CYBER ON-AIR GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

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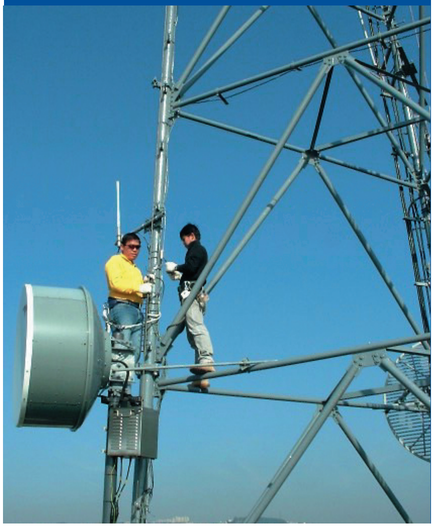
CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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.

This report, for which the directors (the "Directors") of Cyber On-Air Group Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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.

Content



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

CHOI Wing Kin
SO Kam Wing

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 1703, Tower 1, Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

COMPANY WEBSITE

http://www.cyberonair.com

COMPANY SECRETARY

FOK Pik Yi, Carol ACS, ACIS
(appointed on 31 May 2003)
IP Shu Wah CPA (Aust.), AHKSA
(resigned on 31 May 2003)

AUTHORISED REPRESENTATIVES

CHOI Wing Kin
SO Kam Wing
(appointed on 31 May 2003)
IP Shu Wah
(resigned on 31 May 2003)

COMPLIANCE OFFICER

CHOI Wing Kin

QUALIFIED ACCOUNTANT

KWOK Ying Tung, Daniel ACCA
(appointed on 31 May 2003)
IP Shu Wah CPA (Aust.), AHKSA
(resigned on 31 May 2003)

AUDIT COMMITTEE MEMBERS

CHEUNG Hon Kit
NG Wai Hung

PRINCIPAL BANKERS

Hang Seng Bank
83 Des Voeux Road Central
Hong Kong

Bank of China
Unit G1, Nan Fung Commercial Centre
Wang Kwun Road
Kowloon Bay, Hong Kong

CORPORATE INFORMATION

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

AUDITORS

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

SPONSOR

Core Pacific - Yamaichi Capital Limited
36th Floor, Cosco Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong
(Sponsor agreement expired on 1 April 2003)

CHAIRMAN'S STATEMENT

The year 2002 saw Cyber On-Air Group Company Limited (the "Group") further strengthening its position as a leader in wireless, broadband and multimedia technologies with proven expertise and track record in the provision of value-added solutions and services in the Greater China region. The Group has made significant headway in building a dynamic business platform for future robust business growth since the acquisition of Cyber On-Air Group Limited ("COA") on 8 May 2002.

I am pleased to report that the management's foresight has opened up a new world of exciting opportunities for the Group. Although Hong Kong remained the largest market for the Group during the 2002/03 financial year, the Group believes that China's telecommunications and finance sectors will be the growth driver of dynamic potential as the need to keep pace with the evolution of wireless technologies becomes increasingly critical for maintaining competitiveness in a progressively open market environment. The Group has already put in place four regional offices in Guangzhou, Shanghai, Beijing and Chengdu to serve an anticipated growing number of telecom carriers and FSI (finance, securities and insurance) enterprises in different parts of the country in the lead up to China's entry into the World Trade Organisation.

The strategic value of the Group's decision to focus its resources in the China market is likely to be further manifested in the coming financial years. The Group believes that China's IT and telecom markets will continue to grow at an annual rate of 40% to 50%, despite concerns over the dampening impact on economic activities from the Severe Acute Respiratory Syndrome ("SARS") outbreak. Opportunities often present themselves prominently at times of distress and the emergence of SARS has highlighted the importance of advanced IT and telecom technologies for online and wireless communication and interactive transactions when physical contact is discouraged and restrained.

The investment need for IT and telecom infrastructure to ensure continued business activities is felt more strongly than ever by enterprises, as evidenced by the growing volume of online and mobile banking and securities trading activities, and also video conferencing events. With established track record and a strong network of operations in China, the Group is strategically poised to capitalise on this anticipated demand surge for value added applications and multimedia services.

Following the formation of Guangdong An Bo Information Services Limited ("An Bo") as the first Sino-Hong Kong joint venture in China to provide full-scale recruitment services and on-line portal in early 2002, a business licence was granted in August 2002 to run recruitment services and provide corporate services to both Chinese enterprises and Hong Kong enterprises with operations in Guangdong Province.

The market potential of cross-border recruitment, diverse community and professional corporate services remains promising in the long run, however, the development of An Bo has been adversely affected by the recent SARS situation in China. The management is

monitoring the SARS development vigilantly and is cautiously reviewing and revaluating the extent of potential negative impact on this joint venture business, and weighing the merits of various contingent measures to minimize short-term repercussions.

Since 2002, the Group has been steering its business pursuits, research and development to four technological areas, namely wireless, broadband, multimedia and Internet applications. Core business offerings comprise value-added one-stop turnkey solutions – project services, network solutions and application solutions – that are geared to facilitate efficient and timely service delivery by telecom and finance enterprises; and interactive online and wireless multimedia services that enable real-time information delivery and interaction anytime, anywhere.

