21 days’ notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days’ notice may be waived (a) in the case of a special general meeting, by a majority number of the members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act, on 3rd March, 2000. Incorporation in Bermuda requires the consent of the Minister of

Finance as the Company's Memorandum of Association include special objects enabling it to carry on "restricted business activity" within the definition of section 4A of the Companies Act. The Company was brought into existence by the filing of the Minister's consent and depositing the Memorandum of Association with the Registrar of Companies in Bermuda.

b. Constituent Documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association shall not be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar of Companies. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent to alter the Memorandum of Association if they include special objects enabling the Company to carry on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the “Government Fee”), which is determined on a sliding scale by reference to a company’s authorised share capital and share premium account, with the minimum fee being BD\$1,780 and the maximum fee being BD\$27,825 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister of Finance is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28th March, 2016.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1st April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before an offer of shares may be made to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar of Companies in Bermuda. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister of Finance and designated as:—

Appointed Stock Exchanges

Alberta	Bermuda
American	Boston
Australian	Canadian Dealing Network

Canadian Venture Exchange	New York
Frankfurt	New Zealand
Hong Kong	Oslo
Irish	Paris
Johannesburg	Shanghai
Kuala Lumpur	Singapore
London	Switzerland
London (Alternative Investment Market)	Tokyo
Luxembourg	Toronto
Montreal	Vancouver
NASDAQ	

Competent Regulatory Authorities

Bermuda Monetary Authority
Hong Kong Securities and Futures Commission
Ontario Securities Commission
U.S. Securities and Exchange Commission
The Commissariat aux Bourses (Luxembourg)
The Swiss Exchange

Accordingly, where an appointed stock exchange has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus save that every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:—

- (i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
- (ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;
- (iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;
- (iv) working capital; and
- (v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it is required to file a new prospectus with the Registrar of Companies in Bermuda every calendar year from the date of the last issue or such other period as may be granted by the Registrar and it shall publish supplementary particulars and file a copy thereof with the Registrar if the prospectus issued by such a company ceases in a material respect to be accurate.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange Control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority (“BMA”). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants pursuant to this document and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from that Authority. Before the Company can issue any further shares or warrants, the Company must first obtain the prior written consent of the BMA.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share Capital

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company’s shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called “the share premium account” and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of Share Capital

A company may if authorised by a general meeting of the members of the company and by its Bye-laws, alter the conditions of its Memorandum of Association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred,

qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the Memorandum of Association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations. Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement to publish the intended reduction in the Official Gazette, prior to the reduction and provision is made in the Companies Act for an affidavit to be sworn by at least two directors declaring that on the date of the reduction the company is solvent or that all creditors of the company on that date have expressed in writing their concurrence in the reduction.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its own shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see “Dividends” below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the company’s share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act also requires that an affidavit be sworn by at least two Directors declaring that on the date of the repurchase and taking into account the purchase the Company is solvent or that all the creditors of the Company on that date have expressed in writing their concurrence to the purchase except that in a case where a company is listed on an appointed stock exchange, the affidavit required may, at the option of the Company be sworn within thirty days after the end of each calendar quarter giving details of the purchases made during each quarter and the affidavit shall confirm that after taking account such purchases, the Company is solvent

at all material times during the quarter. The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company's authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of Securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and Distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

l. Charges on the Assets of the Company

The Companies Act established a register of charges at the office of the Registrar of Companies permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and Administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:—

- a) a secretary and a resident representative; or
- b) a secretary and a director; or
- c) two directors,

all of whom **must** be individuals ordinarily resident in Bermuda.

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Companies Act.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The Investigation of the Affairs of a Company and the Protection of Minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister of Finance may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the

company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister of Finance under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's Memorandum of Association and Bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of Corporate Records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar of Companies in Bermuda which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch

register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the Activities of Exempted Companies

Unless specifically authorised by its Memorandum of Association, an exempted company shall not be permitted to:—

- (i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;
- (ii) to take any mortgage of land in Bermuda (subject to certain exceptions); and
- (iii) to acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its Memorandum of Association to enable it to carry on such type of business.

The Company has been incorporated as an “exempted company”. Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister of Finance, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. In addition there are restrictions imposed upon the percentage of Bermudian ownership that will be permitted. Furthermore, as an exempted company, the Company has been designated as “non resident” for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and Auditing Requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:—

- (i) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place;
- (ii) all sales and purchases of goods by the Company; and
- (iii) the assets and liabilities of the Company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD\$500.00 (approximately equivalent in value to US\$500.00), for the time being.

s. Auditing Requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:—

- (i) financial statements for the period, which shall include:—
 - (aa) a statement of the results of operations for such period;
 - (bb) a statement of retained earnings or deficits;
 - (cc) a balance sheet at the end of such period;
 - (dd) a statement of changes in the financial position for the period;
 - (ee) notes to the financial statements;
 - (ff) such further information as required by the Companies Act and the company's Memorandum of Association and its Bye-laws;

- (ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and
- (iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the meeting to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled. There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and Discontinuation of Companies

- (i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister of Finance will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and
- (ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be

discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. **Winding-Up and Liquidation Provisions of Bermuda Legislation**

(i) *Introduction:*

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the “Rules”) and may be divided into the following two types:

- (aa) Voluntary winding-up which commences with the members’ resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members’ voluntary winding-up and a creditors’ voluntary winding-up; and
- (bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) *Voluntary Winding-Up:*

- (aa) **Members’ Voluntary Winding-up** - A members’ voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company’s directors and filed with the Registrar of Companies.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the shareholders) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company’s members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held and within one week after it is held the liquidator notifies the Registrar of Companies that the company has been dissolved.

