CYBER ON-AIR GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT 2002

for the period from 1 April 2002 to 30 September 2002

CYBER ON-AIR
創博數碼科技

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This report, for which the directors of Cyber On-Air Group Company Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to Cyber On-Air Group Company Limited. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

1.

	Six months ended 30 September 2002 HK$'000	2001 HK$'000	Variance
Turnover	**23,049**	1,422	1,520.89%
Gross Profit	**12,466**	1,422	776.65%
Operating Costs	**(18,817)**	(40,659)	(53.72%)
Loss attributable to Shareholders	**(10,600)**	(38,775)	(72.66%)
Loss per share	**HK$(0.13)**	HK$(0.47)	

Cyber On-Air Group Company Limited (the "Company") and its subsidiaries (collectively the "Group") registered increased turnover of approximately HK$21.6 million for the six months ended 30 September 2002 compared to the corresponding period last year (30 September 2001: HK$1.4 million), representing an increase of 1,520.89%.

2. As a result of effective cost-savings measures, operating costs reduced from HK$40.7 million to HK$18.8 million, representing an almost 54% improvement compared with the corresponding period last year. Loss attributable to shareholders decreased by 72.66% to HK$10.6 million.

3. EBITDA* loss decreased 85.5% from HK$29.3 million to HK$4.3 million.

* EBITDA is defined as earnings before interest expense, tax, depreciation and amortization.

MESSAGE FROM THE CHIEF EXECUTIVE

The business environment in Hong Kong during the first half of the financial year was generally difficult and competitive. However, despite the unfavourable conditions, the Group has succeeded in achieving a turnover of HK$23 million, a significant improvement compared to the corresponding period last year. Although the Group posted a loss for the first half year, the quantum is much reduced compared to that of the corresponding period last year (30 September 2001: HK$38.8 million). This improvement is attributable to the effective cost management strategy of the Group, concurrent with pro-active and dedicated efforts to increase market share for the Group's products and services.

There is still no indication that the economic scenario in Hong Kong will improve in the second half year. Therefore, the IT spending in both the public and private sectors is expected to be restricted and without optimistic growth. Coupled with this, the Group is facing the challenge of an overall shrinking market.

In order to keep a cost-effective structure and to sustain an optimum level of business in Hong Kong, the Group is directing the focus on China, where market prospects are very positive. The Group has thus increased resources dedicated to developing the business in the China Market. During the period under review, there have been continuous sales opportunities and potential large projects for the Group's business in the China market, with revenue increases especially from wireless applications and telecom network solutions in Telecommunications, FSI (Finance, Securities & Insurance) and Enterprise segments.

In the aspect of wireless and multimedia technologies, the Group is developing new products, solutions and markets for Multimedia Messaging Services (MMS) in China as MMS is a new migration path for our customers who are currently using the Short Messaging Services (SMS). In addition, the Group is also developing the migration of Wireless Application Protocol (WAP) to high speed wireless applications in 2.5G and 3G in the wireless application markets. The SMS market in China is very positive, with growth rate for SMS last year at over 80%. Some 200 million messages are transmitted each year and this figure is expected to increase. This strong growth rate creates a favourable environment for the Group's development in the wireless and multimedia industries.

In the aspect of industry-based technologies, the Group anticipates positive business growth for our Integrated Broadband/Multimedia Application applied in a large community, like housing estates in Hong Kong. Significantly, the demand for this system in China market is also increasing especially for application in intelligent buildings, residential estates, hospitals and in hospitality sector developments such as hotels and serviced apartments.

Guangdong An Bo Information Services Limited (廣東安博信息服務有限公司) ("An Bo"), the first Sino-HK legal entity in China, has obtained a business licence in August 2002 to run employment services, and provide recruitment services to both Chinese enterprises based in China and Hong Kong companies with business in China. The Group will capitalise on Hong Kong's strategic position to run recruitment services for clients in Hong Kong and China. The recruitment centre of An Bo is situated at the Goldlion Digital Network Center, the most prominent location in the central business area of Guangzhou. The website anbo8118.com of An Bo, has been posted with over 100,000 jobs in our database, it achieved nearly 2,000,000 page views per week.

Prospects for third and fourth quarters

The Group is optimistic about the second half of the year, with anticipated positive growth in business due to the increase in the income portion from China operations.