The Group sees enormous opportunities in China's fast evolving wireless market, as evidenced by huge market reception and popularity of Short Messaging Services ("SMS"). The Group is proud of owning state-of-art wireless and multimedia technologies and will seize opportunities, at appropriate time, to deploy these wireless technologies and build profitable business models in China. Mobile entertainment and interactive marketing services are being studied.

Looking ahead, the Group will continue to focus on the further development of principal wireless, broadband, multimedia and Internet technologies for the foremost telecom and finance market segments. The management believes that it has charted the right course for continuous positive growth for the Group and the task at hand is to build greater success on the Group's strong fundamentals. The Group will further sharpen its competitive edges, optimise present operating structure, and enhance the deployment of existing resources to capture market opportunities, fuel robust business growth and attain sustainable revenues.

China remains the Group's focus market, while the imminent emergence of new fixed network carriers and cable television carriers in Hong Kong as well as the open-door policy and deregulation for competition in China is being closely looked at as a new area of cautious business development for the Hong Kong operation. Meanwhile, the Group continues to exercise prudent cost management, further streamline certain of its operations and implement measures to improve operating efficiency at all times. The Group is also assessing the impact on the Group from the prevailing SARS outbreak.

On behalf of the Board of Directors, I would like to express my thanks and appreciation to my fellow Directors, the management and the staff for their dedication, commitment and contribution.

Lo Lin Shing, Simon
Chairman

Hong Kong, 20 June 2003

MESSAGE FROM THE CHIEF EXECUTIVE

Despite sporadic signs of a recovery in economic activities during the 2002/03 financial year, a full-fledged rebound did not materialise. The market environment for the telecom and IT industries in Hong Kong and to a certain extent, worldwide, continued to be mired in doldrums with restrained and even diminished spending in IT investments. Facing such adverse market conditions with a strong recovery from far sight in the near future, the Group is fully aware of the critical importance of differentiation and taking a lead in advanced technological innovation.

To the Group, differentiation strategies comprise primarily a market-specific focus in China, and a paramount specialisation in wireless, broadband and multimedia technologies. Unlike Hong Kong, China is a market of robust GDP growth, and the progressive deregulation of its telecom and finance markets in light of the entry into the World Trade Organisation calls for significant strategic investments in IT infrastructure deployment and enhancements. With an established presence in China and a network of four regional offices, the Group has also steered its core offerings of wireless applications, network solutions and project services to cater to customer demands in China.

I would also like to point out that the Group has been enjoying the first mover advantage in driving wireless applications for online and mobile banking and trading activities for the past two years. The Group is the first to have developed a Wireless Application Protocol ("WAP") platform for FSI enterprises in China, and is already the market leader in this particular segment with two major banks included in its client portfolio. The latest SARS outbreak has highlighted the importance of online and mobile banking and trading platforms in sustaining undisrupted business activities at crisis situations. This further indicates the importance of always keeping our research and development capabilities abreast with latest technological evolution and ahead of our competitors.

Our astute foresight has equipped us with the expertise and capabilities to seize the abundant opportunities arising from the launch of the faster and always on General Packet Radio Services ("GPRS") wireless telecommunications technology by major telecom carriers in China. Gradual migration to 3G wireless technologies also presents to the Group tremendous business development and growth opportunities.

The Group takes pride of the management's expert capabilities in identifying and introducing niche applications, and most importantly, arouse client awareness of such needs. GPRS WAP platform for FSI enterprises has already exemplified such ingenious ability, wireless security solutions for enterprises with wireless local area network ("WLAN') access points, especially large utility operators and telecom carriers, will be another growth driver of tremendous potential for the coming financial year and beyond. The Group will continue to enhance its research and development efforts with the mission of exploring, identifying and developing outstanding wireless applications for extensive deployment in Greater China.

Meanwhile, the Group will continue to secure distributorships for state-of the-art products and solutions from world-renowned brands, including Axerra Networks, ECtel and 3M, as a springboard to expand its value-added product and service offerings to its clients.

The Group remains optimistic of the long-term prospects of An Bo, a premium provider of full-scale recruitment and corporate services with multimedia technology applications via service center and on-line portal, and its potential contribution to extend the Group's on-line business and multimedia technology deployment in China. However, given the latest SARS situation, the Group will pace the development of An Bo cautiously in accordance with the market scenario and delve into necessary contingency measures to minimise any potential downside risk exposure.

At all times, the Group adopts prudent cost management measures to improve operating efficiency and profitability, and dedicates significant efforts to nurture a management team of highly motivated and forward looking staff to complement the Group's business vision and objectives.

Future Plans and Development

The Group has already established a solid foundation to build itself into a leading provider of products and services and solutions in broadband, multimedia and wireless technologies in Greater China. Niche wireless applications have been the cornerstone of the Group's success in entering new markets and creating customer demands. On the other hand, the Group has also set up four strategically located regional offices in China to drive sales and marketing initiatives and also to develop relationships with new and existing clients.

The step ahead is to maximise the synergy of both operations to achieve greater turnover and profitability, primarily through enhanced centralised management of various sales offices to facilitate cross-referral business, to effect "total solution" offerings, and to cement customer relationships.