- (bb) **Creditors’ Voluntary Winding-up** - A creditors’ voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors’ voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company’s members and, subsequently, at a meeting of the company’s creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar of Companies in Bermuda who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) *Compulsory Winding-Up:*

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:—

- (aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;
- (bb) that the company is unable to pay its debts;
- (cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver - a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. **General**

Appleby Spurling & Kempe, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in paragraph B of Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in Bermuda under the Companies Act as an exempted company on 3rd March, 2000 with an authorised capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, all of which were allotted and issued nil paid to Noble Class Group Limited on 6th March, 2000. All such shares were subsequently paid up in the manner described in paragraph 4 below. The Company has established a head office and principal place of business at Units 5-7, 26th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Kowloon, Hong Kong and is registered in Hong Kong as an overseas company under Part XI of the Companies Ordinance. Mr. Lau has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in Bermuda, it is subject to the laws of Bermuda. Its constitution comprises its Memorandum of Association and Bye-laws. A summary of certain relevant parts of its constitution and relevant aspects of Bermuda company law is set out in Appendix III to this prospectus.

2. Changes in share capital

Pursuant to a resolution in writing of the sole shareholder of the Company passed on 1st August, 2000, the share capital of the Company was increased to HK\$100,000,000 by the creation of a further 999,000,000 Shares, part of which were on that date issued credited fully paid as described in paragraph 4 below. All Shares shall rank *pari passu* in all respects.

Immediately following the Placing and the Capitalisation Issue becoming unconditional and the issue of Shares as mentioned herein being made, the authorised share capital of the Company will be HK\$100,000,000 divided into 1,000,000,000 Shares of which 250,000,000 Shares will be issued fully paid or credited as fully paid, and 750,000,000 Shares will remain unissued. Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the members in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraph 3 below, there has been no alteration in the share capital of the Company since its incorporation.

3. Resolutions in writing of the sole shareholder of the Company passed on 1st August, 2000

On 1st August, 2000, pursuant to resolutions in writing passed by the sole shareholder of the Company:

- (a) the Company adopted its current Bye-laws;
- (b) as consideration for the acquisition by the Company of McManners Management Limited and capitalisation of an amount of HK\$2,310,383 due to Noble Class Group Limited from McManners Management Limited, the Directors were authorised to (i) issue 26,279,980

Shares credited fully paid as to 23,551,982 Shares to Noble Class Group Limited, as to 1,363,999 Shares to Pacific Dragon Resources Limited and as to 1,363,999 Shares to Digital Capital Markets Limited and (ii) credit as fully paid at par the 1,000,000 Shares which were issued nil paid on 6th March, 2000 to Noble Class Group Limited;

- (c) conditional on the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case at or before 8:45 a.m. on 16th August, 2000:—
- (i) the Placing was approved and the Directors were authorised to allot and issue the New Shares; and
- (ii) the rules of the Share Option Scheme were approved and adopted and the Directors were authorised to grant options thereunder to allot, issue and deal with Shares pursuant thereto;
- (d) conditional on the share premium account of the Company being credited as a result of the Placing, HK\$18,522,002 of such amount was directed to be capitalised and applied in paying up in full at par 185,220,020 Shares for allotment and issue to holders of Shares on the register of members of the Company at the close of business on 1st August, 2000 (or as such holders may direct) in proportion (as nearly as possible without involving fractions) to their then respective shareholdings in the Company;
- (e) a general unconditional mandate was given to the Directors to allot, issue and deal with, otherwise than by way of rights, scrip dividend schemes or similar arrangements in accordance with the Bye-laws of the Company, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the Placing or the Capitalisation Issue, Shares with an aggregate nominal value not exceeding (i) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue; and (ii) the aggregate nominal value of shares repurchased under the authority granted to the Directors as referred to in sub-paragraph (f) below until the conclusion of the next annual general meeting of the Company or until the expiration of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held, or until the passing of an ordinary resolution by the shareholders of the Company revoking or varying the authority given to the Directors thereunder, whichever is earlier;
- (f) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase securities of the Company on the Stock Exchange, or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for such purpose, subject to and in accordance with all applicable laws and/or the requirements of the GEM Listing Rules, as referred to in the paragraph headed “Repurchase by the Company of its own securities” with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue or to be issued as mentioned in this prospectus until the conclusion of the next annual general meeting of the Company or until the expiration

of the period within which the next annual general meeting of the Company is required by law or the Bye-laws of the Company to be held, or until the passing of an ordinary resolution by the shareholders of the Company revoking or varying the authority given to the Directors thereunder, whichever is earlier; and

- (g) the extension of the general mandate to allot, issue and deal with the Shares to include the nominal amount of the share capital of the Company which is repurchased pursuant to sub-paragraph (f) was approved.

4. Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing on the Stock Exchange. The reorganisation involved the transfer to the Company by Noble Class Group Limited, Pacific Dragon Resources Limited and Digital Capital Markets Limited of 10,000 shares of US\$1 each, being the entire issued share capital in Mcmanners Management Limited ("Mcmanners"), the intermediate holding company of the Group, and the capitalisation of an amount of HK\$2,310,383 due from Mcmanners to Noble Class Group Limited, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid, 26,279,980 Shares as to 23,551,982 Shares to Noble Class Group Limited, as to 1,363,999 Shares to Pacific Dragon Resources Limited and as to 1,363,999 Shares to Digital Capital Markets Limited; and (ii) credited as fully paid at par the 1,000,000 Shares allotted and issued nil paid to Noble Class Group Limited on 6th March, 2000.

