CYBER ON-AIR GROUP COMPANY LIMITED

ANNUAL REPORT 2002

CYBER ON-AIR
創博數碼科技

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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 of the Stock Exchange 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. 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.

Strategic Change With New Orientation On Ave Towards Prosperity

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHOI Wing Kin
LO Sui Sing

NON-EXECUTIVE DIRECTORS

LO Lin Shing, Simon *(Chairman)*
WU Wing Kin

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEUNG Hon Kit
NG Wai Hung

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1701, Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

COMPANY WEBSITE

http://www.cyberonair.com

COMPANY SECRETARY

CHOW Tak Wing *FCCA, AHKSA, ACS, ACIS*

AUTHORISED REPRESENTATIVES

CHOI Wing Kin
CHOW Tak Wing

COMPLIANCE OFFICER

CHOI Wing Kin

QUALIFIED ACCOUNTANT

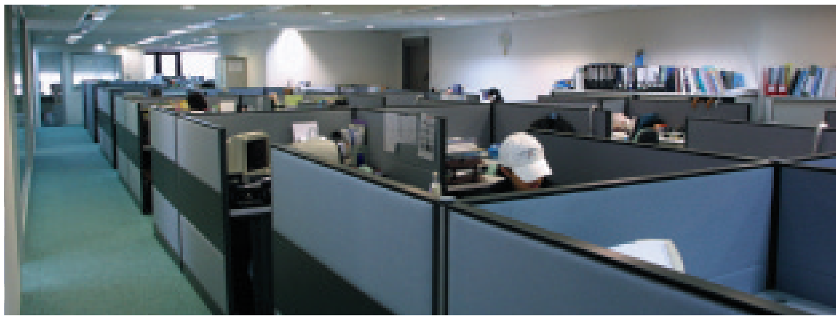
CHOW Tak Wing *FCCA, AHKSA, ACS, ACIS*

AUDIT COMMITTEE MEMBERS

CHEUNG Hon Kit
NG Wai Hung

PRINCIPAL BANKER

Standard Chartered Bank
9th Floor, Standard Chartered Bank Building,
4-4A Des Voeux Road Central,
Hong Kong.



PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1901-1905
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

SPONSOR

Core Pacific – Yamaichi Capital Limited
36th Floor, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

In today's fast-paced global business environment, business models can be made obsolete very quickly by numerous world events or spillover effects. The challenge to the Directors and the management of Cyber On-Air Group Company Limited (the "Company") and its subsidiaries (the "Group"), formerly known as hkcyber.com (Holdings) Limited ("hkcyber.com"), has always been to keep the Group agile and flexible; to have a keen eye for opportunities that will enable more growth, the courage to seize synergistic opportunities, and the foresight to lead the Group into areas of sustainable, new growth.

Reflecting this business philosophy, as part of the Group's strategy to expand business to the Greater China Region during the year under review (ended 31 March 2002), the Group while still known as hkcyber.com (Holdings) Limited on 31 October 2001 entered into an Acquisition Agreement with Cyber On-Air Group Limited ("COA") to acquire the latter by May 2002 for a consideration of HK$80 million. Simultaneously, the name of hkcyber.com (Holdings) Limited was changed to Cyber On-Air Group Company Limited.

At the time of entering into the Acquisition Agreement, the Group was a leading on-line multimedia content provider and COA, a leading enabler in wireless, broadband and multimedia technologies. This move augurs well for the Group as COA has over seven years proven track record in the IT industry and key market segments including banking, securities, insurance and telecommunications. COA also has a strong revenue stream from the provision of wireless and broadband applications, wireless and multimedia, Internet connectivity and system integration services. Its business operation spreads over many cities in the Asian Region.

Thus, the Directors are confident that the acquisition is advantageous to the Group in exploring new business opportunities and in speeding up the growth of business from Hong Kong to China. The Directors also strongly believe that this acquisition is a valuable, long-term strategic investment beneficial to the Group and the shareholders.

COA secured additional business expansion when it was appointed the authorized sole agent to provide repair and maintenance services for the network synchronization products of China Telecom, a leading telecommunications company, in 21 major cities and provinces across China. This agreement will generate considerable revenue for the Group in the coming year.

In January 2002, the Group further expanded its multimedia business in the China market by entering into an agreement with「廣東錫安人力資源有限公司」, formerly known as「廣東錫安物業發展有限公司」("Guangdong Xian") to form a joint venture company, An Bo Information Services Limited ("An Bo"). An Bo is the first Sino-HK joint venture in China to provide full-scale services with multimedia technology applications via service centers and on-line portal. Guangdong Xian, the Group's first partner in China, is a very prestigious company in the China employment

services market and has been providing employment consultancy and community services for over six years in Guangdong Province. Guangdong Xian's excellent relationship with its clients, business establishments and other important community organisations is a key enabler in the Group's plans for sustainable expansion in its multimedia business in the China market.

The Group is confident that An Bo will change the business model of employment services in China. It is also delighted that An Bo will be able to provide employment, community services and diverse professional corporate services to enterprises in China and to the people of Guangdong Province.

The Group sees the tremendous potential of wireless technologies and applications in an e-environment of rapidly changing technology. Managing new wireless technologies while keeping up with the current pace of business change, pose significant challenges to enterprises. COA has developed Oaxis, a proven wireless software and intelligent suite to provide an environment and the tools for developers to develop and deploy optimum mobile solutions via different channels, e.g., WAP, SMS and J2ME. The Group views such innovative products as contributors to its revenue and is confident that it will be able to maintain its competitive edge through developing more innovative products.

The Directors wish to highlight that a new and stronger management team is now in place, as part of the Group's strategy to strengthen and streamline operations with a view to more profitable business. The Group will also continue to exercise prudence and cost management at all times.

The Directors remain optimistic about the vast market potential in China and will continue to steer the Group to profitable ventures. With the good relationships developed by the Group and Guangdong Xian in China, the Group will be exploring further opportunities for development there.

On behalf of the Board of Directors, I wish to thank all our valued shareholders, customers, business associates, the various government and regulatory authorities, consultants, and advisors for their invaluable assistance, strong support and encouragement. I would also like to express my thanks and appreciation to my fellow Directors, the management and the staff for their dedication, commitment and valuable contributions. The Board, the management and the staff will continue to work diligently to take the Group to greater heights.

Lo Lin Shing, Simon
Chairman

Hong Kong, 21st June 2002

MESSAGE FROM THE CHIEF EXECUTIVE

MESSAGE FROM THE CHIEF EXECUTIVE

The period under review was a most difficult and challenging year for Internet businesses, further aggravated by the September 11 terrorist attack, and the slowdown in the global economy. The effect of the slowdown was quickly reflected in Hong Kong, which was also experiencing a high level of unemployment at the time.

Since its inception, the Group had derived income from on-line advertising, in the form of banner advertisements, button advertisements, and sponsorship or co-branded advertisements. In the context of the economic slowdown, clients' advertising expenditure, which is generally sensitive to the business environment, was curbed, causing a downturn in Internet advertising. This resulted in the Group's e-marketing income decreasing significantly from HK$8.2 million in 2001 to HK$1.1 million in 2002.

The Group's virtual e-mall, which provides a wide selection of commodities and on-line games for the members, was also adversely affected. The e-mall income, derived from the e-commerce performed in the virtual e-mall, registered a significant decrease from HK$1.9 million in 2001 to HK$0.03 million in 2002. Income derived from licensing the contents of the portals, including news and entertainment information, to end users such as mobile operators, showed a slight slowdown from HK$0.7 million in 2001 to HK$0.5 million in 2002.

In view of the tight liquidity and lacklustre conditions in the Internet industry, the Group emphasized prudence and effective cost management. A large-scale redundancy programme was implemented, affecting primarily non-performing units. Activities that incurred high maintenance cost and failed to generate acceptable revenues were also discontinued. Among them were Cyber TV operations, the production of the live shows, and portal offerings such as chat room and interactive fortune-telling services. The Group also launched a new portal on education during the year but as feedback was not satisfactory, the operation was suspended. After restructuring programme, monthly operating cost was significantly decreased from HK$5.7 million in April 2001 to HK$1.5 million in March 2002, a 74% reduction. At year ended 31 March 2002, the Group recorded an operating loss of HK$66.2 million (excluding impairment loss of HK$49.2 million), greatly reduced by 24% from last year. The overall income is HK$2.4 million with a net loss of HK$117 million.

Concurrently, the Group actively sought out strategic alliances and merger and acquisition opportunities, the first of which was the acquisition of COA. The Group's business model will be enhanced with this acquisition, from that of tapping the Internet market through development of on-line community Internet portal to becoming an enabler of broadband, wireless, multimedia and Internet applications. The establishment of An Bo as a joint venture with Guangdong Xian to provide full-scale services with multimedia technology applications via service centres and on-line portal in the PRC, will further extend the Group's on-line business and multimedia technologies to China. The Group is very excited about the new business opportunities that both these developments offer, particularly in the PRC market.

In light of these developments, and the need to remain competitive in a very fast changing industry, the staff composition and professional commitment must reflect the requirements of the Group's evolving business model and enable the Group to thrive in a new environment. Hence, the Group will take all necessary steps to ensure the right staff mix of qualified personnel, recruiting additional or new expertise if necessary, and taking appropriate steps to nurture a culture of continuous learning and self-improvement in order to develop a highly motivated and productive staff that can support the Group's business objectives.

As the Group endeavours to seek out new business areas and products with high growth potential while working towards increasing customer base, it will continue to practise prudence in fiscal management and effective cost management.

FUTURE PLANS AND DEVELOPMENT

The Group is committed to establishing itself as the leading provider of products, services and solutions in broadband, multimedia and wireless technologies in Hong Kong and China after the acquisition of COA is completed. It will continue to emphasize strong focus on business development and operations in the China Market.

The Group will place strategic investment in An Bo, providing professional one-stop-shop services, including business consulting, company secretarial services, business and tax registration, training and recruitment services. With China as a member of WTO, the demand for corporate services will be enormous. Further, the trend for the service industry, such as the employment services providers in Guangzhou and other major cities in the PRC, is to develop more efficient and sophisticated operations through computerization. Computer penetration in the PRC is also increasing. This scenario affords promising opportunities for An Bo and the Group's services and products.

Since the China Government encourages enterprises to "Go West" for market development, the Group will establish an office in Chengdu to expand our services and business coverage. The Group intends to expand the channel distribution network in China for its own brand of wireless products and multimedia products.