Despite the turbulent times and uncertainty arising from the latest SARS epidemic in Greater China, the Group remains confident in the tremendous potential of the IT and telecom market prospects in China. Though the Hong Kong situation is likely to be plagued by fierce competition and weak economy for the large part of 2003, the Group is cautiously keeping a vigilant watch on market segments of breakthrough potential.

Choi Wing Kin
Chief Executive Officer

Hong Kong, 20 June 2003

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of the Group's results and segmental performance for the financial year ended 31 March 2003.

FINANCIAL REVIEW

For the financial year ended 31 March 2003, the Group recorded an increase of 1,502.4% in total turnover to HK$38.9 million (2002: HK$2.4 million), and a decrease of 55.0% in operating costs to HK$31.4 million compared with the previous year. The higher turnover and lower overheads led to a 80.6% improvement in loss attributable to shareholders to HK$22.7 million, from HK$117.0 million the previous year, equivalent to a loss of approximately HK$0.3 per share (2002: loss per share HK$1.4).

The increase in turnover was mainly attributable to favourable business consolidation after the acquisition of COA in May 2002. Prior to the acquisition, the Group generated its revenue mainly from the then core business of being a content provider and also from on-line advertisements. The acquisition had allowed the Group to derive new revenue streams from the provision of project services (including project management, broadband and antenna installation); network solutions (including telecom and networking products); application solutions (including wireless and multimedia applications); technology product; multimedia services and recruitment services.

There was also a significant reduction in loss from operations compared with last year, partly attributable to a substantial drop in provisions and a decrease in administrative expenses. Loss from operations in this financial year included goodwill amortisation charge of HK$6.8 million; and a compensation loss on the early termination of a leasing agreement, bad debt provisions made for the receivables of a wireless application and network solution project, and a provision made on the obsolete stock amounting HK$3.5 million. When such goodwill amortisation charge, one-off leasing termination compensation, and receivables and stock provisions were not taken into account, loss from operations would come down to HK$9.9 million.

The impact of these expenses and provisions on the Group's cash flow was immaterial, nevertheless, the Group will continue to monitor the issue of bad debts closely, and a professional collection agent has been appointed to retrieve the receivables to minimise the overall impact on the Group's performance.

Liquidity, Financial Resources and Gearing Ratio

Current assets amounted to HK$9.8 million as at 31 March 2003, of which approximately HK$2.8 million were cash, bank deposits and pledged deposits. The gearing ratio, measured in terms of total borrowings divided by total assets, was 124.0% as at 31 March 2003. The Group obtained its source of funds through various means to balance cost and risk. In addition to funds generated from normal operations, cash and bank deposits, the Group also obtained HK$20.5 million funds from directors and related companies as at 31 March 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 March 2003, the Group utilised HK$0.7 million of HK$1.0 million secured banking facilities at the charging rate of the Hong Kong dollars ("HKD") prime lending rate quoted by the Bank of China from time to time to its customers for HKD advances. In addition, the other borrowings of the Group was HK$20.5 million, of which HK$10.0 million was charged at 6% per annum with a maturity date on 31 December 2003, HK$5.0 million at 2% above the HKD HIBOR with a maturity date on 31 December 2003, HK$2.5 million at 2% above the HKD HIBOR with a maturity date on 30 June 2003 and HK$3.0 million non-interest bearing with no fixed repayment terms.

The Group manages its financial risk management through diversification of funding sources and extension of credit period. For the year ended 31 March 2003, total finance costs amounted to approximately HK$2.6 million, an increase of 832.7% compared with approximately HK$0.3 million for the corresponding period of 2002.

Charges on Group Assets

A bank deposit amounting to approximately HK$1.0 million was placed in time deposit as security for general banking facilities granted to a subsidiary of the Group, and HK$0.7 million had been utilised as at 31 March 2003.

Significant Investments, 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 year ended 31 March 2003.

Future Plans for Material Investments or Capital Assets

The Group does not have any plan for material investments or capital assets in the near future.

Foreign Exchange Exposure

The Group's assets and liabilities remain primarily denominated in HKD and RMB. The Board does not consider that the Group is significantly exposed to any material foreign currency exchange risk.

Contingent Liabilities

As at 31 March 2003, the Company had provided corporate guarantee to Cyber Network Technology Limited, a wholly-owned subsidiary of New World CyberBase Limited, for a HK$2.5 million short term loan granted to two subsidiaries of the Company.

Employees and Remuneration Policies

The total number of employees in the Group was 56 as at 31 March 2003 (2002: 36). The Group remunerated its employees in accordance with performance, experience, and prevailing industry practice. There are also other employee benefits, including medical scheme, insurance, MPF and share option schemes are also provided. Total staff cost amounted to HK$13.3 million (2002: HK$17.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. Application products (wireless) and solutions

Application products and solutions recorded a turnover of approximately HK$11.1 million for the year ended 31 March 2003, accounting for 28.7% of the Group's total sales turnover. This business operation generated 2.7% of its turnover from China and 97.3% from Hong Kong.