In addition to the transfer of shares in Mcmanners referred to above, the Group also underwent the following corporate restructuring:

- (a) the transfer to Noble Class Group Limited by CyberM Holdings Limited ("CyberM Holdings") of 80,000 shares of HK\$1 each in Msoft Systems Limited for a consideration of HK\$78,000 on 30th December, 1999;
- (b) the transfer to Mcmanners by CyberM Holdings of 250,000 shares of HK\$1 each in CyberM E-commerce Limited for a consideration of HK\$2,500 on 31st March, 2000;
- (c) the transfer to Mcmanners by CyberM Holdings of 70,000 shares of HK\$10 each in CyberM Information Technology Limited for a consideration of HK\$1,341,900 on 31st March, 2000;
- (d) the transfer to Mcmanners by CyberM Mobile Computing Limited of 10,000 shares of HK\$1 each in CyberM Holdings for a consideration of HK\$1,374,300 on 31st March, 2000.

5. Changes in the share capital of subsidiaries

The subsidiaries of the Company are referred to in the accountants' report, the text of which is set out in Appendix 1 to this prospectus.

The following alterations in the share capital of the subsidiaries of the Company have taken place within the two years preceding the date of this prospectus:—

1. On 31st July, 1999, 500 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Pacific Dragon Resources Limited in consideration of HK\$4,000,000.
2. On 30th September, 1999, 500 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Digital Capital Markets Limited in consideration of HK\$4,000,000.
3. On 2nd May, 2000, 800 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Noble Class Group Limited for nil consideration.
4. On 2nd May, 2000, 300 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Mr. Yip for nil consideration.
5. On 2nd May, 2000, 300 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Mr. Lai for nil consideration.
6. On 2nd May, 2000, 300 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Mr. Wong for nil consideration.
7. On 2nd May, 2000, 300 shares of US\$1 each in McManners were transferred by Westiche Capital Ltd. to Mr. Fung for nil consideration.
8. On 16th May, 2000, 300 shares of US\$1 each in McManners were transferred by Mr. Yip to Noble Class Group Limited in consideration of US\$300.
9. On 16th May, 2000, 300 shares of US\$1 each in McManners were transferred by Mr. Lai to Noble Class Group Limited in consideration of US\$300.
10. On 16th May, 2000, 300 shares of US\$1 each in McManners were transferred by Mr. Wong to Noble Class Group Limited in consideration of US\$300.
11. On 16th May, 2000, 300 shares of US\$1 each in McManners were transferred by Mr. Fung to Noble Class Group Limited in consideration of US\$300.

Save as disclosed herein and in paragraph 4 above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) *GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The GEM Listing Rules provide that all repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a resolution in writing passed by the sole shareholder of the Company on 1st August, 2000, a general unconditional mandate ("Buyback Mandate") was given to the Directors authorising repurchase by the Company on the Stock Exchange, or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of its Shares immediately following completion of the Placing at any time until the conclusion of the next annual general meeting of the Company or the expiration of the period within the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act or any other applicable laws of Bermuda to be held or the passing of an ordinary resolution of shareholders of the Company in general meeting revoking, varying or renewing such mandate, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Company's Memorandum of Association and Bye-laws and the Companies Act. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Bermuda law, any repurchases by a company may only be paid out of the capital paid up on the relevant shares or the funds of the company which would otherwise be available for dividend or distribution or the proceeds of a fresh issue of shares made for this purpose. The amount of premium (if any) payable on a repurchase may only be paid out of the funds of the company which would otherwise be available for dividend or distribution or out of the share premium account of the Company.

(iii) Trading restrictions

The shares proposed to be repurchased by a company must be fully paid up. The total number of shares which a company is authorised to repurchase on the Stock Exchange is shares representing up to a maximum of 10% of the existing issued share capital of the company as at the date of the resolution approving the repurchase and the company may not issue without the prior approval of the Stock Exchange or announce an issue of new shares for a period of 30 days immediately following a repurchase of securities (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the

company to issue securities, which were outstanding prior to such repurchase). A company may only purchase shares on the Stock Exchange if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange. The GEM Listing Rules also prohibit a company from making repurchases of its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

(iv) Status of repurchased securities

The GEM Listing Rules provide that all repurchased securities are automatically delisted and the certificates for the securities must be cancelled and destroyed. Under Bermuda law, the Company's repurchased Shares will be cancelled and the amount of the Company's issued shares capital shall be diminished by the aggregate nominal value of the repurchased shares accordingly.

(v) Suspension of repurchases

The GEM Listing Rules require any securities buyback programme to be suspended after the directors have made any decision in respect of a price sensitive development or a price sensitive development has occurred until the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of annual results or the publication of the half-year report or a quarterly report, a company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to suspend a securities repurchase programme on the Stock Exchange if the company has breached the Listing Rules.

(vi) Reporting requirements

Under the GEM Listing Rules, repurchases of securities on the Stock Exchange must be reported to the Stock Exchange not later than 9:30a.m. (Hong Kong time) on the business day following the day a repurchase is effected. In addition, the company's annual report is required to disclose details regarding securities repurchases made during the year, including the number of securities repurchased and the aggregate prices paid.

(vii) Connected persons

The GEM Listing Rules prohibit a company from knowingly repurchasing its shares on the Stock Exchange from a "connected person", that is, a director, chief executive, substantial shareholder or management shareholder (as defined in the GEM Listing Rules) of the company or any of its subsidiaries or the associates of any of them, and a connected person shall not knowingly sell his shares to the company.

(b) *Information relevant to the Buyback Mandate*

(i) Exercise of the Buyback Mandate

Exercise in full of the Buyback Mandate, on the basis of 250,000,000 shares in issue immediately after the listing of the Placing Shares, could accordingly result in up to 25,000,000 Shares being repurchased by the Company during the period prior to the next annual general meeting or the time specified by law for the holding of the next annual general meeting, or revocation by shareholders in general meeting, whichever is earlier.