The Group is also keen to develop unique application software for the China market especially for the finance, securities and insurance (FSI) industry and the telecommunications industry, a market sector that offers good potential. Finally, in Hong Kong, the prospects also appear more positive as there are signs of economic recovery. A stronger economy in Hong Kong will facilitate greater take-up of the Group's services and products. Thus, the Group expects a very active and positive year ahead.

Choi Wing Kin
Chief Executive Officer

Hong Kong, 21st June 2002

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of results and segmental performance of the financial year ended 31 March 2002.

FINANCIAL REVIEW

For the financial year ended 31 March 2002, total turnover of the Group was HK$2.4 million (2001: HK$11.4 million). The decrease was due primarily to the downturn in the Internet advertising industry. The period under review was an extremely difficult market situation for the Group, one characterized by a sharp decline in advertisers using the Internet medium for their advertising needs, increased competition and generally a more difficult economic environment. As a result, advertising revenue for the Group dropped to HK$1.1 million (2001: HK$8.2 million). Overall, the Internet business is under tremendous pressure to contain costs because of the difficulty in generating sufficient income through on-line facilities.

For the period under review, the Group recorded a loss amounting to HK$117 million, attributable to the large-scale restructuring program to keep the Group cost competitive. The restructuring program included a large-scale redundancy of workforce, termination of certain contracts incurring recurrent costs, consolidation of the offices and also writing off assets, impairment loss recognized for both tangible and intangible (including office equipment, computer hardware and software, and related leasehold improvements) to cope with the future changes of The Group.

Total staff cost decreased significantly to HK$17.9 million from HK$37.9 million in 2001 after implementation of the redundancy plan. Irrespective of the asset write off, impairment loss recognized, redundancy payments and the cost of acquisition of COA, the loss attributable to shareholders decreased substantially to HK$54.6 million from HK$87.9 million in 2001, representing 38% decrease.

BUSINESS REVIEW

Content / Website Development

In the previous business model, the Group was poised to play a leading role among the Chinese content providers, providing comprehensive and updated content through attractive web design and interactive features. However, the extremely difficult Internet market caused a significant decrease in revenue leading to content and web design expenses decreasing substantially by 56% from HK$23.4 million in 2001 to HK$10.3 million in 2002. The Group's restructuring programme involved considerable reduction in the number of content, web programming and design staff, resulting in the staff cost decreasing from HK$32.6 million in 2001 to HK$11.8 million in 2002.

The Group's assumption on the continued growth of the Internet market in the years ahead failed to materialise and caused the Group to incur material losses. After the completion of the proposed COA acquisition, the Group's business objective changed from focusing on the development of the on-line community Internet portal to tapping the Internet market in order to become an enabler of broadband, wireless, multimedia and Internet applications. Hence, the Group decided to write off or impairment less recognized for those assets, including those computer hardware and software for the enhancement of the contents of the portals, the IT infrastructure and other relating balances etc. amounting to HK$53.6 million, in order to reflect the future significant change in the business objective of the Group.

In the last two years, the Group had invested and funded the development and management of the architecture building, platforms, and applications in multimedia and Internet technologies. During the year under review, this excellent foundation with all its features and interactive portal services was maintained although the operational structure was scaled down. In addition, as part of the move to evolve the website, further enhancements including wireless applications and mobile commerce capabilities were installed.

The multimedia and Internet technologies were successfully deployed in other on-line businesses in the Group, such as An Bo, the joint venture company with Guangdong Xian. All other technologies have been commercialized as products for sales distribution.

Technical Development

There was no new technical development during the review period. Following the completion of the acquisition of COA, corporate and IT personnel from both hkcyber.com and COA will merge and be exposed to wireless and broadband applications.

Brand Building

In previous years, the Group had invested significant resources in brand building, leading to a strong brand name and prominent Group profile by 2001. As part of effective cost control, promotion activities and overseas road shows planned for the year were set aside, resulting in significant reduction of 91% in advertising and promotion expenses to HK$1.4 million from HK$16.5 million in 2001.

The Group will continue to invest resources in brand building, strategically leveraging our resources to build both the corporate brand and the technology products brand (wireless and multimedia products) in China.

General and Administration Expenses

As part of the restructuring program, the Group implemented a large-scale redundancy plan and consolidation of its offices space. As a result, the Group was required to write off the relating office equipment (including computer hardware and software) and related leasehold improvements in February 2002.

Liquidity and Financial Resources

Current assets amounted to HK$4.3 million as at 31 March 2002, of which approximately HK$1.3 million were cash and bank balances. Approximately HK$0.5 million of such cash and bank balances were placed in time deposit accounts as to secure the bank guarantee. The Group's assets and liabilities remain mainly denominated in HKD and the Directors do not consider that the Group is significantly exposed to any material foreign currency exchange risk.

The Board of Directors believes that the acquisition of COA will help to strengthen the Group's financial position and enable the continued execution of the long-term investment and acquisition strategy of the Group. The Group did not have any material contingent liability as at 31 March 2002.

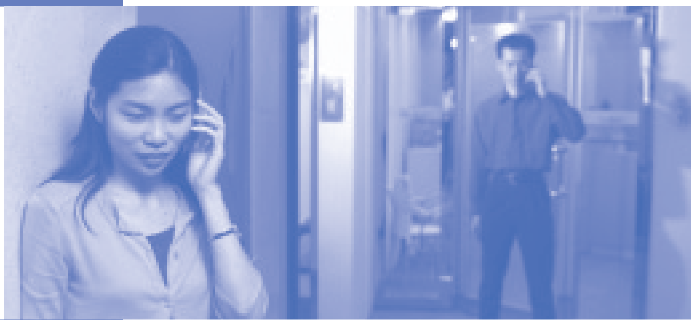
Employees And Remuneration Policies

The total number of employees in the Group was 36 as at 31 March 2002 (2001: 147). The Group remunerated its employees on the basis of performance, experience, and the prevailing industry practice. In addition to salaries, employee benefits included medical scheme, MPF and share option schemes.

Share Option Scheme

On 17 July 2000, the Group conditionally adopted the Post-IPO Share Option Scheme, the principal terms of which are summarized in the paragraph headed "Share Option Scheme" in appendix IV to the Prospectus.

The Capital Reorganization will cause an adjustment to the number and exercise price of the outstanding Share Options, which are subject to the Capital Reorganization becoming effective. The Company's auditors Deloitte Touche Tohmatsu, have reported to the Directors that such adjustments have been calculated with reference to Clause 9 of the Pre-IPO Share Option Scheme and the Share Option Scheme respectively in accordance with the requirement under GEM Listing rule 23.03(13).



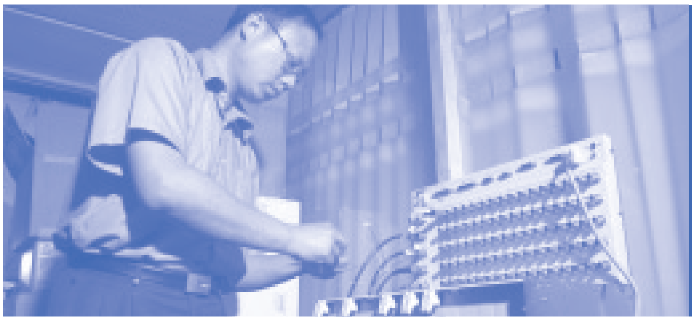
Use Of Proceeds From The Issuing Of The New Shares

As stated in the circular of the Company dated 28 December 2001 in relation to the acquisition of COA, out of the net proceeds of approximately HK$156 million arising from the placing of new shares in the Company's initial public offering in July 2000, the Group has applied the total of approximately HK$94 million to purchase software and hardware, improvement in network infrastructure and brand building activities up to 31 March 2002 are as follows:

	Actual amount used *HK$ million*	Per Prospectus *HK$ million*
Purchase of software and hardware, set up mirror site	61	32
Improvement in network infrastructure	15	12
Brand building activities	18	7.5
Merger and acquisition	–	22
	94	73.5
General working capital	62	30
	156	103.5

According to the Prospectus of the Company, the Group planned to use a total of HK$103.5 million up to 31 March 2002. The remaining balance of approximately HK$62 million of the total net proceeds was fully used to pay for the operating expenses of the Group. In particular, the Group has suffered operating losses (excluding amortization, depreciation, write-off and impairment loss recognized of assets) of approximately HK$44.5 million and HK$75.6 million for the two years ended 31 March 2002 respectively.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The business objectives presented below are in accordance with the business objectives as laid down in the IPO Prospectus dated 21 July 2000.

Since the worldwide Internet industry, particularly the sector relating to portal operations and content providers, has suffered a major downturn since mid 2000, the Group has been operating under an extremely difficult market with sharp decline in advertising revenue and increased competition in the past years. As a result, the Company is forced to re-consider its original business objectives and business model and carried out necessary actions to rectify operation situation, which induced numbers of original business objectives are either modified or ceased.

Business objectives as set out in the Prospectus for the period from 1 April 2001 to 30 September 2001:	**Actual business progress to date:**
Increase traffic	
1. Introduce multimedia news and web-cast news programmes	Cyber TV had been broadcasting news programmes daily since the beginning of 2001. However, due to the high maintenance cost of these programmes and the low revenue generated, the Cyber TV operations ceased in the second half of the year. The Group consider that this service will not resume in the near future until proven market is ready.
2. Launch voice mail allowing users to record and receive their voice mail	No plan to launch the service as market is not ready and no significant revenue but with significant costs.
3. Launch video mail allowing users to record and send short video	No plan to launch the service as market is not ready and no significant revenue but with significant costs.

4. Introduce another series of live shows with topics on lifestyle, food, health, movies and latest trends in Japan	The production of the live shows was suspended since October 2001 because of high production cost.
5. Seek strategic alliance and merger and acquisition opportunities	Negotiation with the management of COA finally led to the proposed acquisition of COA on 31 October 2001. The acquisition was completed on 8 May 2002.
6. Continue to introduce new interactive content of popular interest at the relevant times, and increase the depth and breadth of the Group's content	The Group improved the chat room and the interactive fortune-telling, and searched for interesting on-line games with reasonable prices for portal offering. However, these services did not generate much revenue, and thus ceased in the second half of the year and has no plan to resume the service until proven market exist.
Increase brand strength	
7. Roadshow in Singapore	The roadshow in Singapore has been set aside until the market condition improves because of the weakness in global Internet markets.
8. Continue advertising through effective media such as outdoor electronic display and billboards and promotional campaigns such as participation in exhibitions and trade shows	In previous periods, the Company had conducted or sponsored a number of large-scale outdoor events including the Lunar New Year's Eve event early this year, the Computer Expo in the Convention Centre last year and numerous promotional campaigns at Times Square. Such participation has given sufficient exposure and publicity to the Group's brand-name.