(a) Wireless application solutions

As an established market leader in the provision of wireless application products and services in China, the Group stands to benefit significantly from the progressive launch of the much faster and always-on GPRS wireless telecommunications technology by major telecom carriers in China. The migration to the more advanced 2.5G and ultimately 3G wireless telecommunications technologies provides a staunch platform for the Group to actively market its existing wireless product lines as GPRS WAP banking and trading activities are fast gaining customer acceptance and appear to be indispensable for FSI operators to remain competitive, as evidenced by the growing traffic in light of recent SARS situation.

The Group will continue to capitalise on its successful business alliance with the Bank of Communications in Shanghai to promote and expand the deployment of the Group's existing wireless products to the Bank's vast network of branches in China. In addition, the Group will also seek to further strengthen its business relationship with the Agricultural Bank of China for wireless banking applications. The management believes that both undertakings have raised the Group's industry profile and credentials, providing a facilitating springboard to the Group's pursuits of new FSI clients.

The massive popularity of SMS in China represents a fertile ground for exciting business development opportunities for the Group. During the year under review, the Group completed successful SMS consumer promotion campaign for Carlsburg beer and Watson's Distilled Water in China. To further spearhead the adoption of this powerful wireless marketing tool among Fast Moving Consumer Goods ("FMCG") providers, the Group has partnered with certain advertising agencies to bundle the Group's SMS solution into clients' advertising campaigns. The application of Multimedia Messaging Services ("MMS") solutions is also being cautiously explored.

(b) **Wireless security solutions**

The Group envisages tremendous business development and growth potential in wireless security solutions, given the increasing patronage of WLAN devices. The Group has successfully introduced into Hong Kong a WLAN security management solution with unrivalled Access Point roaming features, and this state-of-the-art product is being deployed with a public transport company in Hong Kong.

The management believes that all enterprises with WLAN access points, especially large utility operators and telecom carriers, should be acutely aware of the need for wireless security and protection, guarding against unauthorized entry into their wireless networks. Initially, the Group will focus the deployment of wireless security solutions in Hong Kong before differentiating product features for customised application in China.

2. Network solutions

Network solutions recorded a turnover of approximately HK$14.6 million for the year ended 31 March 2003, accounting for 37.5% of the Group's total sales turnover. This business segment generated 37.8% of its turnover from China and 62.2% from Hong Kong.

During the year under review, the Group has secured distributorship of a series of networks integration products from Axerra Networks and the first deployment with a telecom carrier is in satisfactory progress. Through aggregating different types of networks such as Asynchronous Transfer Mode ("ATM") network, Frame Relay network and Lease Line network onto an IP backbone, the Axerra products enable network operators to save cost and improve management efficiency.

The Group has also signed partnership agreements with some of the world's leading brands, including ECtel and 3M, for certain of their product offerings. The Group will continue to seek cooperation arrangements with world renowned vendors, expand its product portfolio and provide value-added services to its existing clients.

The Group is also China Telecom's sole authorised agent for the provision of repair and maintenance services to its network synchronization products in 21 cities. Participation in network synchronization projects of other telecom operators is also being actively pursued.

During the year under review, the Group has had satisfactory progress on its HK$1.3 million mandate from the Hong Kong Government to provide the first broadband and multimedia solution known as "I-Estate" for a new housing estate. This is the first multimedia system that is designed to improve communication between tenants and the building management office, facilitate government information retrieval and effect centralized management control, including Octopus Door Access System and CCTV monitoring over the web. The Group foresees wider application of this pilot "I-Estate" project to future housing estate developments and other property establishments such as hotels and club houses, thus generating a potential income source for the Group.

3. Project and engineering services

Project and engineering services recorded a turnover of approximately HK$13.6 million for the year ended 31 March 2003, accounting for 34.9% of the Group's total sales turnover. This business segment derived its turnover entirely from Hong Kong.

Market environment for the provision of project services remains fiercely competitive. The Group has been awarded project services contracts amounting to HK$12.8 million for the year under review, the most significant of which involves the installation of Local Multipoint Distribution System ("LMDS") for a wireless fixed network operator in Hong Kong.

4. Recruitment services

Recruitment services recorded a turnover of approximately HK$1.2 million for the year ended 31 March 2003, accounting for 3.1% of the Group's total sales turnover. This business segment derived its turnover entirely from China.

The Group has formed An Bo, the first Sino-Hong Kong joint venture in China, to provide full-scale recruitment services with multimedia technology applications via service center and on-line portal. An Bo secured an operating licence in August 2002 and has been actively preparing itself to activate the interactive platform, if not for the SARS outbreak. An Bo has already built up a comprehensive database with more than 27,000 jobseeker profiles and some 22,000 corporations for the provision of human resources, employee leasing and personal files registration services in China.

An Bo has put its recruitment fairs on hold for the time being as the Industrial and Commercial Bureau of Guangdong Province has stipulated a suspension on all crowd congregating recruitment events and activities, as part of its measures to contain the spread of SARS affliction. Presently, the Group is monitoring the SARS development in China and also reviewing such impact on An Bo's business activities.

5. **E-business, IT and multimedia services**

E-business, IT and multimedia services recorded a turnover of approximately HK$0.6 million for the year ended 31 March 2003, accounting for 1.4% of the Group's total sales turnover. This business segment derived its turnover entirely from Hong Kong.