(ii) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the Directors believe that such purchases will benefit the Company and its shareholders.

(iii) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purchase in accordance with its Memorandum of Association and Bye-laws, the GEM Listing Rules and the applicable laws and regulations of Bermuda and Hong Kong.

(iv) General

If the Buyback Mandate were to be exercised in full, it could have a material adverse effect on the working capital or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company. The Directors do not propose to exercise the Buyback Mandate in full in such circumstances.

None of the Directors, or to the best of their knowledge, having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company or its subsidiaries.

No connected persons (as defined in the GEM Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules and the applicable laws of Bermuda.

However, any repurchase of Shares which will result in the number of Shares in the hands of the public falling below the prescribed minimum for the Company, could only be implemented with the agreement of the Stock Exchange to waive the dealing restriction regarding the public shareholding referred to above. The Stock Exchange has informed the Company that a waiver of this provision would not normally be given except in extraordinary circumstances.

If as a result of a securities repurchase pursuant to the Buyback Mandate a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code.

FURTHER INFORMATION ABOUT THE BUSINESS

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (a) An agreement as evidenced by bought and sold notes and an instrument of transfer all dated 30th December, 1999 pursuant to which Noble Class Group Limited acquired from Magic Holdings Limited (now known as CyberM Holdings Limited) the beneficial interests in 80,000 shares in Msoft Systems Limited for a consideration of HK\$78,000.
- (b) A tenancy agreement dated 24th February, 2000 and made between Land City International Limited as the landlord and Focus Computer Store Limited (now known as CyberM E-commerce Limited) as the tenant in respect of the property situated at Unit Nos.5, 6 and 7 on 26th Floor, Laws Commercial Plaza, 788 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong for a term of two years from 15th January, 2000 to 14th January, 2002 at a monthly rent of HK\$52,000.
- (c) A tenancy agreement (in Chinese) dated 28th February, 2000 and made between Magic Computer (H.K.) Limited (now known as CyberM Information Technology Limited) as the landlord and Shun Cheong Management Limited as the tenant in respect of the property situated at Workshop No.1 including the Flat Roof thereof on 5th Floor, Premier Centre, No. 20 Cheung Shun Street, Cheung Sha Wan, Kowloon, Hong Kong for a term of two years from 1st March, 2000 to 28th February, 2002 at a monthly rent of HK\$11,000.
- (d) An agreement as evidenced by bought and sold notes, an instrument of transfer and a declaration of trust all dated 31st March, 2000 pursuant to which Mcmanners acquired from Magic Holdings Limited (now known as CyberM Holdings Limited) the beneficial interests in 250,000 shares in Magic E-commerce Limited (now known as CyberM E-commerce Limited) for a consideration of HK\$2,500.
- (e) An agreement as evidenced by bought and sold notes, an instrument of transfer and a declaration of trust all dated 31st March, 2000 pursuant to which Mcmanners acquired from Magic Holdings Limited (now known as CyberM Holdings Limited) the beneficial interests in 70,000 shares in Magic Information Technology Limited (now known as CyberM Information Technology Limited) for a consideration of HK\$1,341,900.

- (f) An agreement as evidenced by bought and sold notes, an instrument of transfer and a declaration of trust all dated 31st March, 2000 pursuant to which Mcmanners acquired from Magic Mobile Computing Limited (now known as CyberM Mobile Computing Limited) the beneficial interests in 10,000 shares in Magic Holdings Limited (now known as CyberM Holdings Limited) for a consideration of HK\$1,374,300.
- (g) A collaboration agreement dated 2nd May, 2000 and made between Sybase HK and CyberM Information Technology Limited in relation to the business alliance referred to on page 66 of this prospectus.
- (h) A cooperation agreement dated 14th May, 2000 and made between Corp2net.com Limited and Magic E-Commerce Limited (now known as CyberM E-commerce Limited) in relation to the business cooperation between the Group and Corp2net.com Limited referred to on page 75 of this prospectus.
- (i) An assignment of indebtedness dated 30th June, 2000 and made between Mr. Lau and Noble Class Group Limited with the consent and acknowledgement of Mcmanners pursuant to which Mr. Lau assigned to Noble Class Group Limited the amount of HK\$2,310,383 due to Mr. Lau from Mcmanners.
- (j) The Asian Solutions Center Partner Agreement dated 10th July, 2000 and made between Sybase HK and CyberM Information Technology Limited in relation to the Group's participation in the activities of the Asian Solutions Center as described on page 67 of this prospectus.
- (k) A guarantee dated 26th July, 2000 executed by the Company in favour of Hang Seng Finance Limited in relation to the general credit facilities granted to CyberM Information Technology Limited pursuant to the mortgage as described on page 134 of this prospectus.
- (l) A supplementary agreement dated 19th July, 2000 and made between Corp2net.com Limited and CyberM E-commerce Limited in relation to the business cooperation between the Group and Corp2net.com Limited referred to on page 75 of this prospectus.
- (m) The Share Exchange Agreement dated 1st August, 2000 between the Company, Noble Class Group Limited, Pacific Dragon Resources Limited, Digital Capital Markets Limited and Mr. Lau pursuant to which the Company acquired the entire issued share capital of Mcmanners in consideration of the allotment and issue of Shares credited as fully paid to Noble Class Group Limited, Pacific Dragon Resources Limited and Digital Capital Markets Limited as described in paragraph 3 on page 161 of this prospectus.
- (n) The Sponsor Agreement dated 11th August, 2000 between the Company and Core Pacific - Yamaichi Capital Limited.
- (o) A deed of indemnity dated 11th August, 2000 executed by Noble Class Group Limited, Sunrise International (Holdings) Limited and Mr. Lau, in favour of the Group in relation to taxation and estate duty referred to in the sub-paragraph headed "Estate duty and tax indemnity" under the paragraph headed "Other information" in this Appendix.
- (p) An underwriting agreement dated 11th August, 2000 referred to in the paragraph headed "Underwriting arrangements and expenses" under the section headed "Underwriting" of this prospectus.