Increase revenue

9. Continue to increase revenue from interactive and full-screen advertising and e-marketing services by increasing the fees charged for the marketing services, and broadening the customer base at the same time	Besides developing more advertising customers by offering value-added banner package, the Group has improved the fortune-telling services in order to provide steady sources of income in the coming quarters. However, due to the extremely difficult web advertising market, these services did not generate much revenue and subsequently ceased to save up the related costs of operation.
10. Charge viewers in Australia for access to the news channel and specific content and services	No charge has yet been levied on viewers because of the weakness in global Internet markets and immature of the market. The Group will not further invest in this area.
11. Continue to source new merchants for the e-mall	The e-malls were not profitable throughout its operating history and its operations have been suspended until the e-mall market become well accepted.
12. Continue efforts to increase revenue from the licensing of its content to other portals and local and overseas television stations	The Group has always explored this revenue stream and has sold one of its series to iTV. However, because of intense competition, the Group has not yet been able to solicit orders from local or overseas television stations at a profitable price.

Improvement of infrastructure

13. Set up mirror sites in Australia, Shanghai in the PRC and Singapore	The set-up of mirror sites overseas is set aside because of the depression in the global Internet markets and the Group has no plan to further invest in this area.
14. Review and improve the existing IT infrastructure such as the enhancement of the facilities of data storage and the setting-up of a total disaster recovery storage	Improvement has been made to routers to ensure 100% uptime. Streaming encryption has been upgraded to enhance video-streaming security. The existing data storage and disaster recovery storage is sufficient for the Group's business.
15. Purchase of hardware and software for e-commerce	The build-up of the Group's IT infrastructure has been completed. At the moment, the facility is sufficient for the Group's current and future operations.

Business objectives as set out in the Prospectus for the period from 1 October 2001 to 31 March 2002:	**Actual business progress to date:**
Increase traffic	
1. Launch a new portal on education	This was launched in September 2000 but feedback was not satisfactory. As a result, the operation was suspended in December 2000 and will not resume this service until the market become mature.

2. Continue to develop more interactive and multimedia content and live programmes with depth and new features such as standup comedy, interviews in "Larry King" style and programmes on cooking	The AV production unit was closed due to high costs of production and the Group considered that this revenue stream is difficult to become profitable.
Increase brand strength	
3. Roadshows in Beijing and Shanghai in the PRC	The roadshows in Beijing and Shanghai have been set aside until the market condition improves because of the weakness in global Internet markets.
4. Continue advertising through effective media such as outdoor electronic display and billboards and promotional campaigns such as participation in trade shows and exhibitions	In previous periods, the Group had conducted or sponsored a number of large-scale outdoor events including the Lunar New Year's Eve event 2002, the Computer Expo in the Convention Centre last year and numerous promotional campaigns at Times Square. The Group considers such sponsorship too expensive, and therefore has decided to carry out advertising through its own portal.
Increase revenue	
5. Charge viewers in Singapore for access to the news channel and specific content	No charge has yet been levied on viewers because of the weakness in global Internet markets.
6. Continue to source new merchants and advertisers for its e-mall business and e-marketing service	The e-malls were not profitable throughout its operating history and its operations have been temporarily suspended in the current quarter pending a redesign of the business model.

7. Charge viewers in the US and Canada for access to the news channel and specific content and services	No charge has yet been levied on viewers because of the weakness in global Internet markets.
8. Continue to increase revenue from the licensing of its content to other portals and local and overseas television stations	The Group has always explored this revenue stream and has sold one of its series to iTV. However, because of intense competition the Group has not yet been able to solicit orders from local or overseas television stations at profitable price.

Improvement of infrastructure

9. Set up mirror sites in Singapore and Europe	The set-up of mirror sites overseas is temporarily set aside because of the depression in the global Internet markets.
10. Develop a global network to further strengthen the quality and timing on downloading	Since the Group has no plan to set up the mirror sites, there is no requirement to develop a global network.
11. Purchase of hardware and software for e-commerce	The build-up of the Group's IT infrastructure has been completed. At the moment, the facility is sufficient for the Group's current and future operations.

BOARD OF DIRECTORS & SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Choi Wing Kin, Ricky, aged 40, joined the Group as Executive Director in May 2001 and he is also the Chief Executive Officer of the Group and the Founder of Cyber On-Air Limited. Mr. Choi is responsible for direction steering, execution of the board's decision and management of the overall daily operation of the Group. He is also the Principal Consultant of New World CyberBase Limited and an Executive Director of Skynet (International Group) Holdings Limited. Mr. Choi obtained a Bachelor of Science degree in Electronics & Computer Science at the Chinese University of Hong Kong and various professional qualifications including being a professional Chartered Engineer of The Engineering Council (UK), a member of The Institution of Engineers (Australia), and a member of The Institute of Electrical Engineers (UK).

Mr. Lo Sui Sing, Thomas, aged 42, joined the Group in February 2000. He was the News Controller and in charge of the News Department of the Group. He was appointed as Executive Director of the Group in August 2001. Mr. Lo has over 21 years of experience in both operating and planning in television news media. Mr. Lo holds a Bachelor degree in Journalism from Shue Yan College in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon, aged 45, joined the Group in May 2001. Mr. Lo is the Chairman & Non-Executive Director of the Group. Mr. Lo is also the Chairman of Asia Logistics Technologies Limited, Deputy Chairman of Tai Fook Securities Group Limited and New World CyberBase Limited. He is an Executive Director of Asean Resources Holdings Limited, The Kwong Sang Hong International Limited and Pacific Ports Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also a Non-Executive Director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lo holds a Bachelor of Business Administration Degree. He possesses over 20 years of experience in the financial, securities and futures industries. He has been a member of the CME and IMM since 1986.

Mr. Wu Wing Kin, aged 45, has more than 20 years of working experience in the financial, securities and futures industries. Currently, Mr. Wu is the Chief Executive of V Six Securities Limited and the Executive Director of Asia Logistics Technologies Limited. He is also a Non-Executive Director of Skynet (International Group) Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Wai Hung, aged 38, is a practicing solicitor and a partner in Iu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies.

Mr. Cheung Hon Kit, aged 48, has over twenty-three years' of experience in real estate development, property investment and corporate finance. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. He has worked in key executive position in various leading property development companies in Hong Kong. Currently, he is an executive director of ITC Corporation Limited and Paul Y. – ITC Construction Holdings Limited and the executive vice chairman of China Land Group Limited. He is also a director of Hanny Holdings Limited, Asean Resources Holdings Limited, Panva Gas Holdings Limited, Billybala Holdings Limited, Companion Building Material International Holdings Limited and Skynet (International Group) Holdings Limited.

SENIOR MANAGEMENT

Mr. Chow Tak Wing, Derek, aged 35, joined the Group as Chief Financial Officer in January 2002. He is responsible for the finance, administration, legal compliance and company secretarial matters of the Group. Mr. Chow has more than thirteen years experience in the professional career of accountancy and treasury. Mr. Chow obtained his Professional Diploma in Accountancy from the Hong Kong Polytechnic University and also possesses several professional qualifications namely as the Fellow Member of The Association of Chartered Certified Accountants, the Associate Member of The Hong Kong Society of Accountants, Associate Member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

Mr. So Kam Wing, Tony, aged 42, joined the Group in January 2002 as Vice President of Technical Operations. He is responsible for direction steering, execution of the board's decisions and management of the overall daily operation in Hong Kong & Asia Pacific Region. Mr. So obtained several academic qualifications including Graduate Diploma in Management, Professional Diploma in Telecommunications and Higher Diploma in Marine Electronics which were granted by the Hong Kong University of Science and Technology, Hong Kong Management Association and the Hong Kong Polytechnic University respectively. Mr. So has over 15 years experience in the field of communications. Prior to joining the Group, Mr. So was the General Manager of Foshan Falcon Technology Limited and was responsible for overseeing the implementation of projects and management of daily operation for the company.

Mr. Woo Chiu Fai, Kenneth, aged 38, joined the Group in January 2002 as Vice President of Technology. Mr. Woo is responsible for technology and product development. Mr. Woo obtained a Bachelor of Engineering Degree at the University of Sydney. Prior to joining the Group, Mr. Woo was the Director of the Product Development for WAPHead. Mr. Woo also took a number of technical management and R&D roles in HK and overseas including New World PCS, Optus Communications Australia, Motorola Australia and Motorola Asia Pacific. Mr. Woo has extensive knowledge and more than 14 years experience in the mobile communications and Internet industry and is one of the professional pioneer to develop mobile internet applications and platforms.

Mr. Matthew Deng, aged 37, joined the Group in May 2002 as Vice President of North China. Based in Beijing, Mr. Deng is responsible for the direction steering and exploration of the Group's sales distribution and marketing in the northern PRC and the formulation of strategy for the development of products and services. Mr. Deng had held teaching position in the Beijing University of Posts and Telecommunications for seven years, and then received the appointment to participate in the International Telecommunication Union (ITU) for another four years. Mr. Deng had held various positions in a number of companies in the United States and Hong Kong listed companies, such as American Networks, iBasic Inc, eForce Holdings Ltd, Digitel Group Ltd. He has over 10 years of experience in the telecommunication industry in the PRC, possesses in-depth knowledge of and maintains good relationship with various PRC telecommunication operators. Mr. Deng graduated in the Beijing University of Posts and Telecommunications and received a MBA from the Graduate School of the Chinese Academy of Sciences.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2002.

CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 21 January 2002 (the "EGM") and the approval from the Registrar of Companies in the Cayman Islands, the name of the Company was changed from hkcyber.com (Holdings) Limited to Cyber On-Air Group Company Limited with effect from 8 May 2002.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its subsidiaries and associate are set out in notes 17 and 18 respectively to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 20% and 57% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases for the year.

Save as disclosed above, none of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers.

RESULTS

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 38.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past three years is set out on page 76 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 26 to the financial statements.

Subsequent to the balance sheet date, there was a capital reduction in the issued share capital, a share consolidation and a change in authorised share capital of the Company. Details of these transactions are set out in note 34 to the financial statements.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Choi Wing Kin	(appointed on 23 May 2001)
Mr. Lo Sui Sing	(appointed on 23 August 2001)
Mr. Wong Yuk Man	(resigned on 6 August 2001)
Mr. Leung Wai Man, Sunny	(resigned on 14 August 2001)
Mr. Lai King Yan, Anthony	(resigned on 31 January 2002)

Non-executive directors

Mr. Lo Lin Shing, Simon	(appointed on 23 May 2001)
Mr. Wu Wing Kin	(appointed on 23 May 2001)
Mr. Leung Ge On, Andy	(resigned on 27 July 2001)
Mr. Shiu, Stephen Junior	(resigned on 27 July 2001)

DIRECTORS – continued

Independent non-executive directors

Mr. Cheung Hon Kit	(appointed on 23 May 2001)
Mr. Ng Wai Hung	(appointed on 23 May 2001)
Mr. Cheung Yan Leung, Stephen	(resigned on 10 July 2001)
Mr. Li Ka Cheung, Eric	(resigned on 10 July 2001)

There being no provision to the contrary in the Company's Articles of Association, all remaining directors continue in office.