The Group's gross profit margin of 54% in the first half of the year is satisfactory, and it is comparatively higher than the average in the industry. The high gross profit margin in the review period is due to the high proportion of the incomes from software product sales and wireless application services in the first quarter of the Group. The management is positive about maintaining a high gross profit margin as a result of the shift in focus for revenue streams from project-based business to service-based business. The service-based business includes provision of wireless applications, on-line recruitment and corporate services, which will generate recurring and stable income to the Group.

Joint venture strategies

To cope with the huge and fast-growing human resources and corporate services market in China, the Group will invest more direct efforts to further develop the recruitment and corporate services currently provided by An Bo in China, including expansion of market coverage to Shanghai, Beijing and Hong Kong. An Bo will further expand its service base to provide a wider and more comprehensive range of professional and corporate services so as to become a one-stop shop for enterprises.

In line with the above strategies, An Bo will be able to expand its client base, currently comprising China local companies only, to include those enterprises based out of China, which currently either have operating business in China or have plans to set up operations in China. The Group foresees that the demand for professional corporate services in China will be enormous following China's successful entry into WTO, and the resultant opening up of a huge domestic market that is attracting significant foreign investments.

Streamlined operations

In view of the sluggish business environment in Hong Kong, the Group has exercised two phases of downsizing during the review period. In the first phase, the operations of HKCyber.com website were reduced to minimal. In the second phase, the operation support functions were scaled down to a cost-effective structure.

In order to maintain a healthy cost structure, the Group expects to eliminate all accumulated costs, such as the high rental costs and staff costs from the past, by March 2003. The future cost structure will be effective and continuously reviewed with the changes of the corresponding revenue streams such that the profitability of the Group can be achieved.

The business scenario has changed with the onset of globalisation and the effects of weak economic conditions in many parts of the world. However, the Group will rise to the challenge by remaining alert to all opportunities for business growth, being innovative, and providing a full range of value-added products and services.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 30 September 2002, the Group's turnover was HK$4.7 million, down 74% from HK$18.3 million, and the operating costs were HK$10.6 million, an increase of 28%, as compared with the last quarter. The Group posted a loss attributable to shareholders of HK$12.7 million, equivalent to a loss of HK$0.15 per share. The decrease in turnover was mainly due to the delay in certain networking solution projects and the fierce market competition. The Group recorded a substantial loss was attributable to the bad debt provisions made for the receivables of a wireless application and a network solution project as well as a provision made on the compensation loss on the early termination of a leasing agreement. Nevertheless, these provisions did not have any impact on the cash flow of the Group. To address the issue of bad debts, the Group has appointed a professional collection agent to retrieve the receivables so as to reduce the overall impact on the Group's performance.

Comparing the financial performance for the six months ended 30 September 2002 with the corresponding period last year, the Group registered an increased turnover of HK$21.6 million, (six months ended 30 September 2001: HK$1.4 million), representing an increase of 1,520.89%. The operating costs reduced from HK$40.7 million to HK$18.8 million, representing an almost 54% improvement compared with the corresponding period last year. Loss attributable to shareholders decreased by 72.7% to HK$10.6 million for the six months ended 30 September 2002. The substantial increase in revenue compared to the corresponding period last year was mainly attributable to the new revenue stream derived from sales of project services; network solutions; application solutions, technology products and multimedia services after the acquisition of Cyber On-Air Group Limited ("COA") in May 2002.

Business review

1. *Application products (wireless) and solutions*

   The Group continued to be an active market leader in providing wireless application products in China. Sales of the Group's proprietary product, the OAXIS Platforms of Wireless Applications and Messaging Applications, through our channels in Hong Kong and China, had been very significant and satisfactory in the first quarter.

   However, in the second quarter, due to the transition period for migration from 2G to 2.5G and 3G in the market, many customers adopted a 'wait-and-see' attitude, thus negatively impacting sales of OAXIS products. Notwithstanding this setback, the Group is still positive about the wireless application market in China.

In the aspect of application solutions, the Group has successfully built a customer campaign platform for a famous beverage company promotion in China during the period under review. The Group is confident about the growth potential of this solution as customer interaction using mobile phones is a trend, and will be pro-actively targeting the FMCG (Fast Moving Consumer Goods) providers.