8. Intellectual property rights

The Group has applied for registration of the following marks in Hong Kong in respect of the classes of goods specified below:—

Trademark	Class No.	Name of applicant	Application number	Date of application
	9	CyberM International (Holdings) Limited	2000 10731	17th May, 2000
CyberM Business	9	CyberM International (Holdings) Limited	2000 10732	17th May, 2000
CyberM Mobile	9	CyberM International (Holdings) Limited	2000 10733	17th May, 2000
CyberM Retail	9	CyberM International (Holdings) Limited	2000 10734	17th May, 2000
CyberM	35	CyberM International (Holdings) Limited	2000 10735	17th May, 2000
CyberM	38	CyberM International (Holdings) Limited	2000 10736	17th May, 2000
CyberM	42	CyberM International (Holdings) Limited	2000 10737	17th May, 2000

The Trade Marks Registry has, by letters dated 31st July 2000, indicated to the Group that “CyberM Business”, “CyberM Mobile”, “CyberM Retail” and the “CyberM” trademarks are indistinctive and are therefore prima facie unacceptable for registration subject to the right of the Group to lodge appeals against the prima facie objections. The Group will review the prima facie objections of the Trade Marks Registry with its legal advisers and will file appeals within the statutory period allowed, being 6 months from the date of the letters of the Trade Marks Registry.

FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

9. Disclosure of interests

(a) *Disclosure of interests of the Directors*

Immediately following completion of the Placing and the Capitalisation Issue (but without taking into consideration the Shares which may be taken up under the Placing and the exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited), the interests of the Directors in the Shares or securities of any associated corporation (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including

interests which they are deemed or taken to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein once the Shares are listed or which will be required to be notified to the Company and the Stock Exchange pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company once the Shares are listed will be as follows:—

The Company

Name of Directors	Type of Interest	Holding of Shares	Approximate percentage of Shareholding (%)
Mr. Lau	Discretionary trust (<i>Note</i>)	191,250,000	76.5*
Mr. Yip	Discretionary trust (<i>Note</i>)	191,250,000	76.5*
Mr. Lai	Discretionary trust (<i>Note</i>)	191,250,000	76.5*
Mr. Wong	Discretionary trust (<i>Note</i>)	191,250,000	76.5*
Mr. Fung	Discretionary trust (<i>Note</i>)	191,250,000	76.5*

* Assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised

Note:

Subject to the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited to the Underwriters, 191,250,000 Shares representing 76.5% shareholding (assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised) in the Company will be beneficially owned by and registered in the name of Noble Class Group Limited. The entire issued share capital in Noble Class Group Limited is in turn held by Sunrise International (Holdings) Limited (“Sunrise”), a company incorporated in Cayman Islands. Mr. Lau and his spouse, Mr. Yip, Mr. Lai, Mr. Wong and Mr. Fung are the holders of all the issued non-voting redeemable and retractable preferred shares of Sunrise with the rights to a fixed 5% cumulative dividend and redemption at fixed redemption prices in the aggregate amount of HK\$9 million only. All the issued ordinary shares of Sunrise are held by Arawak Trust Company Limited, a corporate trustee of a discretionary trust, the discretionary objects of which include:—

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

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

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

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

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

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

- (b) Immediately following the completion of the Placing and the Capitalisation Issue, so far as the Directors are aware and taking no account of Shares which may be taken up pursuant to the Placing the persons, other than a director or a chief executive of the Company, who will be directly or indirectly interested in 10% or more of the Shares then in issue will be as follows:—

Name	Number of Shares	Approximate percentage of shareholding (%)
Noble Class Group Limited (<i>see Note above</i>)	191,250,000	76.5*
Sunrise International (Holdings) Limited (<i>see Note above</i>)	191,250,000	76.5*
Arawak Trust Company Limited (<i>see Note above</i>)	191,250,000	76.5*

* Assuming the Over-allocation Option referred to on page 111 of this prospectus is not exercised

- (c) *Particulars of service agreements*

- (i) Each of the executive Directors has entered into a service agreement with the Company for a term of two years commencing from the date on which dealings in the Shares on GEM commence and shall continue thereafter until terminated by either party thereto giving to the other at least three months' notice in writing to determine the same.

- (ii) Each of these executive Directors is entitled to the basic annual salary set out below (subject to review as described below):—

	<i>HK\$</i>
Mr. Lau	520,000
Mr. Yip	294,840
Mr. Lai	280,800
Mr. Wong	262,080
Mr. Fung*	222,000

* In addition to the above basic salary, Mr. Fung is entitled to a housing allowance of up to HK\$168,000 per annum.

- (iii) Save as disclosed herein, there are no existing or proposed service agreements (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)) between any member of the Group and any of the Directors.