No director has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, none of the directors nor their associates, had any interests in any securities of the Company or any of its associated corporations.

SHARE OPTIONS

Pre-IPO share option scheme

A pre-IPO share option scheme ("Pre-IPO Scheme") was adopted pursuant to a resolution passed on 17 July 2000 to recognise the contribution of certain directors, employees and consultants of the Company and its subsidiaries (the "Group") to the growth of the Group and/or the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and will expire on 16 July 2010. Under the Pre-IPO Scheme, the board of directors may, at its discretion, grant options to employees, directors and consultant of the Group to subscribe for shares in the Company.

At 31 March 2002, the number of shares in respect of which options had been granted under the Pre-IPO and Post-IPO Share Option Schemes was 12,455,602, representing 0.75% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Pre-IPO Scheme is 125,000,000, representing 10% of the total issued share capital of the Company immediately following completion of the placing and the capitalisation issue details of which are set out in the prospectus dated 21 July 2000 issued by the Company. No option may be granted to any one person exceeding 25% of the aggregate number of shares issued and issuable under the Pro-IPO Scheme.

SHARE OPTIONS – continued

Options granted must be taken up within 3 days of the date of grant upon payment of HK$10 as consideration for the grant. The exercise price is HK$0.05 representing a discount of 92.6% of the IPO offer price. The options may be exercised at any time during the period from 1 February 2001 to 30 July 2003 in accordance with the following schedule:

Period	Percentage of options granted to an individual that can be exercised
Date of grant to six-month period after the listing of the Company on GEM	Zero
Six- to twelve-month period after the listing of the Company on GEM	Up to one-third
Six- to eighteen-month period after the listing of the Company on GEM	Up to two-third
Thereafter	All options which have not been previously exercised

Post-IPO Share Options Scheme

A post-IPO share option scheme ("Post-IPO Scheme") was adopted pursuant to a resolution passed on 17 July 2000 to recognise the contribution of eligible employees to the growth of the Group and will expire on 16 July 2010. Under the Post-IPO Scheme, the board of Directors may, at its discretion, grant options to full-time employees, including executive directors of the Company and its subsidiaries to subscribe for shares in the Company.

At 31 March 2002, the number of shares in respect of which options had been granted under the Post-IPO Scheme was 8,000,000, representing 0.48% of the shares of the Company in issue at that date.

SHARE OPTIONS – continued

The total number of shares in respect of which options may be granted under the Post-IPO Scheme and any other schemes including the Pre-IPO Scheme is not permitted to exceed 30% of the issued share capital of the Company from time to time. Subject to the above rule, the total number of shares in respect of which options may be granted under the Post-IPO Scheme and other scheme must not in aggregate, exceed 10% of the issued share capital of the Company from time to time unless further shareholders' approval has been obtained. Options granted to connected person must be approved by the independent non-executive directors. Options granted to connected person, who is also a substantial shareholder, in excess of 0.1% of the issued shares of the Company or with a value in excess of HK$5 million must be approved by the Company's shareholders in general meetings. No option may be granted to any one person exceeding 25% of the aggregate number of shares issued and issuable under the Post-IPO Scheme.

Options granted must be taken up within 3 days of the date of grant upon payment of HK$10 as consideration for the grant. Option period to be determined and notified by the board of directors to each grantee during which an option may be exercised, is any period from three years to ten years from the date of grant or the tenth anniversary of the adoption date of the Post-IPO Scheme, 16 July 2010, whichever is earlier.

The exercise price is determined by the board of directors, and will not be less than the average of the closing prices of the Company's shares for the five trading days immediately preceding the date of grant or the closing price of the shares on the date of grant, whichever is the higher, provided that the exercise price should not be lower than the par or nominal value of the shares.

The fair value of the options granted in the current year measured at 17 August 2001, the date of grant, was HK$0.06. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

SHARE OPTIONS – continued

Expected life of options	2 years
Expected volatility based on historical volatility of share prices	140%
Hong Kong Exchange Fund Notes rate	3.85%
Expected annual dividends yield	Nil

For the purposes of the calculation of fair value, no adjustment has been made in respect of options expected to be forfeited as no forfeiture is expected.

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of the share options.

No charge is recognised in the income statement in respect of the value of options granted in the period.

SHARE OPTIONS - continued

The following table discloses the movements in the Company's share options during the year:

Directors	Option type	Outstanding at beginning of year	Granted during the year	Exercised during the year	Cancelled during the year	Reallocation during the year	Outstanding at end of year
Mr. Wong Yuk Man	Pre-IPO	25,000,000	–	–	(25,000,000)	–	–
Mr. Leung Wai Man, Sunny	Pre-IPO	25,000,000	–	–	(25,000,000)	–	–
Mr. Lai King Yan, Anthony	Pre-IPO	12,500,000	–	–	(4,166,667)	–	8,333,333
Mr. Shiu, Stephen Junior	Pre-IPO	146,662	–	–	(146,662)	–	–
Mr. Lo Sui Sing *(Note)*	Pre-IPO	–	–	–	–	1,285,574	1,285,574
Mr. Lo Sui Sing	Post-IPO	–	8,000,000	–	–	–	8,000,000
Total directors		62,646,662	8,000,000	–	(54,313,329)	1,285,574	17,618,907
Total employees	Pre-IPO	24,697,601	–	(240,000)	(20,335,332)	(1,285,574)	2,836,695
Total		87,344,263	8,000,000	(240,000)	(74,648,661)	–	20,455,602

Note: Mr. Lo Sui Sing was appointed as executive director on 23 August 2001.

Details of specific categories of options are as follows:

Option Type	Date of grant	Vesting period	Exercise period	Exercise price
				HK$
Pre-IPO	18/7/2000	18/7/2000 – 31/1/2001	1/2/2001 – 30/7/2003	0.05
Post-IPO	17/8/2001	–	17/8/2001 – 16/8/2004	0.084

The closing price of the Company's shares immediately before 17 August 2001, the date of grant, was HK$0.084.

SHARE OPTIONS - continued

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised on 10 July 2001 and 23 August 2001 were the HK$0.0838 and HK$0.0828 respectively.

Subsequent to the reduction in capital and the consolidation of the issued shares of the Company as detailed in the Post Balance Sheet Events ("Capital Reorganisation"), adjustment is made to the number and exercise price of the outstanding options as follows:

Option type	Exercise price at end of year	Exercise price after Capital Reorganisation	Number of options outstanding at end of year	Number of options after Capital Reorganisation
Pre-IPO	HK$0.05	HK$0.01	12,455,602	622,780
Post-IPO	HK$0.084	HK$0.0168	8,000,000	400,000

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed above, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

(i) Non-exempted connected transactions

On 31 October 2001, the Company entered into a conditional agreement (the "Acquisition Agreement") with Messrs. Wong Kwok Kin ("Mr. Wong"), Choi Wing Kin ("Mr. Choi"), So Kam Wing ("Mr. So"), Cyber Network Technology Limited ("Cyber Network") and Wellington Equities Inc. ("Wellington") (collectively the "Vendors"), pursuant to which the Company had conditionally agreed to acquire the entire issued share capital of Cyber On-Air Group Limited ("COA"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, and is owned as to approximately 39.36% by Mr. Wong, 33.24% by Mr. Choi, 2.28% by Mr. So, 16.00% by Cyber Network and 9.12% by Wellington, from the Vendors for a consideration of HK$80 million (the "Acquisition"). The consideration would be satisfied by the issue of loan notes having an aggregate principal amount of HK$80 million (the "Note") to the Vendors in accordance with their corresponding shareholding interests in COA. The payment obligations of the Company under the Note issued to each Vendor is secured by a charge over the shares in COA sold by that Vendor. Mr. Choi is a director of the Company, COA and Skynet (International Group) Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange, and a substantial shareholder of the Company. Cyber Network is a company incorporated in BVI with limited liability and a wholly-owned subsidiary of New World CyberBase Limited ("NWCB"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange. Mr. Lo Lin Shing, Simon ("Mr. Lo") is a director of the Company, Cyber Network and NWCB and the owner of Wellington.

An ordinary resolution approving the Acquisition Agreement was passed at the EGM. Completion of the Acquisition is subject to the fulfilment of the conditions precedent set out in the circular dated 28 December 2001. The Acquisition was completed on 8 May 2002.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS – continued

(ii) **Non-exempted continuing connected transactions**

On 17 July 2000, the Group entered into the following agreements with Skynet Limited ("Skynet"), a substantial shareholder of the Company, has beneficial interests, for a term of 12 months from the date of the agreements, which if not terminated, should be automatically renewed every 12 months subject to termination by the Group giving three months' prior written notice:

(1) Skynet provided housing facilities for the Group's servers for operation of its websites (the "Co-location Service").

(2) Skynet provided design services for certain web pages at the Group's websites (the "Design Service").

(3) Skynet provided studio facilities for the production of the Group's live programmes (the "Studio Service").

The Stock Exchange has granted waivers to the Company from strict compliance with the announcement and shareholders' approval requirements under Rules 20.35 and 20.36 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for each of the non-exempted continuing connected transactions stated in paragraph (ii) above ("Non-exempted Continuing Connected Transactions"). The arrangement on Studio Service was terminated on 15 December 2001 while the arrangements on Co-location Service and Design Service were terminated on 30 September 2001.

For the year ended 31 March 2002, the fees for the Co-location Service, the Design Service and the Studio Service were approximately HK$1,363,000, HK$1,932,000 and HK$526,000 respectively.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS – continued

(ii) Non-exempted continuing connected transactions – continued

The independent non-executive directors have reviewed the Non-exempted Continuing Connected Transactions and confirmed that at the time of transactions, they have been carried out under normal commercial terms, in the ordinary course of business of the Group and on an arm's length basis, and are fair and reasonable insofar as the shareholders of the Company are concerned.

Other than as disclosed above, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Other than as disclosed in note 33 to the financial statements, no contracts of significance, to which the Company, or any of its subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 10% or more in the share capital of the Company.