Market environment for on-line content providers remained unfavourable and operating costs were also very high, casting a not so optimistic light on the revenue model of the Group's on-line newspaper, hkcyber.com. Hence the operation structure has been downsized to provide minimal but sufficient on-line news.

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$158 million up to 31 March 2003. 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	42
Improvement in network infrastructure	15	20
Brand building activities	18	12
Merger and acquisition	–	54
	94	128
General working capital	62	30
	156	158

PROFIT WARRANTY

According to the circular of the Company dated 28 December 2001 in respect of the disclosure requirements of Profit Warranty, the independent non-executive directors of the Company are required to review the audited financial statements of COA Group (as defined in the circular dated 28 December 2001) for the year ended 30 June 2002 and provide opinion on whether the Profit Warranty has been met. The independent non-executive directors had made all reasonable enquiries and to the best of their knowledge, confirmed that the 2002 COA Audited Profit (as defined in the circular dated 28 December 2001) was approximately HK$6.4 million. Therefore, the Profit Warranty has been met and no shortfall payment was required to be paid by the Vendors to the Company. The Company had also made an announcement in relation to the Profit Warranty on 28 August 2002.

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 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. The following information should be read together with the circular dated 28 December 2001.

Business objectives as set out in the Prospectus for the period from 1 April 2002 to 30 September 2002	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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as set out in the Prospectus for the period from 1 April 2002 to 30 September 2002	Actual business progress to date
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 exhibitions	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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as set out in the Prospectus for the period from 1 April 2002 to 30 September 2002	Actual business progress to date
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.

Business objectives as set out in the Prospectus for the period from 1 October 2002 to 31 March 2003	Actual business progress to date
Increase traffic	
1. Continue to enrich the depth and breadth of its content and services covering topics of popular interest at the relevant times	The increase in the depth and breath of the Group's content and services did not generate much revenue, and thus ceased in the second half of 2001 and has no plan to resume the service until proven market exists.
2. Seek strategic alliances 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. The management of the Company will pay close attention to the possible merger and acquisition opportunities.
Increase brand strength	
3. Continue advertising through effective media such as billboards and outdoor electronic display and promotional and sponsorship campaigns such as contests and participation in trade shows and exhibitions	In previous periods, the Company had conducted or sponsored a number of large-scale outdoor events including the Lunar New Year's Eve event, the Computer Expo in the Convention Centre and numerous promotional campaigns at Time Square in 2001. The Group considers such sponsorship was too expensive and has decided to carry out advertising through its own portal.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as set out in the Prospectus for the period from 1 October 2002 to 31 March 2003	Actual business progress to date
Increase revenue	
4. Strengthen the total-solution team in providing e-marketing services by recruiting experienced staff and Group's marketing revenue	No plan to recruit more staff to strengthen the total-solution team in providing e-marketing services, as no significant revenue will be generated from these services.
5. Continue to increase revenue from the licensing of its content to other content providers and local and overseas television stations	No significant revenue has been generated because of the weakness in global Internet markets.
6. Increase the number of shops at its e-mall and develop mega-e-mall	The e-malls were not profitable throughout its operating history and operations have been suspended last year.
Improvement of infrastructure	
7. Continue to expand and improve the Group's delivery and data storage facilities to enhance quality and speed for the expansion of the Group's business	At the moment, the delivery facility and data storage are sufficient for the Group's current and future operations. No plan to further expand and improve the Group's delivery and data storage facilities.
8. 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, aged 41, 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. So Kam Wing, aged 43, joined the Group in January 2002 as Vice President of Technical Operations and was appointed as an Executive Director of the Company in October 2002. He is responsible for direction steering 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 telecommunications.

NON-EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon, aged 47, 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 and New World CyberBase Limited, and the Deputy Chairman of Tai Fook Securities Group Limited. He is an Executive Director of Asean Resources Holdings Limited and The Kwong Sang Hong International Limited, as well as a Non-Executive Director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited, all of which are companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lo 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 47, joined the Group in May 2001. Mr. Wu has more than 20 years of working experience in the financial, securities and futures industries. Currently, Mr. Wu is the Executive Director of Skynet (International Group) Holdings Limited and HK6 Holdings Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Hon Kit, aged 49, joined the Group in May 2001. Mr. Cheung has over 25 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 Rosedale Hotel Group Limited. He is also a director of Hanny Holdings Limited, Asean Resources Holdings Limited, Panva Gas Holdings Limited, Billybala Holdings Limited and Skynet (International Group) Holdings Limited.

Mr. Ng Wai Hung, aged 39, joined the Group in May 2001. Mr. Ng is a practicing solicitor and a partner of 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.

SENIOR MANAGEMENT

Mr. Ip Shu Wah, aged 34, joined the Group as Chief Financial Officer and was appointed as Qualified Accountant, Company Secretary and Authorised Representatives in August 2002. He was responsible for the finance, administration, legal compliance and company secretarial matters of the Group. Mr. Ip holds a Bachelor's degree in Commerce from the University of New South Wales, Australia and is a CPA member of the Australian Society of Certified Practising Accountants and an associate member of the Hong Kong Society of Accountants. He has over 10 years local and overseas experiences in financial and general management. Mr. Ip resigned on his own accord on 31 May 2003.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

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 創博數碼科技集團有限公司 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 19 and 20 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 approximately 15% and 36% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest suppliers and five largest suppliers accounted for approximately 19% and 53% respectively of the Group's total purchases for the year.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

RESULTS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 30.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out on pages 74 to 75.