(d) *Directors' remuneration*

- (i) Under the existing arrangements, it is estimated that an aggregate of approximately HK\$1,545,000 will be paid to the executive Directors pursuant to the service agreements referred to above in respect of the year ending 31st March, 2001 by way of salary and, if applicable, the housing allowance (including a fixed sum bonus of each executive Director equal to one month's salary or pro rata thereof in case of an incomplete year). Each executive Director's basic salary and, if applicable, the housing allowance will be reviewed by the board of Directors annually Provided that any increment shall not exceed 30% of the current basic salary and, if applicable, the housing allowance of the Director.
- (ii) Each of the executive Directors is further entitled to a discretionary bonus in such sum and payable at such time or times as the Directors may determine provided that the aggregate of the discretionary bonuses paid to all the executive Directors of the Group in a particular financial year shall not exceed 10% of the audited consolidated net profit of the Group (after tax and minority interests but before extraordinary items and payment of such bonuses.)
- (iii) Each of the executive Directors is further entitled to all reasonable travelling, entertainment and other expenses reasonably incurred by the executive Director in the proper performance of his duties under the service agreement, and such medical schemes, insurance cover, pension or retirement schemes adopted or taken out by the Company from time to time.

It is the policy of the Company to remunerate its executive Directors by means of basic salaries and, if applicable, the housing allowance at rates that reflect their anticipated relative contributions to the day to day operations of the Group and to divide any performance related bonuses, as outlined above, in accordance with the relative contributions, status and responsibilities of the executive Directors.

- (iv) An aggregate of approximately HK\$804,000 was paid to the Directors as remuneration (including bonuses and benefits in kind) in respect of the twelve months ended 31st March, 2000.

(e) *Amount in cash or in kind received by director as an inducement to join the Group*

In January 2000, Mr. Yip, Mr. Lai and Mr. Wong assigned to Mr. Fung the beneficial interest, in aggregate, of 3% shareholding in McManners Management Limited at nil consideration - see also the section headed "Directors' and senior executives' emoluments" in Appendix I to this prospectus.

(f) *Agency fees or commissions received*

Save as disclosed herein, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries within the two years preceding the date of this prospectus.

(g) *Related party transactions*

Apart from those disclosed in the accountants' report, the text of which is set out in Appendix I to this prospectus, the Group did not enter into any other related party transactions within the two years preceding the date of this prospectus. All the related party transactions described in Appendix I to this prospectus have ceased prior to the date of this prospectus.

(h) *Disclaimers*

Save as disclosed herein:—

- (i) none of the Directors nor chief executive of the Company has an interest in any shares in, or securities of, the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they are deemed or taken to have under Section 31 of, or part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed or which will be required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, once the Shares are listed or which will be required to be notified to the Company and the Stock Exchange, pursuant to the Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company, once the Shares are listed;
- (ii) taking no account of Shares which may be taken up under the Placing, the Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue, hold or be beneficially interested in Shares representing 10% or more of the Shares then in issue, or shares of any subsidiary of the Company representing 10% or more of the shares of such subsidiary carrying rights to vote in all circumstances at any general meeting of such subsidiaries;

- (iii) none of the Directors has any direct or indirect interest in the promotion of the Company, or in the assets which have been, within the two years preceding the issue of this prospectus, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group;
 - (iv) no Director is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
 - (v) none of the Directors has entered into or has proposed to enter into any service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
 - (vi) none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers and five largest customers.
- (i) *Non-competition undertakings by the executive Directors*

Under the service agreements referred to in the sub-paragraphs headed "Particulars of service contracts" in this section, each of the executive Directors has undertaken to the Company that, during his employment and for a period of 18 months after the termination of his contract, he will not, inter alia, (i) engage in Hong Kong or in such other places in which or with which the Group has business operations and in any business which either directly or indirectly competes with the business of the Group, or (ii) solicit or entice away any director, manager or employee of the Group, or solicit business from the business contacts of the Group.

(j) *Non-executive Director*

Mr. Chiu Raymond Yim, a non-executive Director, is the vice president of Business Development Asia Pacific and Japan of IAnywhere Solution Inc., a subsidiary of Sybase Inc., the holding company of Sybase HK with which the Group has a business alliance as described on page 66 of this prospectus.

10. Share option scheme

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved pursuant to resolutions in writing passed by the sole shareholder of the Company on 1st August, 2000 (the "Adoption Date"):

(a) *Who may join?*

The board of Directors (the "Board") may, at their discretion, invite any full-time employees of the Company or any of its subsidiaries ("Employees") and executive directors of the Group to take up options at HK\$1 per option to subscribe for Shares at a price calculated in accordance with paragraph (c) below.

(b) *Connected Person*

Any grant of options to a connected person (as such term is defined in the GEM Listing Rules) must be approved by the independent non-executive directors of the Company. Where options are proposed to be granted to a connected person who is also a substantial shareholder (as such term is defined in the GEM Listing Rules) or an independent non-executive director of the Company or any of their respective associates, and the proposed grant of options, when aggregated with the options already granted to that connected person in the past 12 months period, would entitle him to receive more than 0.1% of the total issued shares of the issuer for the time being and the value of which is in excess of HK\$5 million, then the proposed grant must be subject to the approval of shareholders in general meetings. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant.

(c) *Price of Shares*

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

(d) *Maximum number of Shares*

- (i) the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the date of listing of the Shares on GEM unless shareholders' approval has been obtained pursuant to paragraphs (ii) and (iii) below;
- (ii) the Company may seek approval by shareholders in general meeting to refresh the 10% limit. However, the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes in these circumstances must not exceed 10% of the issued share capital of the Company from time to time;
- (iii) the Company may seek separate shareholders' approval in general meeting to grant options beyond the 10% limit provided that (i) the total number of Shares subject to the Share Option Scheme and any other schemes does not in aggregate exceed 30% of the total issued share capital of the Company and (ii) the options in excess of the 10% limit are granted only to participants specified by the Company before such approval is sought;
- (iv) any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by all independent non-executive Directors;

- (v) where options are proposed to be granted to a connected person who is also a substantial shareholder (as defined in the GEM Listing Rules) or any of his or her or its respective associates, and the proposed grant of options, when aggregated with the options already granted to such connected person in the past 12 months period, would entitle that person to receive more than 0.1% of the total issued shares of the Company for the time being and the value of which is in excess of \$5 million, then the proposed grant must be subject to the approval of shareholders in general meetings. Apart from the connected person involved, all other connected persons of the Company must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent directors on whether or not to vote in favour of the proposed grant; and
- (vi) the following additional disclosures will be made in the annual, interim and quarterly reports of the Group:
 - (i) details of options granted to the following persons: each director; and all the other participants.
 - (ii) A summary of the major terms of each share option scheme approved by shareholders.