Name	Number of shares
Qantex Limited ("Qantex")	457,373,126
Skynet	457,373,126
Gold Cloud Agents Limited ("Gold Cloud")	457,373,126
Companion Marble (BVI) Limited	457,373,126
Skynet (International Group) Holdings Limited ("SIGHL")	457,373,126
Companion Building Material (Holdings) Limited ("CBMHL")	457,373,126
Companion Building Material (BVI) Limited	457,373,126
Companion Building Material International Holdings Limited	457,373,126

SUBSTANTIAL SHAREHOLDERS – continued

Note:

These 457,373,126 shares of the Company are owned by Qantex. Qantex is a wholly-owned subsidiary of Skynet of which Gold Cloud owns more than one-third of the issued share capital. Companion Marble (BVI) Limited owns more than one-third of the issued share capital of Gold Cloud and is a wholly-owned subsidiary of SIGHL. CBMHL owns more than one-third of the issued share capital of SIGHL. Companion Building Material (BVI) Limited owns the entire share capital of CBMHL and is a wholly-owned subsidiary of Companion Building Material International Holdings Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 March 2002.

SPONSORS' INTEREST

Yuanta Securities (Hong Kong) Company Limited ("Yuanta Securities") entered into a sponsorship agreement with the Company whereby, for a fee, Yuanta Securities acted as the Company's continuing sponsor. On 4 May 2001, Yuanta Securities notified the Stock Exchange and the Company that, due to the merger between the holding company of Yuanta Securities and that of Core Pacific – Yamaichi Capital Limited ("CPY"), the then staff of Yuanta Securities has been transferred to CPY. As Yuanta Securities no longer complied with Chapter 6 of the GEM Listing Rules, the role of Yuanta Securities as the continuing sponsor of the Company was terminated. On 3 August 2001, the Company announced its appointment of CPY as the replacement sponsor for the period ending 31 March 2003.

As at 31 March 2002, CPY, its directors, employees or associates, did not have any interest in the share capital of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 31 to the financial statements.

CORPORATE GOVERNANCE

The Company has complied throughout the year with Chapters 5.28 to 5.39 as set out in the GEM Listing Rules.

The Company has established an audit committee with written terms of reference in July 2000. The current audit committee comprised two independent non-executive directors, Mr. Ng Wai Hung and Mr. Cheung Hon Kit. During the year, the audit committee met several times to review the Company's reports and accounts, and provided advice and recommendations to the board of directors.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
Choi Wing Kin
EXECUTIVE DIRECTOR

Hong Kong, 21 June 2002

AUDITORS' REPORT

德勤‧關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

Deloitte
Touche
Tohmatsu

TO THE MEMBERS OF CYBER ON-AIR GROUP COMPANY LIMITED

(FORMERLY KNOWN AS HKCYBER.COM (HOLDINGS) LIMITED)

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 38 to 75 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 21 June 2002

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2002

	Notes	2002 HK$	2001 HK$
Turnover	4	2,426,220	11,396,022
Other revenue	6	1,000,740	4,249,643
Website development expenses		(47,895,924)	(72,825,977)
Advertising and promotion expenses		(1,426,947)	(16,461,486)
General and administrative expenses		(20,362,116)	(13,525,165)
Impairment loss recognised	7	(49,190,900)	–
Loss from operations	8	(115,448,927)	(87,166,963)
Finance costs	9	(278,349)	(107,448)
Loss on partial disposal of a subsidiary		–	(312)
Share of loss of an associate		(1,270,581)	–
Loss before taxation		(116,997,857)	(87,274,723)
Taxation	12	–	–
Loss before minority interest		(116,997,857)	(87,274,723)
Minority interest		–	312
Net loss for the year		(116,997,857)	(87,274,411)
Dividend	13	–	(672,877)
		(116,997,857)	(87,947,288)
Loss per share			
Basic	14	1.41	1.42

There were no recognised gains or losses other than the net loss for the year.

CONSOLIDATED BALANCE SHEET

At 31 March 2002

	Notes	2002 HK$	2001 HK$
Non-Current Assets			
Property, plant and equipment	15	4,030,538	31,881,730
Intangible assets	16	782,665	35,368,196
Interests in an associate	18	–	–
Pledged bank deposit	19	–	489,075
		4,813,203	67,739,001
Current Assets			
Trade receivables	20	366,987	1,786,334
Other receivables, deposits and prepayments		2,698,231	1,464,004
Amounts due from related companies	21	–	135,831
Amount due from a related party	22	–	–
Pledged bank deposit	19	489,075	600,000
Bank balances and cash		793,476	37,764,750
		4,347,769	41,750,919
Current Liabilities			
Trade payables	23	2,785,423	4,772,883
Other payables and accrued charges		2,075,353	871,306
Amounts due to related companies	24	7,490,579	–
Loan from a director	25	10,237,534	–
Preference dividend payable		672,877	672,877
Deferred income		–	136,818
Bank overdraft		–	150,973
		23,261,766	6,604,857
Net Current (Liabilities) Assets		(18,913,997)	35,146,062
		(14,100,794)	102,885,063
Capital and Reserves			
Share capital	26	83,144,787	83,132,787
Share premium and reserves	27	(97,245,581)	19,752,276
		(14,100,794)	102,885,063

The financial statements on pages 38 to 75 were approved and authorised for issue by the Board of Directors on 21 June 2002 and are signed on its behalf by:

CHOI WING KIN *DIRECTOR*	**LO SUI SING** *DIRECTOR*

BALANCE SHEET

At 31 March 2002

	Notes	2002 HK$	2001 HK$
Non-Current Assets			
Interests in subsidiaries	17	64,000,000	173,632,801
Amount due from an associate	18	–	–
		64,000,000	173,632,801
Current Assets			
Amount due from a related party	22	–	–
Pledged bank deposit	19	–	600,000
Bank balances and cash		13,832	37,669,013
		13,832	38,269,013
Current Liabilities			
Accrued charge		–	300,000
Loan from a director	25	10,237,534	–
Preference dividend payable		672,877	672,877
		10,910,411	972,877
Net Current (Liabilities) Assets		(10,896,579)	37,296,136
		53,103,421	210,928,937
Capital and Reserves			
Share capital	26	83,144,787	83,132,787
Share premium and reserves	27	(30,041,366)	127,796,150
		53,103,421	210,928,937

CHOI WING KIN
DIRECTOR

LO SUI SING
DIRECTOR

	Note	2002 HK$	2001 HK$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	29	(45,544,148)	(77,977,996)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(236)	(107,448)
Interest received		237,649	3,264,712
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		237,413	3,157,264
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(2,499,700)	(30,158,793)
Purchase of intangible assets		(1,023,386)	(41,905,766)
Decrease (increase) in pledged bank deposits		600,000	(1,089,075)
Proceeds from disposal of property, plant and equipment		197,002	–
Investment in an associate		(50)	–
Advances to an associate		(3,499,950)	–
Advances to related companies		(1,249,482)	–
Advance to related party		(1,500,000)	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(8,975,566)	(73,153,634)
NET CASH OUTFLOW BEFORE FINANCING		(54,282,301)	(147,974,366)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

	Note	2002 HK$	2001 HK$
FINANCING	30		
Issue of ordinary shares by the Company pursuant to the New Issue and Placing		–	170,000,000
Expenses incurred in connection with the New Issue and Placing		–	(14,129,963)
Issue of ordinary shares by the Company as a result of exercise of share options		12,000	1,882,787
Advances from (repayment to) related companies		7,450,000	(11,698,433)
Advances from (repayment to) a director		10,000,000	(27,163)
NET CASH INFLOW FROM FINANCING		17,462,000	146,027,228
DECREASE IN CASH AND CASH EQUIVALENTS		(36,820,301)	(1,947,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		37,613,777	39,560,915
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		793,476	37,613,777
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		793,476	37,764,750
Bank overdraft		–	(150,973)
		793,476	37,613,777

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands.

The Company acts as an investment holding company. Details of the principal activities of the subsidiaries are set out in note 17.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company issued shares in exchange for the entire issued share capital of Cyber On-Air Multimedia Limited (formerly known as HKcyber Limited) ("HKCYBER") and thereby became the holding company of the Group on 17 July 2000. Details of the Group Reorganisation and the new issue and placing of shares of the Company ("New Issue and Placing") are set out in the prospectus dated 21 July 2000 (the "Prospectus") issued by the Company.

The shares of the Company have been listed on the GEM of the Stock Exchange with effect from 31 July 2000.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK$18,914,000 at 31 March 2002. On the basis that the Acquisition (as defined in note 34) was completed on 8 May 2002, the directors are satisfied that the Group, as enlarged by the addition of Cyber On-Air Group Limited, will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has not resulted in changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, interests in associates are stated at cost, as reduced by any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

Advertising income net of agency deductions is recognised when the relevant advertisements are broadcast. When an advertising contract covers a specific period, the related income is recognised evenly over the contract period. The amounts attributable to future accounting period are included in deferred income in the balance sheet.

Sales of goods are recognised when goods are delivered and title has passed.

Services income is recognised when the services are rendered.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	30%
Furniture, fixtures and equipment	15%
Computer hardware	15%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Intangible assets

The cost of acquired intangible assets comprise expenditure on computer software and movie licence agreements for rights of presentation. Such expenditure is capitalised and charged to the income statement on a straight-line basis over their estimated commercial lives at 30% per annum.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Website development costs

The Group's website development costs are capitalised only if all the expenditure is directly attributed to preparing the website for its intended use and will generate probable future economic benefits. All other website development costs are recognised as expenses in the period in which they are incurred.

Advertising and promotion costs

Advertising and promotion costs are charged to the income statement as incurred.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits schemes

The Group operates defined contribution schemes for its employees. Contributions to the defined contribution schemes are charged to the income statement. Forfeited contributions are used to reduce subsequent contributions for these schemes. After the termination of the defined contribution schemes, contributions are made to a mandatory provident fund scheme and are charged to the income statement.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

4. TURNOVER

	2002 HK$	2001 HK$
The Group's turnover comprises:		
Advertising income net of agency deductions	1,068,414	8,183,362
Sales of goods	30,042	1,912,882
Services income	1,327,764	1,299,778
	2,426,220	11,396,022

5. SEGMENT INFORMATION

The Group's turnover and contribution to results, analysed by principal activities, are as follows:

	Turnover		Contribution to group results	
	2002 HK$	2001 HK$	2002 HK$	2001 HK$
Principal activities:				
E-marketing	1,068,414	8,183,362	(83,084,046)	(67,344,263)
E-mall	30,042	1,912,882	(7,119,958)	(6,292,027)
Content licensing	534,370	667,028	(418,199)	(4,881,071)
IT services	584,156	632,750	584,156	625,920
Video production	209,238	–	78,275	–
	2,426,220	11,396,022	(89,959,772)	(77,891,441)
Other revenue			1,000,740	4,249,643
Share of loss of an associate			(1,270,581)	–
Unallocated expenses			(26,768,244)	(13,632,925)
Loss before minority interest			(116,997,857)	(87,274,723)

5. SEGMENT INFORMATION – continued

The Group's total assets and liabilities, analysed by principal activities, are as follows:

	2002 HK$	2001 HK$
SEGMENT ASSETS		
E-marketing	4,269,691	47,158,260
E-mall	–	21,700,000
Content licensing	42,655	125,000
IT services	83,929	53,000
Video production	1,250	–
	4,397,525	69,036,260
Unallocated corporate assets	4,763,447	40,453,660
TOTAL ASSETS	9,160,972	109,489,920
SEGMENT LIABILITIES		
E-marketing	2,785,423	4,772,883
Unallocated corporate liabilities	20,476,343	1,831,974
TOTAL LIABILITIES	23,261,766	6,604,857

The Group operates solely in Hong Kong. Accordingly, no geographical analysis is presented.