2. *Network solutions*

During the period under review, the Group successfully secured a contract from Hong Kong Government amounting to HK$1.3 million for the provision of the first broadband and multimedia solution project known as "I-Estate" for one of the newly developed housing estate. This is the first multimedia system which incorporates the LCD notice board with content scheduling, broadband internet kiosk at lift lobby for government information retrieval as well as centralized management control including Octopus Door Access System and CCTV monitoring over the web. The Group is confident that the success of this pilot project will encourage the Hong Kong Government to adopt similar solutions for most of their future housing estate developments besides enhancing prospects for the Group.

In addition, the Group has increased its ranges of solutions for the market through strategic alliance with a number of network product vendors. For example, the Group has signed a reseller agreement with a US based supplier on a bandwidth management system. This system is targeted at network operators as it can manage and optimize the unused bandwidth from the existing fibre infrastructure so as to increase operating revenue. Recently, this system has aroused much attention in the market.

3. *Project and engineering services*

With the proven track records in project services, the Group has been awarded contracts amounting to over HK$3 million up to the end of September 2002, of which the project for the installation of LMDS (Local Multipoint Distribution System) for a wireless fixed network operator in Hong Kong is the most significant.

Though the LMDS market is not optimistic in Hong Kong at the moment, the Group continues to service wireless fixed network operators because most of them are migrating to fixed-network services as a result of the deregulation of fixed networks by Hong Kong Office of Telecommunications Authority (OFTA). The Group sees new opportunities in further projects with these operators in their new infrastructures.

4. *E-businesses, web and multimedia services*

Due to the current unfavourable market environment for on-line content providers, the revenue model for the Group's on-line newspaper HKCyber.com was not optimistic while the operating costs were very high. Hence, the operation structure has been downsized to provide minimal but sufficient on-line news content. The staff strength was reduced from 28 to 4 in July 2002. Nevertheless, the Group will continue to maintain the on-line newspaper business but with significant emphasis on outsourcing to keep the operating costs minimal.

Liquidity and financial resources

Current assets amounted to HK$13.4 million as at 30 September 2002, of which approximately HK$3.9 million were cash, bank deposits and pledged deposits. The gearing ratio was measured in terms of total borrowings divided by total assets, was 109.36% as at 30 September 2002. The Group obtained its source of funds through various means to balance the cost and risk. Apart from the funds generated from normal operations and the cash and bank deposits, the Group also obtained its source of funds from directors and shareholders amounting to approximately HK$18.5 million as at 30 September 2002.

Charges on Group assets

A bank deposit amounting to approximately HK$1 million was placed in time deposit as security for general banking facilities granted to a subsidiary of the Group, and it has not been utilised as at 30 September 2002. A bank deposit amounting to approximately HK$0.5 million was pledged as security for rental deposits.

Material acquisition and disposal

There was neither significant investment held by the Group nor material acquisitions and disposals of subsidiaries and affiliated companies for the period ended 30 September 2002.

Foreign exchange exposure

As the Group's assets and liabilities remain mainly denominated in HKD and RMB, the board of directors does not consider that the Group is significantly exposed to any material foreign currency exchange risk.

Contingent liabilities

The Group did not have any material contingent liability as at 30 September 2002.

Employees and remuneration policies

The total number of employees in the Group was 56 as at 30 September 2002 (30 September 2001: 72). 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, insurance, MPF and share option schemes.

Use of proceeds from the issuing of the new shares

According to the Prospectus of the Company, the Group planned to use a total of HK$132 million up to 30 September 2002. However, as set out in the circular of the Company dated 28 December 2001 in relation to the acquisition of COA, the net proceeds in the sum of approximately HK$156 million from the placing of new shares in the Company's initial public offering in July 2000 has been fully utilized, of which approximately HK$94 million was used on the purchase of software and hardware, improvement in network infrastructure and brand building activities with the remaining balance of approximately HK$62 million was used to pay for the operating expenses.

	Actual amount used HK$ million	**Per Prospectus** HK$ million
Purchase of software and hardware, set up mirror site	61	38
Improvement in network infrastructure	15	16
Brand building activities	18	10
Merger and acquisition	–	38
	94	102
General working capital	62	30
	156	132