REPORT OF THE DIRECTORS

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 16 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 32 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
Mr. So Kam Wing *(appointed on 1 October 2002)*
Mr. Lo Sui Sing *(resigned on 1 October 2002)*

Non-executive directors

Mr. Lo Lin Shing, Simon
Mr. Wu Wing Kin

Independent non-executive directors

Mr. Cheung Hon Kit
Mr. Ng Wai Hung

There are no provisions in the Company's Articles of Association for retirement by rotation. In compliance with the requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), Mr. So Kam Wing will retire at the forthcoming annual general meeting of the Company and being eligible, offer himself for re-election.

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 SECURITIES

At 31 March 2003, the interests of the directors and chief executives and their associates in the loan notes (the "Notes") (Note 1) of the Company, were as follows:

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

Notes:

1. The Notes were issued by the Company to each of the ex-Vendors of Cyber On-Air Group Limited ("COA") pursuant to a resolution passed on 21 January 2002 at the EGM. The Notes are charged at the interest rate of the best lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited from time to time to its customers for advances in Hong Kong dollars and the payment obligations of the Company under the Notes issued to each of the ex-Vendors of COA are secured by a charge over the shares in COA sold by respective ex-Vendor of COA. Details of the above are set out in the Company's circular dated 28 December 2001.

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

Other than as disclosed above, none of the directors or chief executives, or their associates, had any interests in any securities of the Company and any of its associated corporations within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 37 to the financial statements.

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

Directors	Option type	Outstanding at 1.4.2002	Adjustments *(Note 3)*	Cancelled during the year	Outstanding at 31.3.2003
Mr. Lai King Yan, Anthony *(Note 1)*	Pre-IPO	8,333,333	(7,916,667)	(416,666)	–
Mr. Lo Sui Sing *(Note 2)*	Pre-IPO	1,285,574	(1,221,296)	(64,278)	–
Mr. Lo Sui Sing	Post-IPO	8,000,000	(7,600,000)	(400,000)	–
Total		17,618,907	(16,737,963)	(880,944)	–

Notes:

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

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

3. Subsequent to the reduction in capital and the consolidation of the issued shares of the Company as detailed in note 32 to the financial statements, the number of the outstanding share options held by Mr. Lai King Yan, Anthony and Mr. Lo Sui Sing were adjusted from 8,333,333 to 416,666, from 1,285,574 to 64,278 (Pre-IPO) and from 8,000,000 to 400,000 (Post-IPO) respectively.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section headed "Share Options" 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, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

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 (collectively the "Vendors"), pursuant to which the Company had conditionally agreed to acquire the entire issued share capital of COA, a company incorporated in the British Virgin Islands ("BVI") with limited liability, and was 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 consideration was satisfied by the issue of the Notes having an aggregate principal amount of HK$80 million to the Vendors in accordance with their corresponding shareholding interests in COA. The payment obligations of the Company under the Notes issued to each Vendor are 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 ("SIGHL"), 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 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. The Acquisition was completed on 8 May 2002.

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 42 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.

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 conflicts of interest with the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of 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")	22,868,656	*(Note 1 & 4)*
Skynet Limited ("Skynet")	22,868,656	*(Note 1)*
Gold Cloud Agents Limited ("Gold Cloud")	22,868,656	*(Note 1)*
Companion Marble (BVI) Limited	22,868,656	*(Note 1)*
SIGHL	22,868,656	*(Note 1)*
Companion Building Material (Holdings) Limited ("CBMHL")	22,868,656	*(Note 2)*
Companion Building Material (BVI) Limited	22,868,656	*(Note 2)*
Dong Fang Gas Holdings Limited ("Dong Fang Gas")	22,868,656	*(Note 2)*
Great Joint Profits Limited ("Great Joint Profits")	22,868,656	*(Note 3)*
China Strategic (B.V.I.) Limited ("China Strategic BVI")	22,868,656	*(Note 3)*
China Strategic Holdings Limited ("CSH")	22,868,656	*(Note 3)*

Notes:

1. 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.

2. 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.

SUBSTANTIAL SHAREHOLDERS – continued

3. Great Joint Profits owns more than one-third of the issued share capital of Dong Fang Gas and is a wholly-owned subsidiary of China Strategic BVI. China Strategic BVI is a wholly-owned subsidiary of CSH.

4. Pursuant to the conditional sale and purchase agreement dated 5 March 2003 ("Agreement") entered into by Qantex, Cyber Network and SIGHL, Qantex has agreed to sell and Cyber Network has agreed to purchase, 22,868,656 shares of HK$0.01 each ("Sale Shares") in the capital of the Company on terms and conditions as set out in the Agreement. Completion for the sale and purchase of the Sale Shares is subject to the fulfilment or waiver of certain conditions as stipulated in the Agreement by 30 June 2003 (or such later date as the parties to the Agreement may agree in writing). As at the date hereof, completion of the sale and purchase of the Sale Shares has not been taken place.

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 2003.

SPONSORS' INTEREST

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. Following the expiry of the sponsorship agreement, CPY Capital ceased to be the continuing sponsor of the Company.