5. SEGMENT INFORMATION – continued

Other Information

	Capital additions		Depreciation and amortisation		Impairment loss recognised	
	2002 HK$	2001 HK$	2002 HK$	2001 HK$	2002 HK$	2001 HK$
E-marketing	1,195,022	67,612,516	8,684,841	6,666,394	28,513,121	–
E-mall	–	–	7,150,000	4,300,000	14,550,000	–
Content licensing	–	–	–	–	–	–
IT services	–	–	–	–	–	–
Video production	–	–	–	–	–	–
Others	2,328,064	4,452,043	1,434,177	706,870	6,127,779	–
	3,523,086	72,064,559	17,269,018	11,673,264	49,190,900	–

6. OTHER REVENUE

	2002 HK$	2001 HK$
Interest income on bank deposits	237,403	2,340,534
Other interest income	246	924,178
Sundry income	763,091	984,931
	1,000,740	4,249,643

7. IMPAIRMENT LOSS RECOGNISED

	2002 HK$	2001 HK$
Property, plant and equipment (note 15)	20,248,122	–
Intangible assets (note 16)	23,828,046	–
Interests in an associate (note 18)	2,229,419	–
Amounts due from related companies (note 21)	1,385,313	–
Amount due from a related party (note 22)	1,500,000	–
	49,190,900	–

8. LOSS FROM OPERATIONS

	2002 HK$	2001 HK$
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	11,780,871	6,587,050
Auditors' remuneration	450,000	454,200
Bad debts written off	2,204,935	555,207
Depreciation of property, plant and equipment	5,488,147	5,086,214
Loss on disposal of property, plant and equipment	1,256,733	–
Loss on write-off of property, plant and equipment	3,160,888	–
Rental expenses under operating leases on		
– premises	2,035,781	1,519,955
– equipment	2,212,801	3,887,800
Redundancy costs	6,481,479	–
Staff costs, including directors' emoluments	17,863,597	37,864,926

9. FINANCE COSTS

	2002 HK$	2001 HK$
Interest on bank overdraft	236	107,448
Interest on amount due to a related company	40,579	–
Interest on loan from a director	237,534	–
	278,349	107,448

10. DIRECTORS' EMOLUMENTS

	2002 HK$	2001 HK$
Directors' fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	240,000	–
	240,000	–
Other emoluments		
Salaries and other benefits	4,166,208	3,642,137
Contributions to retirement benefits schemes	65,200	93,800
	4,231,408	3,735,937
	4,471,408	3,735,937

There were five executive directors who received emoluments of approximately HK$1,620,000, HK$932,000, HK$696,000, HK$656,000 and HK$327,000 respectively for the year ended 31 March 2002 and three executive directors who received emoluments of approximately HK$2,669,000, HK$627,000 and HK$440,000 respectively for the year ended 31 March 2001. The other executive directors did not receive any emoluments during the year.

There were two independent non-executive directors who received fees of HK$120,000 each for the year ended 31 March 2002 (2001: Nil).

During the year, no emoluments were paid by the Group to the directors as a discretionary bonus or an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director had waived or agreed to waive any remuneration.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2001: three) were directors of the Company whose emoluments are included in the disclosures of note 10 above. The emoluments of the remaining one (2001: two) individual were as follows:

	2002 HK$	2001 HK$
Salaries and other benefits	892,946	1,817,981
Contributions to retirement benefits schemes	23,000	46,113
	915,946	1,864,094

The emoluments of these highest paid individuals were within the following bands:

	Number of individuals	
	2002	2001
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	–	1

12. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries have no assessable profits for the year.

Details of unprovided deferred taxation for the year are set out in note 28.

13. DIVIDEND

	2002 HK$	2001 HK$
2% convertible cumulative preference shares	–	672,877

The 2% convertible cumulative preference shares of the Company (the "Preference Shares") confer upon the holders the right to receive, in priority to the holders of any other class of shares in the capital of the Company, a dividend of 2%.

The dividend shall be cumulative and payable yearly in arrears on 31 March in each year, shall accrue from day to day and shall be calculated on the basis of the actual number of days that lapsed in a year of 365 days. The first dividend shall be payable on 31 March 2002.

The Preference Shares were converted into ordinary shares in February 2001.

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$116,997,857 (2001: HK$87,947,288) and the weighted average number of 83,141,499 shares (2001: 61,771,571 shares) in issue during the year. Loss per share for both years has been adjusted for the share consolidation on 6 May 2002, details of which are set out in note 34 to the financial statements.

The computation of diluted loss per share has not assumed the exercise of the potential ordinary shares as their exercise would not have dilutive effect on the loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and equipment	Computer hardware	Total
	HK$	HK$	HK$	HK$
THE GROUP				
COST				
At 1 April 2001	1,879,826	2,642,925	32,735,549	37,258,300
Additions	1,018,668	286,010	1,195,022	2,499,700
Disposals	–	(1,089,440)	(743,922)	(1,833,362)
Write-off	(2,898,494)	(1,839,495)	–	(4,737,989)
At 31 March 2002	–	–	33,186,649	33,186,649
DEPRECIATION AND IMPAIRMENT				
At 1 April 2001	555,980	292,817	4,527,773	5,376,570
Provided for the year	600,486	323,204	4,564,457	5,488,147
Eliminated on disposal	–	(195,386)	(184,241)	(379,627)
Eliminated on write-off	(1,156,466)	(420,635)	–	(1,577,101)
Impairment loss recognised	–	–	20,248,122	20,248,122
At 31 March 2002	–	–	29,156,111	29,156,111
NET BOOK VALUES				
At 31 March 2002	–	–	4,030,538	4,030,538
At 31 March 2001	1,323,846	2,350,108	28,207,776	31,881,730

Leasehold improvements and furniture, fixtures and equipment of net book values of HK$1,742,028 and HK$1,418,860 respectively were written off upon relocation to new office premises.

The impairment loss recognised in respect of computer hardware represents the carrying amount of scrapped computer hardware due to the cessation of certain operations or products previously available on the website "hkcyber.com".

16. INTANGIBLE ASSETS

	Computer software HK$	Movie rights HK$	Total HK$
THE GROUP			
COST			
At 1 April 2001	32,560,674	9,400,000	41,960,674
Additions	1,023,386	–	1,023,386
At 31 March 2002	33,584,060	9,400,000	42,984,060
AMORTISATION AND IMPAIRMENT			
At 1 April 2001	5,417,478	1,175,000	6,592,478
Provided for the year	9,195,871	2,585,000	11,780,871
Impairment loss recognised	18,188,046	5,640,000	23,828,046
At 31 March 2002	32,801,395	9,400,000	42,201,395
NET BOOK VALUES			
At 31 March 2002	782,665	–	782,665
At 31 March 2001	27,143,196	8,225,000	35,368,196

The impairment loss recognised of HK$23,828,046 mainly represents the carrying amount of intangible assets related to ceased operations or products previously available on the website "hkcyber.com".

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	HK$	HK$
Unlisted shares, at cost	53,024,692	53,024,684
Impairment loss recognised	(16)	–
	53,024,676	53,024,684
Amounts due from subsidiaries	158,034,173	120,608,117
Impairment loss recognised	(147,058,849)	–
	10,975,324	120,608,117
	64,000,000	173,632,801

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid in the next twelve months. Accordingly, the amounts are shown as non-current assets.

17. INTERESTS IN SUBSIDIARIES - continued

Particulars of the Company's subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of nominal value of issued share capital held by the Company Directly	Indirectly	Principal activities
Cyber Awake Limited	British Virgin Islands/ Hong Kong	100 shares of US$1 each	–	60%	Inactive
Cyber Peak Developments Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	Investment holding
Flash Star Group Limited	British Virgin Islands/ Hong Kong	1 share of US$1	100%	–	Investment holding
HKCYBER	Hong Kong	2 ordinary shares of HK$1 each 27,668 non-voting deferred shares of HK$1 each	100%	–	Development and operation of a website "hkcyber.com"
New Leading Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Investment holding
Tober Group Limited	British Virgin Islands/ Hong Kong	1 share of US$1	–	100%	Inactive

None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

18. INTERESTS IN AN ASSOCIATE

	THE GROUP	
	2002 HK$	2001 HK$
Share of net liabilities	(1,270,531)	–
Amounts due from associate	3,499,950	–
	2,229,419	–
Impairment loss recognised	(2,229,419)	–
	–	–

	THE COMPANY	
	2002 HK$	2001 HK$
Amount due from associate	2,000,000	–
Impairment loss recognised	(2,000,000)	–
	–	–

The amount due from associate is unsecured, non-interest bearing and has no fixed repayment terms. In the opinion of the directors, the amount will not be repaid in the next twelve months. Accordingly, the amount is shown as a non-current asset.

Details of the associate at 31 March 2002 are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of equity capital attributable to the Group	Issued share capital	Principal activities
Target Wise Holdings Limited	Hong Kong	50%	HK$100	Online game development

The Group's entitlement to share in the profits of its associate is in proportion to its ownership interest.

The results of Target Wise Holdings Limited incorporated into the consolidated financial statements are derived from unaudited management accounts made up to 30 June 2001.