Progress against business objectives

From 1 April 2002 to 30 September 2002

Business objectives as set out in the Prospectus	Actual business progress to date
Increase traffic	
1. Continue to increase the depth and breadth of the Group's content and services covering topics of popular interest at the relevant times	The increase in the depth and breadth of the Group's content and services did not generate much revenue, and thus the operation ceased in the second half of 2001. The Group does not plan to resume the service until proven market exists.
2. Develop and construct content for 3G mobile phone	Currently, the Group does not plan to develop and construct content for 3G mobile phone as the market is not ready yet. Hence, any action in this area will bring no significant revenue but significant costs to the Group.
3. Develop more interactive and multimedia content	The Group does not plan to develop more interactive and multimedia content as no significant revenue can be generated from these services.
4. Seek strategic alliances and merger and acquisition opportunities	Negotiation with COA finally led to the proposed acquisition of COA on 31 October 2001. The acquisition was completed on 8 May 2002. The Group will remain open to synergistic merger and acquisition opportunities for the Group's further business growth.
Increase brand strength	
5. Continue advertising through effective media such as billboards and outdoor electronic display and promotional campaigns such as the holding of contests and participation in trade shows and exhibition	In previous periods, the Company had conducted or sponsored a number of large-scale outdoor events and numerous promotional campaigns. The Group considers such sponsorship is not cost effective and has decided to carry out advertising through its own portal.

Increase revenue

6.	Strengthen the total-solution team in providing e-marketing services by recruiting experienced staff and the Group's marketing revenue	The Group does not plan to recruit more staff to strengthen the total-solution team for e-marketing services as no significant revenue can be generated from these services.
7.	Charge viewers in Europe for access to the news channel and specific content and services	No charge has been levied on viewers because of the weakness in the global Internet market.
8.	Exploit its e-mall business further	The e-malls were not profitable throughout its operating history and operations have been temporarily suspended since the first quarter this year pending a redesign of the business model.

Improvement of infrastructure

9.	Set up mirror sites and regional offices in North America to improve the Group's service and enhance its presence	The set-up of mirror sites overseas is temporarily set aside because of the depression in the global Internet market.
10.	Expand and improve the Group's delivery facilities to enhance the quality and speed for the expansion of the Group's business	At the moment, the delivery facility is sufficient for the Group's current and future operations. The Group has no current plan to further expand and improve the delivery facilities.
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.

RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") as at and for the three months (the "Quarterly Period") and six months ended 30 September 2002 (the "Half-Yearly Period"), together with the comparative unaudited figures for the corresponding period in 2001 are as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2002

	Notes	Three months ended 30 September		Six months ended 30 September	
		2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Turnover	3	4,747	646	23,049	1,422
Cost of sales		(3,764)	–	(10,583)	–
Gross profit		983	646	12,466	1,422
Interest income		9	30	18	238
Other revenue		17	176	938	233
Website development expenses		–	(9,846)	–	(23,188)
Depreciation and amortisation		(541)	(4,929)	(1,142)	(9,497)
Advertising and promotion expenses		(41)	(31)	(144)	(303)
General and administrative expenses		(9,973)	(3,226)	(17,531)	(7,671)
Amortisation of goodwill		(1,863)	–	(3,097)	–
Loss from operations	4	(11,409)	(17,180)	(8,492)	(38,766)
Finance costs		(1,271)	(2)	(2,108)	(9)
Loss before taxation		(12,680)	(17,182)	(10,600)	(38,775)
Taxation	6	–	–	–	–
Loss attributable to shareholders		(12,680)	(17,182)	(10,600)	(38,775)
Loss per share	8	HK$(0.15)	HK$(0.21)	HK$(0.13)	HK$(0.47)

CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2002 AND 31 MARCH 2002

	Notes	30 September 2002 (unaudited) HK$'000	31 March 2002 (audited) HK$'000
Non-current assets			
Property, plant and equipment		5,043	4,030
Intangible assets	9	71,660	783
		76,703	4,813
Current assets			
Trade receivables	10	6,585	367
Other receivables, deposits and prepayments		2,915	2,699
Pledged bank deposit		1,520	489
Bank balances and cash		2,380	793
		13,400	4,348
Current liabilities			
Trade payables	11	7,399	2,785
Other payables and accrued charges		7,869	2,075
Amounts due to related companies		–	7,491
Loan from a director	12	10,538	10,238
Other loan		8,000	–
Preference dividend payable		673	673
Deferred income		325	–
		34,804	23,262
Net current liabilities		(21,404)	(18,914)
Total assets less current liabilities		55,299	(14,101)
Non-current liabilities			
Loan notes		80,000	–
		(24,701)	(14,101)
Capital and reserves			
Share capital	13	831	83,145
Share premium and reserves		(25,532)	(97,246)
		(24,701)	(14,101)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Six months ended 30 September	
	2002	2001
	HK$'000	HK$'000
Net cash outflow from operating activities	**(4,988)**	(28,626)
Net cash outflow from investing activities	**(1,425)**	(10,119)
Net cash inflow from financing activities	**8,000**	2,500
Increase/(decrease) in cash and cash equivalents	**1,587**	(36,245)
Cash and cash equivalents at 31 March	**793**	37,614
Cash and cash equivalents at 30 September	**2,380**	1,369