As at 31 March 2003, neither CPY Capital nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules), had 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.

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.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

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 throughout the year.

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. During the year, the audit committee met four 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.

POST BALANCE SHEET EVENT

Details of the significant event occurring after the balance sheet date are set out in note 43 to the financial statements.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: nil).

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, 20 June 2003

REPORT OF THE AUDITORS

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
創博數碼科技集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 30 to 73 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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures in note 2 to the financial statements which explain that the Group is currently liaising with the banks to obtain additional fundings and with the holders of the loan notes for converting part of the loan notes into ordinary shares.

Provided that these additional fundings will be available to the Group and the successful conversion of part of the loan notes into ordinary shares, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available and the successful conversion of part of the loan notes into ordinary shares. The financial statements do not include any adjustments that would result from the failure to obtain such funding and the failure in the conversion of part of the loan notes into ordinary shares. We consider that the fundamental uncertainty is adequately disclosed in the financial statements. However, because of the extent of the uncertainty relating to the future funding of the Group, we disclaim our opinion on the view given by the financial statements.

DISCLAIMER OF OPINION

Because of the significance of the fundamental uncertainty relating to the going concern basis, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 20 June 2003

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2003

	Notes	2003 HK$	2002 HK$
Turnover	5	38,876,576	2,426,220
Cost of sales		(21,894,250)	–
Gross profit		16,982,326	2,426,220
Other operating income	7	948,119	1,000,740
Selling and distribution costs		(598,588)	(1,426,947)
General and administrative expenses		(28,414,329)	(20,362,116)
Other operating expenses		(9,124,595)	(47,895,924)
Impairment loss recognised	8	(33,917)	(6,127,779)
Loss from operations	9	(20,240,984)	(72,385,806)
Finance costs	10	(2,596,220)	(278,349)
Share of loss of an associate		–	(1,270,581)
Loss on discontinuing operations	11	–	(43,063,121)
Loss before taxation		(22,837,204)	(116,997,857)
Taxation	14	–	–
Loss before minority interests		(22,837,204)	(116,997,857)
Minority interests		175,500	–
Net loss for the year		(22,661,704)	(116,997,857)
Loss per share			
Basic	15	0.27	1.41

CONSOLIDATED BALANCE SHEET

At 31 March 2003

	Notes	2003 HK$	2002 HK$
Non-current assets			
Property, plant and equipment	16	4,122,934	4,030,538
Intangible assets	17	478,904	782,665
Goodwill	18	67,250,930	–
Interests in an associate	20	–	–
		71,852,768	4,813,203
Current assets			
Inventories	21	858,991	–
Trade receivables	22	5,362,948	366,987
Other receivables, deposits and prepayments		781,549	2,698,231
Amounts due from related companies	23	–	–
Amount due from a related party	24	–	–
Pledged bank deposit		1,036,520	489,075
Bank balances and cash		1,765,053	793,476
		9,805,061	4,347,769
Current liabilities			
Trade payables	25	9,806,688	2,785,423
Other payables and accrued charges		6,709,834	2,312,887
Amounts due to related companies	26	–	7,490,579
Loans from directors	28	13,044,572	10,000,000
Loans from related companies	29	4,081,714	–
Other loans	30	3,373,714	–
Preference dividend payable		672,877	672,877
Bank overdraft		730,928	–
		38,420,327	23,261,766
Net current liabilities		(28,615,266)	(18,913,997)
Total assets less current liabilities		43,237,502	(14,100,794)
Non-current liability			
Loan notes	31	80,000,000	–
		(36,762,498)	(14,100,794)
Capital and reserves			
Share capital	32	831,448	83,144,787
Share premium and reserves		(37,593,946)	(97,245,581)
		(36,762,498)	(14,100,794)

The financial statements on pages 30 to 73 were approved and authorised for issue by the Board of Directors on 20 June 2003 and are signed on its behalf by:

Choi Wing Kin	**So Kam Wing**
Director	*Director*

BALANCE SHEET
At 31 March 2003

	Notes	2003 HK$	2002 HK$
Non-current assets			
Interests in subsidiaries	19	105,424,702	64,000,000
Amount due from an associate	20	–	–
		105,424,702	64,000,000
Current assets			
Amount due from a related party	24	–	–
Accounts receivables and prepayments		112,110	–
Bank balances and cash		79,942	13,832
		192,052	13,832
Current liabilities			
Accounts payables and accrued charges		3,416,455	237,534
Amounts due to subsidiaries	27	4,003,567	–
Loan from a director	28	10,000,000	10,000,000
Preference dividend payable		672,877	672,877
		18,092,899	10,910,411
Net current liabilities		(17,900,847)	(10,896,579)
Total assets less current liabilities		87,523,855	53,103,421
Non-current liability			
Loan notes	31	80,000,000	–
		7,523,855	53,103,421
Capital and reserves			
Share capital	32	831,448	83,144,787
Share premium and reserves	33	6,692,407	(30,041,366)
		7,523,855	53,103,421