19. PLEDGED BANK DEPOSITS

Bank deposits were pledged to a bank to secure the following:

	THE GROUP		THE COMPANY	
	2002 HK$	2001 HK$	2002 HK$	2001 HK$
Bank guarantee for a supplier	–	600,000	–	600,000
Bank guarantee in lieu of rental deposits	489,075	489,075	–	–
	489,075	1,089,075	–	600,000
Less: Amount shown under current assets	(489,075)	(600,000)	–	(600,000)
Amount shown under non-current assets	–	489,075	–	–

20. TRADE RECEIVABLES

The credit terms of the Group range from 7 to 30 days. The aged analysis of trade receivables is as follows:

	THE GROUP	
	2002 HK$	2001 HK$
Aged:		
0 – 30 days	203,579	860,008
31 – 60 days	78,798	217,855
61 – 90 days	8,300	286,250
Over 90 days	76,310	422,221
	366,987	1,786,334

21. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	Relationship	THE GROUP 2002 HK$	THE GROUP 2001 HK$
Skynet Limited ("Skynet")	A substantial shareholder of the Company	827,655	135,831
Gameplayers.com Limited	Common shareholder, Skynet	234,168	–
HK Stock Limited	Common shareholder, Skynet	323,490	–
		1,385,313	135,831
Impairment loss recognised		(1,385,313)	–
		–	135,831

22. AMOUNT DUE FROM A RELATED PARTY

	THE GROUP AND THE COMPANY 2002 HK$	THE GROUP AND THE COMPANY 2001 HK$
Amount due from a related party	1,500,000	–
Impairment loss recognised	(1,500,000)	–
	–	–

The amount is due from a substantial shareholder of the Group's associate. The amount is secured and non-interest bearing.

23. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP 2002 HK$	2001 HK$
Aged:		
0 – 30 days	1,499,374	1,350,255
31 – 60 days	96,377	1,393,694
61 – 90 days	63,939	229,813
Over 90 days	1,125,733	1,799,121
	2,785,423	4,772,883

24. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	Relationship	Terms	THE GROUP 2002 HK$	2001 HK$
Cyber On-Air Limited	Mr. Choi Wing Kin, a director of the Company, has beneficial interests	Unsecured, bears interest at the best lending rate and repayable on demand	7,040,579	–
Cyber On-Air (Asia) Limited ("COAA")	Mr. Choi Wing Kin, a director of the Company, has beneficial interests	Unsecured, non-interest bearing and repayable on demand	450,000	–
			7,490,579	–

25. LOAN FROM A DIRECTOR

THE GROUP AND THE COMPANY

The amount is unsecured, bears interest at 6% per annum and is repayable on demand.

26. SHARE CAPITAL

	Number of shares: Ordinary shares of HK$0.10 each	Number of shares: Ordinary shares of HK$0.05 each	Value HK$
Authorised:			
Ordinary shares			
On incorporation on 14 April 2000	1,000,000	–	100,000
Change of nominal value of shares from HK$0.10 each to HK$0.05 each on 12 July 2000	(1,000,000)	2,000,000	–
	–		
Increase in authorised share capital on 17 July 2000		37,498,000,000	1,874,900,000
At 31 March 2001 and at 31 March 2002		37,500,000,000	1,875,000,000
Preference Shares			
On incorporation on 14 April 2000		–	–
Increase in authorised share capital on 17 July 2000		2,000	100
At 31 March 2001 and at 31 March 2002		2,000	100

26. SHARE CAPITAL – continued

	Number of shares		
	Ordinary shares of HK$0.10 each	Ordinary shares of HK$0.05 each	Value
			HK$
Issued and fully paid:			
Ordinary shares			
Allotted, issued and credited as fully paid on 20 April 2000	1	–	–
Change of nominal value of share from HK$0.10 to HK$0.05 each on 12 July 2000	(1)	2	–
	–		
Issue of shares upon the Group Reorganisation		53,334	2,667
Pre-IPO Issue		999,946,664	49,997,333
Issue of shares pursuant to the New Issue and Placing		250,000,000	12,500,000
Conversion of the Preference Shares into ordinary shares		375,000,000	18,750,000
Issue of shares as a result of exercise of share options		37,655,737	1,882,787
At 31 March 2001		1,662,655,737	83,132,787
Issue of shares as a result of exercise of share options		240,000	12,000
At 31 March 2002		1,662,895,737	83,144,787
Preference Shares			
Issue of shares upon the Group Reorganisation		1,000	50
Conversion of the Preference Shares into ordinary shares		(1,000)	(50)
At 31 March 2001 and at 31 March 2002		–	–

26. SHARE CAPITAL – continued

Share options

At 31 March 2002, the following options to subscribe for shares were outstanding under the Company's share option scheme:

	No. of options	Exercise period	Exercise price HK$
Pre-IPO share option scheme	12,455,602	1 February 2001 to 30 July 2003	0.05
Post-IPO share option scheme	8,000,000	17 August 2001 to 16 August 2004	0.084

27. SHARE PREMIUM AND RESERVES

	Share premium of the Company	Share premium of HKCYBER	Merger reserve	Accumulated (losses) profits	Total
	HK$	HK$	HK$	HK$	HK$
THE GROUP					
Balance at 1 April 2000	–	52,997,006	–	(19,945,147)	33,051,859
Transfer of share premium to merger reserve as a result of the Group Reorganisation	–	(52,997,006)	52,997,006	–	–
Merger reserve arising upon the Group Reorganisation	–	–	24,951	–	24,951
Shares issued at premium	157,500,000	–	–	–	157,500,000
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–	–	(14,129,963)
Allotment under the Pre-IPO Issue	(49,997,333)	–	–	–	(49,997,333)
Conversion of the Preference Shares into ordinary shares	(18,749,950)	–	–	–	(18,749,950)
Loss for the year	–	–	–	(87,274,411)	(87,274,411)
Dividend *(note 13)*	–	–	–	(672,877)	(672,877)
Balance at 31 March 2001	74,622,754	–	53,021,957	(107,892,435)	19,752,276
Loss for the year	–	–	–	(116,997,857)	(116,997,857)
Balance at 31 March 2002	74,622,754	–	53,021,957	(224,890,292)	(97,245,581)
THE COMPANY					
Merger reserve arising upon the Group Reorganisation	–	–	53,021,957	–	53,021,957
Shares issued at premium	157,500,000	–	–	–	157,500,000
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–	–	(14,129,963)
Allotment under the Pre – IPO Issue	(49,997,333)	–	–	–	(49,997,333)
Conversion of the Preference Shares into ordinary shares	(18,749,950)	–	–	–	(18,749,950)
Profit for the year	–	–	–	824,316	824,316
Dividend *(note 13)*	–	–	–	(672,877)	(672,877)
Balance at 31 March 2001	74,622,754	–	53,021,957	151,439	127,796,150
Loss for the year	–	–	–	(157,837,516)	(157,837,516)
Balance at 31 March 2002	74,622,754	–	53,021,957	(157,686,077)	(30,041,366)

27. SHARE PREMIUM AND RESERVES – continued

Merger reserve of the Group represents the difference between the share capital and share premium of HKCYBER whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to the Group Reorganisation.

Merger reserve of the Company represents the difference between the consolidated shareholders' funds of HKCYBER and the nominal amount of the issued share capital of the Company's shares which were issued for the acquisition of HKCYBER and its subsidiaries pursuant to the Group Reorganisation.

The Company's reserves available for distribution comprise share premium, merger reserve and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of a company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum and Articles of Association and provided that immediately following the distribution of dividend the company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors of the Company, the Company had no reserves (2001: HK$127,796,150) available for distribution at 31 March 2002.

28. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the major components of the unprovided deferred tax assets (liabilities) are as follows:

	THE GROUP	
	2002	2001
	HK$	HK$
Tax effect of timing differences because of:		
Taxation losses available to relieve future assessable profit	34,756,000	26,111,000
Difference between accounting depreciation and amortisation and tax allowances	(261,000)	(9,089,000)
	34,495,000	17,022,000

28. UNPROVIDED DEFERRED TAXATION – continued

The components of the unprovided deferred tax credit (charge) for the year are as follows:

	THE GROUP	
	2002	2001
	HK$	HK$
Tax effect of timing differences because of:		
Tax losses arising	8,645,000	22,001,000
Difference between accounting depreciation and amortisation and tax allowances	8,828,000	(8,131,000)
	17,473,000	13,870,000

The deferred tax asset has not been recognised in the financial statements as it is not certain that it will be realised in the foreseeable future.

29. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2002 HK$	2001 HK$
Loss before taxation	(116,997,857)	(87,274,723)
Interest income	(237,649)	(3,264,712)
Interest expenses	278,349	107,448
Bad debts written off	2,204,935	–
Share of loss of an associate	1,270,581	–
Loss on disposal of property, plant and equipment	1,256,733	–
Loss on write-off of property, plant and equipment	3,160,888	–
Loss on partial disposal of a subsidiary	–	312
Depreciation of property, plant and equipment	5,488,147	5,086,214
Amortisation of intangible assets	11,780,871	6,587,050
Impairment loss recognised in respect of property, plant and equipment	20,248,122	–
Impairment loss recognised in respect of intangible assets	23,828,046	–
Impairment loss recognised on interests in an associate	2,229,419	–
Impairment loss recognised on amounts due from related companies	1,385,313	–
Impairment loss recognised on amount due from a related party	1,500,000	–
Increase in trade receivables	(785,588)	(1,786,334)
Increase in other receivables, deposits and prepayments	(1,234,227)	(1,385,754)
Decrease in amounts due from related companies	–	210,005
(Decrease) increase in trade payables	(1,987,460)	3,183,074
Increase in other payables and accrued charges	1,204,047	422,606
(Decrease) increase in deferred income	(136,818)	136,818
Net cash outflow from operating activities	(45,544,148)	(77,977,996)

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK$	Amount due to related companies HK$	Loan from a director HK$
Balance at 1 April 2000	53,024,674	11,698,433	27,163
Transfer of share premium of HKCYBER to merger reserve	(52,997,006)	–	–
Non-cash transaction	(24,951)	–	–
Issue of ordinary shares by the Company pursuant to the New Issue and Placing	170,000,000	–	–
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–
Issue of ordinary shares by the Company as a result of exercise of share options	1,882,787	–	–
Repayment during the year	–	(11,698,433)	(27,163)
Balance at 31 March 2001	157,755,541	–	–
Issue of ordinary shares by the Company as a result of exercise of share options	12,000	–	–
Advances during the year	–	7,450,000	10,000,000
Interest accrued during the year	–	40,579	237,534
Balance at 31 March 2002	157,767,541	7,490,579	10,237,534

31. RETIREMENT BENEFITS SCHEMES

The Group has two defined contribution provident fund schemes for its Hong Kong employees. The scheme assets of the first one are being held under a provident fund operated by The Prudential Assurance Company Limited with BOCI-Prudential Trustee Limited as Trustees. The second one is operated by CMG Asia Pensions and Retirement Limited with Butterfield Trust (Hong Kong) Limited as Trustees.