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Share premium	**Merger reserve**	**Accumulated loss**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2001	74,623	53,022	(107,892)	19,753
Loss for the six months ended 30 September 2001	–	–	(38,775)	(38,775)
At 30 September 2001	74,623	53,022	(146,667)	(19,022)
At 1 April 2002	74,623	53,022	(224,890)	(97,245)
Credit arising from capital reduction transferred to share premium and reserve account	82,313	–	–	82,313
Share premium applied towards the partial elimination of accumulated loss	(156,936)	–	156,936	–
Loss for the six months ended 30 September 2002	–	–	(10,600)	(10,600)
At 30 September 2002	–	53,022	(78,554)	(25,532)

Notes:

1. **Basis of presentation**

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$21.4 million as at 30 September 2002. The existence of net current liabilities was mainly due to the other loan and the loan from a director were being classified as current liabilities as such loans are repayable on demand with no fixed repayment date. As far as directors are concerned, from the past experience, when such loans fall due, it will be extended for another year and it does not affect the short term liquidity of the Group. Accordingly, the financial statements have been prepared on a going concern basis.

2. **Basis of preparation and accounting policies**

The unaudited condensed consolidated interim accounts ("interim accounts") have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants, and Chapter 18 of the Listing Rules of the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The interim accounts should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002, except that the Group has changed certain of its accounting policies following its adoption of the new and revised SSAPs which became effective on 1 January 2002. The adoption of these new and revised SSAPs has no material effect on the Group's results.

3. Segment information

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

	Turnover Six months ended 30 September		Contribution to Group results Six months ended 30 September	
	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000
Principal activities:				
External Sales				
Application products and solutions	10,848	–	10,543	–
Network solutions	6,251	–	1,892	–
Project services	7,219	–	1,411	–
Engineering services	387	–	275	–
E-marketing	–	19	–	19
E-mall	–	775	–	775
Content licensing	374	290	374	290
IT services	106	229	101	229
Video production	–	109	–	109
Inter-segment sales	(2,136)	–	(2,130)	–
	23,049	1,422	12,466	1,422
Unallocated other income			956	471
Unallocated expenses			(21,914)	(40,659)
Finance costs			(2,108)	(9)
Loss attributable to shareholders			(10,600)	(38,775)

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format.

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and results are determined before intra-group balances and intra-group transaction are eliminated as part of the consolidation process. Unallocated items mainly consist of corporate expenses, other incomes and expenses.

4. Loss from operations

Loss from operations has been arrived at after charging (crediting)

	Three months ended 30 September		Six months ended 30 September	
	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000
Bad debts written off	–	891	–	893
Provision for bad and doubtful debts	1,631	–	2,046	–
Provision for compensation loss on early termination of a leasing agreement	1,005	–	1,005	–

5. Staff costs

	Three months ended 30 September		Six months ended 30 September	
	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000	2002 (Unaudited) HK$'000	2001 (Unaudited) HK$'000
Wages and salaries	4,278	7,218	8,108	16,911
Provision for annual leave	254	–	254	–

6. Taxation

No Hong Kong profits tax has been provided for the period since the assessable profit is wholly absorbed by tax losses brought forward.

No deferred tax asset has been recognised in the financial statements as it is not certain that it will be realised in the foreseeable future.

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2002 (six months ended 30 September 2001: Nil).

8. Loss per share

The calculation of the basic loss per share for the three months and six months ended 30 September 2002 is based on the respective unaudited net loss attributable to shareholders of HK$12.7 million and HK$10.6 million (three months and six months ended 30 September 2001: net loss of HK$17.2 million and HK$38.8 million) and the weighted average number of 83,144,786 (three months and six months ended 30 September 2001: 83,138,274 and 83,135,545) ordinary shares outstanding during the period. Loss per share for the three months and six months ended 30 September 2002 and the corresponding period in 2001 have been adjusted for the share consolidation on 6 May 2002, details of which are set out in the notes to the financial statements in the Annual Report of 2002.

The computation of diluted earnings 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.