(e) *Maximum number of options to any one individual*

No option may be granted to any Employee which, if exercised in full, would result in the total number of Shares already issued and issuable to him under the Share Option Scheme exceeding 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

(f) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee. Such period shall not be less than 3 years and not more than 10 years from the date of grant of the option but such period is subject to the provisions for early termination contained in the terms of the Share Option Scheme.

(g) *Rights are personal to grantee*

An option may not be sold, transferred, charged, mortgaged or encumbered and is personal to the grantee, nor shall any interest be created in favour of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

(h) *Rights on ceasing employment*

If the grantee of an option ceases to be an Employee for any reason (other than death and certain other grounds specified in the Share Option Scheme), the option (to the extent not already exercised) shall lapse on the date of cessation of employment and not be exercisable.

(i) *Rights on dismissal*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date on which the Company terminates the employment of an Employee under common law or pursuant to any applicable laws or under the Employee's service contract with the Company or the relevant subsidiary of the Company.

(j) *Rights on death*

If the grantee of an option ceases to be an Employee due to death, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent not already exercised) within the period of 12 months following his death or such longer period as the Board may determine.

(k) *Rights on winding up*

In the event of an order of the court is made for the winding-up of the Company, the grantee of an option (or his legal personal representative(s)) may by notice in writing to the Company at any time before 21 days after the order of the court elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the order either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum (if any) as would have been received by him in respect of the Shares the subject of such election reduced by an amount equal to the relevant subscription price which would otherwise have been payable in respect thereof.

In the event that a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice to the grantee of an option and the grantee of an option may by notice in writing to the Company exercise the option (to the extent not already exercised) either in full or in part and upon passing of such resolution, the option (to the extent not exercised) shall lapse.

(l) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and the shareholders or between the Company and its creditors is proposed for the purposes of reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all holders of options on the same date as it despatches the notice which is sent to each shareholder or creditor of the Company summoning the meeting to consider such proposal. On giving of notice each holder of an option shall forthwith and until the expiry of the period commencing with that date and ending with the earlier of the date two calendar months thereafter or the date on which such proposal is sanctioned by the court be entitled to exercise his options, but the exercise of an option as aforesaid shall be conditional upon such proposal being sanctioned by the court and becoming effective.

(m) *Effects to alterations to capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction), such corresponding alteration (if any) certified in writing by the auditors for the time being of the Company as being fair and reasonable (except in the case of a capitalisation issue where no such certification shall be required) will be made to the number of Shares subject to the option so far as unexercised and/or the subscription price and/or the method of the exercise of the option, provided that no such alteration shall be made so that, inter alia, any Share would be issued at less than its nominal value.

(n) *Rights on general offer*

If a general offer is made to all the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company), any person shall have obtained control of the Company or an offeror gives a notice pursuant to the Companies Act to acquire the remaining Shares, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within six months after the date on which control has been obtained or within six months of such notice.

(o) *Ranking of Shares*

- (i) The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date of allotment of Shares to the grantee on exercise of the option or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distribution paid or made after that date or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before that date;
- (ii) unless the context otherwise requires, references to “Shares” in the Share Option Scheme include shares of HK\$0.10 each of the Company or if there has been a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company; and
- (iii) the rules of the Share Option Scheme may be altered in any respect by resolution of the board of Directors except that certain provisions of the Share Option Scheme shall not be altered to the advantages of grantees or prospective grantees except with the prior sanction of resolution of the Company in a general meeting with the grantees and their associates abstaining from voting provided that any alterations to the provisions of the Share Option Scheme which are of a material nature must be approved by the Stock Exchange except where the alterations take effect automatically under the existing provisions of the Share Option Scheme.

(p) *Cancellation of options*

Any cancellation of options granted but not exercised must be approved by the shareholders of the Company in general meeting, with grantees and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(q) *Termination of the Share Option Scheme*

The Company may by resolution in general meeting terminate the operation of the Share Option Scheme. In such event, no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects.

(r) *Price sensitive development*

Any grant of options will not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no option will be granted until such information has been so announced.

(s) *Period of Share Option Scheme*

Unless terminated by the Company by resolution in general meetings, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Share Option Scheme.

(t) *Administration of Share Option Scheme*

The Share Option Scheme will be administered by a committee of the Board including the independent non-executive directors of the Company.