31. RETIREMENT BENEFITS SCHEMES – continued

The Group is required to make contributions to the schemes calculated at 5% of the employees' basic salaries on a monthly basis. The Group's contribution's will further increase proportionally to a maximum of 5% of each employee's basic salary after completion of three years of service to the Group. The employees are entitled to 100% of the employers' contributions and the accrued interest after 10 years' of completed service, or at a reduced scale of between 30% to 100% after completion of 3 to 10 years' service. The forfeited contributions and related accrued interest are to be used to reduce the employers' contributions.

The aggregate employers' contributions, net of forfeited contributions, which have been dealt with in the income statement of the Group amounted to:

	2002 HK$	2001 HK$
Gross employers' contributions	934,508	761,948
Less: Forfeited contributions utilised to offset employers' contributions for the year	(1,216,318)	–
Net employers' contributions (credited) charged to the income statement	(281,810)	761,948

At the balance sheet date, the total amount of forfeited contributions, which arose upon employees leaving the retirement benefits schemes and which are refundable to the Group was approximately HK$103,000 (2001: Nil).

On 20 July 2000, the above provident fund schemes were granted an exemption from the Mandatory Provident Fund Schemes. The principal deed and the rules of the above provident fund schemes were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance.

With effect from 1 December 2000, the Group also participates in a mandatory provident fund scheme. The scheme assets are held under a mandatory provident fund operated by CMG Asia Pensions and Retirement Limited. Under the scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Scheme Ordinance) on a monthly basis.

31. RETIREMENT BENEFITS SCHEMES – continued

The employees entitled to the defined contribution provident fund schemes before 1 December 2000 were allowed an option between joining the mandatory provident fund or continuing to making contributions to the defined contribution provident fund schemes. All other existing or newly employed employees are required to join the mandatory provident fund scheme compulsorily. The Group is required to make contributions to either of the two types of schemes according to the employees' options.

With effect from 1 January 2002, all employees have elected to join the mandatory provident fund scheme, leading to the termination of the defined contribution schemes, the scheme assets of which were being transferred to the mandatory provident fund scheme.

32. OPERATING LEASE COMMITMENTS

At 31 March 2002, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2002 HK$	2001 HK$
In respect of rented premises:		
– within one year	**1,467,225**	2,367,225
– in the second to fifth years inclusive	**–**	2,067,225
	1,467,225	4,434,450
In respect of equipment rental within one year	**1,164,000**	1,372,200

Operating lease payments represent rentals payable by the Group for certain of its office premises and equipment. Leases are negotiated for an average term of two years and rentals are fixed for the lease period.

Note: In respect of the equipment rental in last year, the relevant agreement was signed by Skynet and the Company shared their portion (HK$1,372,200) and reimbursed to Skynet.

33. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

	2002 HK$	2001 HK$
Rentals and building management fee (note a)	526,349	911,797
Rentals and building management fee (note b)	240,000	–
Technical support service (note c)	3,294,701	5,502,000
Consultancy fee (note d)	441,935	–
Administrative costs (note e)	210,000	–

Notes:

(a) Skynet, having indirect interests in the Group, provided office space for the Group and the above sum was charged, being an appropriate allocation of costs incurred.

(b) COAA, in which a director of the Company has beneficial interests, provided office space for the Group during the year and the above sum was charged, being an appropriate allocation of costs incurred.

(c) Skynet provided co-location services and web design services for the Group during the year.

(d) A company, in which a director of the Company has beneficial interests, provided technical and consultancy services for the Group during the year.

(e) A company, in which a director of the Company has beneficial interests, provided general and administration services for the group during the year.

All the above transactions were charged at cost.

During the year, the Group made advances to an associate, related companies and a related party amounting to HK$3,500,000 (2001: Nil), HK$1,249,482 (2001: Nil) and HK$1,500,000 (2001: Nil) respectively. The advances to the associate and related companies are unsecured, non-interest bearing and have no fixed repayment terms. The advances to the related party is secured and non-interest bearing.

34. POST BALANCE SHEET EVENTS

1. On 31 October 2001, the Company entered into a conditional agreement (the "Acquisition Agreement") with Messrs. Wong Kwok Kin, Choi Wing Kin, So Kam Wing, Cyber Network Technology Limited and Wellington Equities Inc. (collectively the "Vendors"), pursuant to which the Company had conditionally agreed to acquire the entire issued share capital of Cyber On-Air Group Limited ("COA"), a company incorporated in the British Virgin Islands with limited liability, from the Vendors for a consideration of HK$80 million (the "Acquisition"). The consideration would be satisfied by the issue of loan notes having an aggregate principal amount of HK$80 million (the "Note") to the Vendors in accordance with their corresponding shareholding interests in COA. The payment obligations of the Company under the Note issued to each Vendor is secured by a charge over the shares in COA sold by that Vendor.

   An ordinary resolution approving the Acquisition Agreement was passed at an extraordinary general meeting held on 21 January 2002. The Acquisition was completed on 8 May 2002.

2. Pursuant to resolutions proposed by the board of directors and passed at an extraordinary general meeting held on 21 January 2002,

   (i) the nominal value of each of the 1,662,895,737 issued existing shares was reduced by HK$0.0495, from HK$0.05 to HK$0.0005, whereby the Company's existing issued share capital of HK$83,144,787 was reduced by HK$82,313,339 to HK$831,448 (the "Capital Reduction");

   (ii) a credit in the sum of HK$82,313,339 arising from the Capital Reduction was transferred to the share premium and reserves account of the Company and applied towards the partial elimination of the accumulated losses of the Company, after the approval from the Grand Court of the Cayman Islands (the "Court");

   (iii) the share premium account of the Company was applied towards the elimination of the remaining balance of the accumulated losses of the Company;

   (iv) every 20 issued shares was consolidated into one new share;

   (v) the 35,837,104,263 unissued existing shares were cancelled and the authorised share capital of the Company was reduced to HK$20,000,000 by the subsequent creation of 1,916,855,214 unissued new shares; and

34. POST BALANCE SHEET EVENTS – continued

(vi) after the Capital Reduction and the Share Consolidation (the "Capital Reorganisation") became effective, the authorised share capital of the Company was divided into 2,000,000,000 New Shares of HK$0.01 each, of which 83,144,786 New Shares were issued and were fully paid or credited as fully paid.

Completion of the Capital Reorganisation is conditional of the following conditions being fulfilled:

(i) the shareholders' approval by special resolution at the extraordinary general meeting in respect of the Capital Reorganisation;

(ii) compliance with any conditions the Court may impose;

(iii) the confirmation by the Court and the registration by the Registrar of Companies in Cayman Islands of an office copy of the Court order and the minutes containing the particulars required under the Companies Law; and

(iv) the Listing Committee of GEM of the Stock Exchange granting the listing of, and permission to deal in, the new shares.

The Capital Reorganisation became effective on 6 May 2002.

FINANCIAL SUMMARY

For the year ended 31st March 2002

RESULTS

	2.2.1999 to 31.3.2000 HK$	1.4.2000 to 31.3.2001 HK$	**1.4.2001 to 31.3.2002 HK$**
Turnover	–	11,396,022	**2,426,220**
Loss from operations	(19,945,074)	(87,166,963)	**(115,448,927)**
Finance costs	(73)	(107,448)	**(278,349)**
Loss on partial disposal of a subsidiary	–	(312)	**–**
Share of loss of an associate	–	–	**(1,270,581)**
Loss before taxation	(19,945,147)	(87,274,723)	**(116,997,857)**
Taxation	–	–	**–**
Loss before minority interest	(19,945,147)	(87,274,723)	**(116,997,857)**
Minority interest	–	312	**–**
Net loss for the period/year	(19,945,147)	(87,274,411)	**(116,997,857)**
Dividend	–	(672,877)	**–**
	(19,945,147)	(87,947,288)	**(116,997,857)**
Loss per share, basic	0.40	1.42	**1.41**

ASSETS AND LIABILITIES

	At 31 March 2000 HK$	At 31 March 2001 HK$	**At 31 March 2002 HK$**
Total assets	46,843,632	109,489,920	**9,160,972**
Total liabilities	(13,764,105)	(6,604,857)	**(23,261,766)**
Balance (deficiency) of shareholders' funds	33,079,527	102,885,063	**(14,100,794)**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of Cyber On-Air Group Company Limited (the "Company") will be held at The Cypress Room, Level 3, New World Renaissance Hotel, 22 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong on 13 August 2002 at 10:00 a.m. for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company and the reports of the directors of the Company (the "Directors") and auditors for the year ended 31 March 2002;

2. to re-elect the Directors and to authorise the Board of Directors (the "Board") to fix their remuneration;

3. to re-appoint auditors of the Company and to authorise the Board to fix their remuneration;

4. to consider as special business, and if thought fit, pass with or without amendments the following resolutions as ordinary resolution:

   "**THAT**:

   (A) subject to paragraph (C) of this resolution, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;

   (B) the approval in paragraph (A) of this resolution shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

(C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors pursuant to the approval in paragraph (A) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option schemes adopted by the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company pursuant to the Articles of Association of the Company from time to time shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company on the date of the passing this resolution, and the said approval shall be limited accordingly; and

(D) for the purposes of this resolution, "Relevant Period" means the period from the date of passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in the general meeting;

"Rights Issue" means an offer of shares open for a period fixed by the Directors to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company)."

5. To consider as special business, and if thought fit, pass with or without amendments the following resolutions as ordinary resolution:

"**THAT**:

(A) Subject to paragraph (B) of this resolution, the exercise by the Directors during the Relevant Period (as defined in Resolution 4(D) set out in the notice of this meeting) of all the powers of the Company to purchase its issued shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the GEM Listing Rules or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved; and

(B) the aggregate nominal amount of shares of the Company which are authorised to be purchased by the Company pursuant to the approval in paragraph (A) of this resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing this resolution, and the said approval shall be limited accordingly."

6. To consider as special business, and if thought fit, pass with or without amendments the following resolution as ordinary resolution:

"**THAT** conditional upon the passing of resolution No.5 set out in the notice of this meeting, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to resolution No. 4 set out in the notice of this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the said resolution No. 5, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company at the date of passing this resolution."

By Order of the Board
Choi Wing Kin
Executive Director

Hong Kong, 28th June 2002

Principal office in Hong Kong
Unit 1701, Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, vote in his stead. A proxy need not be a member of the Company.

2 In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the principal office of the Company at Unit 1701, Tower 1, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. In relation to proposed resolution no.5 above, the Directors wish to state they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be dispatched to the shareholders with the annual report for the year ended 31 March 2002.