9. Intangible assets

	Goodwill (Unaudited) HK$'000	Computer Software (Unaudited) HK$'000	30 September 2002 Total (Unaudited) HK$'000	31 March 2002 Total (Audited) HK$'000
At the beginning of the period	–	783	783	30,114
Additions	74,038	–	74,038	10
Disposal and written off	–	–	–	(23,915)
Amortisation charge	(3,085)	(76)	(3,161)	(5,426)
At the end of the period	70,953	707	71,660	783

10. Trade receivables

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

	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Aged:		
0 – 30 days	2,513	204
31 – 60 days	706	79
61 – 90 days	524	8
Over 90 days	2,842	76
	6,585	367

11. Trade payables

The ageing analysis of trade payables is as follows:

	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Aged:		
0 – 30 days	3,107	1,499
31 – 60 days	972	96
61 – 90 days	997	64
Over 90 days	2,323	1,126
	7,399	2,785

12. Loan from a director

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

13. Share capital

	30 September 2002 (Ordinary shares of HK$0.01 each) (Unaudited) Number of shares	HK$	31 March 2002 (Ordinary shares of HK$0.05 each) (Audited) Number of shares	HK$
Authorised:	2,000,000,000	20,000,000	37,500,000,000	1,875,000,000
Issued and fully paid:	83,144,786	831,448	1,662,895,737	83,144,787

Subsequent to the capital reduction and the share consolidation (the "Capital Reorganization") on 6 May 2002, the nominal value of each of the 1,662,895,737 issued shares was reduced by HK$0.0495, from HK$0.05 to HK$0.0005, whereby the Company's issued share capital of HK$83,144,787 was reduced by HK$82,313,339 to HK$831,448, every 20 issued shares was consolidated into one new share. After 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.

14. Capital commitments

As at 30 September 2002, the Group had commitments in respect of contributions to share capital of a joint venture in China amounting to HK$2,730,000 (31 March 2002: Nil), of which HK$409,500 has been paid up subsequent to the balance sheet date.

15. Related party transactions

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

	30 September 2002 (Unaudited) HK$'000	30 September 2001 (Unaudited) HK$'000
Rentals and building management fee (note a)	–	347
Rentals and building management fee (note b)	80	–
Technical support service (note c)	5	3,295
Consultancy fee	–	442
Administrative costs (note d)	70	–
Interest expenses (note e)	31	–

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) Prior to the acquisition of COA, Cyber On-Air (Asia) Limited (the "COAA"), in which a director of the Company has beneficial interests, provided office space for the Group during the period 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 period. All the above transactions were charged at cost.

(d) Prior to the acquisition of COA, COAA, in which a director of the Company has beneficial interests, provided administrative supports to a subsidiary of the Company during the period and the above sum was charged, being an appropriate allocation of costs incurred.

(e) Prior to the acquisition of COA, Cyber On-Air Limited in which a director of the Company has beneficial interests, made advances to the Company during the period. Interest was charged at Hong Kong Dollars Prime rate per annum.

During the period, the Group made advance to a related company amounting to HK$33,915 (30 September 2001: Nil). The advance to the related company is unsecured, non-interest bearing and have no fixed repayment terms.

In addition, the Group obtained advance from a related company amounting to HK$8.6 million (30 September 2001: Nil) during the period. The advance from the related company is unsecured and have no fixed repayment terms, interest was charged at Hong Kong Dollars prime rate per annum.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the directors and the chief executive in the loan notes (the "Notes")(Note 1) of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), which are required, pursuant to Section 29 of the SDI Ordinance to be recorded in the register referred to therein or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

Name of Directors	Personal Interest HK$	Family Interest HK$	Corporate Interest HK$	Other Interest HK$	Total HK$
Lo Lin Shing, Simon (Note 2)	–	–	7,296,000	–	7,296,000
Choi Wing Kin	26,592,000	–	–	–	26,592,000
So Kam Wing	1,824,000	–	–	–	1,824,000

Notes:

1. The Notes were issued by the Company to each of the then shareholders of COA pursuant to a resolution passed on 21 January 2002. The Notes are charged at the interest rate of the prime lending rate on Hong Kong dollar loans offered to its customers by The Hongkong and Shanghai Banking Corporation Limited from time to time and the payment obligations of the Company under the Notes issued to each of the then shareholder of COA is secured by a charge over the shares in COA sold by that then shareholder of COA. The maturity of the Notes is on 7 May 2005.