(u) *Present status of the Share Option Scheme*

The Share Option Scheme is conditional on the GEM Listing Committee of the Stock Exchange granting approval of the Share Option Scheme and any options which may be granted thereunder and the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme. Application has been made to the GEM Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the granting of the options under the Share Option Scheme and the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

OTHER INFORMATION**11. Estate duty and tax indemnity**

Each of the Indemnitors has, pursuant to the deed of indemnity referred to in the section headed “Further information about the business — Summary of material contracts” in this Appendix, jointly and severally given appropriate indemnities in connection with, inter alia, Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Placing becomes unconditional. The deed of indemnity also contains indemnities in respect of taxation resulting from or by reference to any income, profits or gains earned, accrued or received on or before the date on which the Placing becomes unconditional which might be payable by any member of the Group on or before the date on which the Placing becomes unconditional save in the following circumstances:—

- (a) where provision (if any) has been made in the combined accounts of the Group up to 31st May 2000; or
- (b) taxation for which the Group is primarily liable in respect of or in consequence of any event occurring or income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received in the ordinary course of business since 31st May, 2000; or
- (c) which such taxation claim arises or is incurred as a result of any retrospective change in the law or the interpretation or practice thereof by the relevant fiscal authority or an increase in rates of taxation coming into force after the date of the deed of indemnity; or
- (d) where the claim is for a penalty imposed under section 42(2) of the Estate Duty Ordinance by reason of the Group defaulting in any obligation, arising after the deed of indemnity has become unconditional, to give information to the Commissioner under section 42(1) of the Estate Duty Ordinance and which is not interest on unpaid estate duty.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in Bermuda or the British Virgin Islands, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

12. Litigation

No member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

13. Sponsor

Core Pacific - Yamaichi has made an application on behalf of the Company to the GEM Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of the Over-allocation Option by which up to 7,500,000 existing Shares are to be sold by Noble Class Group Limited and options granted under the Share Option Scheme.

14. Preliminary expenses

The estimated preliminary expenses of the Company are approximately US\$5,000 and are payable by the Company.

15. Promoters

The promoter of the company is Mr. Lau. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Placing or the related transactions described in this prospectus.

16. Qualifications of experts

The following are the qualifications of the experts who have given an opinion or advice which is contained in this prospectus:

Name	Qualification
Core Pacific - Yamaichi	Registered investment adviser and securities dealer
Arthur Andersen & Co	Certified public accountants
DTZ Debenham Tie Leung Limited	Property Advisers and valuers
Appleby Spurling & Kempe	Bermuda barristers and attorneys

Save as disclosed herein:

- (a) None of the experts above has any direct or indirect interest in the promotion of the Company, or in the assets which have been, within the two years preceding the issue of this prospectus, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of or leased to, any member of the Group; and
- (b) None of the experts above is interested beneficially or legally in any shares in any member of the Group nor has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares in any members of the Group.

17. Consents of experts

Each of Core Pacific - Yamaichi, Arthur Andersen & Co, DTZ Debenham Tie Leung Limited and Appleby Spurling & Kempe has given and has not withdrawn its written consent to the issue of this prospectus with inclusion of its report and/or letter and/or summary of valuations and/or valuation certificate and/or the references to its name in the form and context in which they are respectively included.

18. Binding effect

This document shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

19. Adoption of Chinese name for the Company

The Directors have been advised that, under Bermuda law, a company may have only one name and a Chinese name such as that adopted by the Company is not registrable in Bermuda as part of the official and registered name of the Company as Chinese characters are not part of the official language of Bermuda. However, the use of Chinese name by the Company for purposes of identification only (for example, on the market floor and on the computer screen at the Stock Exchange) does not contravene the provisions of Bermuda law.

20. Miscellaneous

- (a) Save as disclosed herein:
- (i) within the two years preceding the date of this prospectus no share of loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and
 - (iv) no founders, management or deferred shares of the Company have been issued.
- (b) None of the shares or debt securities of the Company is listed or dealt in on any other stock exchanges and no such listing or permission to deal is being or is proposed to be sought by the Company as at the date of the prospectus.
- (c) There is no minimum subscription to be raised under the Placing and required to be disclosed under section 28 of the Companies Act.

(d) The particulars of the Vendors are set out below:

Name	Description	Address	Number of Sale Shares/ Over-allocation Shares
Pacific Dragon Resources Limited	a company incorporated in British Virgin Islands	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	6,250,000
Digital Capital Markets Limited	a company incorporated in British Virgin Islands	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	6,250,000
Noble Class Group Limited	a company incorporated in British Virgin Islands	The Creque Building 216 Main Street, Road Town, Tortola, British Virgin Islands	7,500,000 pursuant to the Over- allocation Option

(e) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

A. Documents Delivered to the Registrars of Companies in Hong Kong and Bermuda

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the written consents referred to in the section headed “Other Information — Consents of experts” in Appendix IV, statement of adjustments made by Arthur Andersen in arriving at the figures set out in the accountants’ report, copies of the material contracts referred to in the section headed “Further information about the business — Summary of material contracts” in Appendix IV and a list of the names, addresses and description of the Vendors.

B. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Victor Chu & Co. of 19th Floor, Tower 2, The Gateway, 25 Canton Road, Kowloon, Hong Kong during normal business hours up to and including 17th August, 2000:

- (a) the Memorandum of Association and Bye-laws of the Company;
- (b) such audited account as have been prepared for the companies comprising the Group for each of the two financial years ended 31st March, 2000 or for the period from the respective dates of incorporation to 31st March, 2000 where there is a shorter period;
- (c) the accountants’ report, the text of which is set out in Appendix I and the statement of adjustments;
- (d) the letter, summary of valuations and valuation certificate relating to the property interests of the Group, the texts of which are set out in Appendix II;
- (e) the rules of the Share Option Scheme;
- (f) the Companies Act;
- (g) a copy of the letter prepared by Appleby Spurling & Kempe referred to in Appendix III summarising certain aspects of Bermuda law;
- (h) the service agreements referred to in the section headed “Further information about directors, management and staff — Directors” in Appendix IV to this prospectus;
- (i) the material contracts referred to in the section headed “Summary of material contracts” under the section headed “Further information about the business — Summary of material contracts” in Appendix IV to this prospectus together with, where applicable, their English translation; and
- (j) the written consents referred to in the section headed “Other Information — Consents of experts” in Appendix IV.