2. These Notes with the principal amount of HK$7,296,000 are owned by Wellington Equities Inc., a company incorporated in Republic of Panama with limited liability and is wholly owned by Mr. Lo Lin Shing, Simon.

Save as disclosed above, none of the directors or their associates had, as at 30 September 2002, any interests in the equity or other debt securities of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in the sections headed "Share Options", at no time during the Half-Yearly Period was the Company, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other corporate, and none of the directors, or their spouses or children under eighteen years of age, had any right to subscribe for the shares of the Company, or had exercised any such right during the Half-Yearly Period.

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 recognize the contribution of certain directors, employees and consultants of the Group to the growth of the Group and/or the listing of the Company's shares on the GEM of 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 consultants of the Group to subscribe for shares in the Company.

At 30 September 2002, the number of shares in respect of which options has been granted under the Pre-IPO Share Option Schemes was 64,278, representing 0.077% of the shares of the Company in issue at that date. No option may be granted to any one person exceeding 25% of the aggregate number of shares issued and issuable under the Pre-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. 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-thirds
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 recognize 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 30 September 2002, the number of shares in respect of which options had been granted under the Post-IPO Scheme was 400,000, representing 0.48% 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 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.

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

Subsequent to the reduction in capital and the consolidation of the issued shares of the Company, adjustment is made to the exercise price of the outstanding options is HK$0.01 for Pre-IPO Option and HK$0.0168 for Post-IPO Option.

The following table discloses the movements in the Company's share options during the Half-Yearly Period:

Directors	Option type	Outstanding as at 1 April 2002	Granted as at 30 September 2002	Exercised as at 30 September 2002	Cancelled as at 30 September 2002	Outstanding as at 30 September 2002
Mr. Lai King Yan, Anthony (Note)	Pre-IPO	416,666	–	–	(416,666)	–
Mr. Lo Sui Sing (Note)	Pre-IPO	64,278	–	–	–	64,278
Mr. Lo Sui Sing	Post-IPO	400,000	–	–	–	400,000
Total directors		880,944	–	–	(416,666)	464,278
Total employees	Pre-IPO	141,835	–	–	(141,835)	–
Total		1,022,779	–	–	(558,501)	464,278

Note: Mr. Lai King Yan, Anthony resigned as executive director on 31 January 2002.

Mr. Lo Sui Sing was appointed as executive director on 23 August 2001 and resigned as executive director on 1 October 2002.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price HK$	Exercise price after capital reorganisation HK$
Pre-IPO	18.7.2000	18.7.2000 – 31.1.2001	1.2.2001 – 30.7.2003	0.050	0.0100
Post IPO	17.8.2001	–	17.8.2001 – 16.8.2004	0.084	0.0168

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, according to the register of interests kept by the Company under Section 16(1) of the SDI Ordinance, and so far as is known to the directors, the persons (other than a director of chief executive of the Company) who were, directly or indirectly, beneficially interested in 10 per cent. or more in the issued share capital of the Company were as set out below.

Name	Number of shares
Qantex Limited ("Qantex")	22,868,656
Skynet Limited ("Skynet")	22,868,656
Gold Cloud Agents Limited ("Gold Cloud")	22,868,656
Companion Marble (BVI) Limited	22,868,656
Skynet (International Group) Holdings Limited ("SIGHL")	22,868,656
Companion Building Material (Holdings) Limited ("CBMHL")	22,868,656
Companion Building Material (BVI) Limited	22,868,656
Dong Fang Gas Holdings Limited (formerly known as Companion Building Material International Holdings Limited)	22,868,656

Note: These 22,868,656 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 Dong Fang Gas Holdings Limited (formerly known as 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 30 September 2002.

COMPETING BUSINESS

None of the directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) has any interests in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group.

SPONSOR'S INTERESTS

Core Pacific - Yamaichi Capital Limited ("CPY Capital") entered into a sponsorship agreement with the Company on 3 August 2001 whereby, for a fee, CPY Capital acted as the Company's continuing sponsor from 3 August 2001 till 31 March 2003.

As at 30 September 2002, CPY Capital, 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.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the requirements as set out in Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee has two members comprising two independent non-executive directors, Mr. Cheung Hon Kit and Mr. Ng Wai Hung. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Half-Yearly Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 (where applicable) of the GEM Listing Rules during the Half-Yearly Period.

By Order of the Board
CHOI WING KIN
Executive Director

Hong Kong, 7 November 2002