Choi Wing Kin
Director

So Kam Wing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2003

	Share capital HK$	Share premium HK$	Merger reserve HK$ *(Note 33)*	Accumulated (losses) HK$	Total HK$
THE GROUP					
At 1 April 2001	83,132,787	74,622,754	53,021,957	(107,892,435)	102,885,063
Issue of ordinary shares as a result of exercise of share options	12,000	–	–	–	12,000
Net loss for the year	–	–	–	(116,997,857)	(116,997,857)
At 1 April 2002	83,144,787	74,622,754	53,021,957	(224,890,292)	(14,100,794)
Credit arising from capital reduction transferred to share premium	(82,313,339)	82,313,339	–	–	–
Share premium applied towards the partial elimination of accumulated losses	–	(156,936,093)	–	156,936,093	–
Net loss for the year	–	–	–	(22,661,704)	(22,661,704)
At 31 March 2003	831,448	–	53,021,957	(90,615,903)	(36,762,498)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	2003 HK$	2002 HK$
OPERATING ACTIVITIES		
Loss before taxation	(22,837,204)	(116,997,857)
Adjustments for:		
Interest income	(26,557)	(237,649)
Interest expenses	2,596,220	278,349
Allowance for bad and doubtful debts	1,644,494	–
Bad debts written off	418,625	2,204,935
Bad debts recovered	(620,000)	–
Share of loss of an associate	–	1,270,581
Allowance for obsolete inventories	263,947	–
Loss on write-off of inventories	34,023	–
Loss on disposal of property, plant and equipment	458,785	1,256,733
Loss on write-off of property, plant and equipment	268,744	3,160,888
Depreciation of property, plant and equipment	2,135,055	5,488,147
Amortisation of goodwill	6,798,649	–
Amortisation of intangible assets	303,761	11,780,871
Impairment loss recognised	33,917	6,127,779
Loss on discontinuing operations	–	43,063,121
Operating cash flows before movements in working capital	(8,527,541)	(42,604,102)
Decrease in inventories	273,669	–
Decrease (increase) in trade receivables	1,153,198	(785,588)
Decrease (increase) in other receivables, deposits and prepayments	4,696,452	(1,234,227)
Decrease in amounts due from related companies	9,200,234	–
Decrease in trade payables	(1,026,083)	(1,987,460)
Increase in other payables and accrued charges	303,015	1,204,047
Decrease in amounts due to related companies	(7,490,579)	–
Decrease in deferred income	–	(136,818)
NET CASH USED IN OPERATING ACTIVITIES	(1,417,635)	(45,544,148)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2003

	Note	2003 HK$	2002 HK$
INVESTING ACTIVITIES			
Interest received		26,557	237,649
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	3,061,892	–
Purchase of property, plant and equipment		(1,422,520)	(2,499,700)
Proceeds on disposal of property, plant and equipment		152,975	197,002
Purchase of intangible assets		–	(1,023,386)
Investment in an associate		–	(50)
Advances to an associate		–	(3,499,950)
Advances to related companies		–	(1,249,482)
Advance to a related party		–	(1,500,000)
(Increase) decrease in pledged bank deposit		(547,445)	600,000
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		1,271,459	(8,737,917)
FINANCING ACTIVITIES			
Interest paid		(278,889)	(236)
Repayment of other loans		(2,478,572)	–
Issue of ordinary shares by the Company as a result of exercise of share options		–	12,000
Advances from related companies		2,500,000	7,450,000
Repayment to related companies		(542,857)	–
Advances from a director		1,187,143	10,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		386,825	17,461,764
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		240,649	(36,820,301)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		793,476	37,613,777
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		1,034,125	793,476
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		1,765,053	793,476
Bank overdraft		(730,928)	–
		1,034,125	793,476

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 19.

The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited ("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 HK$28,615,266 at 31 March 2003. Against this background, the Group is currently liaising with the banks to obtain additional fundings. In addition, the Group is liaising with the holders of the loan notes for converting part of the loan notes into ordinary shares. On the basis that additional fundings from banks will be available to the Group and the successful conversion of part of the loan notes to ordinary shares, the directors are satisfied that the Group 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. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

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 SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest, which was previously presented under a separate heading, is classified as investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE – continued

Discontinuing operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Polices". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's E-marketing, E-mall and video production activities as discontinuing operations in the current year, details of which are disclosed at note 11.

Employee benefits

In the current year, the Company has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Company participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 basis, by reference to the principal outstanding and at the interest rate applicable.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses, if any.

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	Over the term of the leases or 30%
Furniture, fixtures and equipment	15% – 33%
Computer hardware	15% – 33%

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

Intangible assets are measured at cost and amortised on a straight-line basis over their estimated useful lives and less any identified impairment losses.

4. 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, such 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Website development costs

The Group's website development costs are capitalised only if 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits costs

Payments to retirement benefits schemes are charged as an expense as they fall due.

5. TURNOVER

	2003 HK$	2002 HK$
The Group's turnover comprises:		
Advertising income net of agency deductions	300,000	1,068,414
Sales of goods	21,172,090	30,042
Services income	17,404,486	1,327,764
	38,876,576	2,426,220

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into seven operating divisions, namely application solutions, network solutions, project services, engineering services, recruitment services, content licensing and IT services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Application solutions	–	Providing wireless applications to operators and enterprises based on wireless technologies
Network solutions	–	Providing enabling services to operators and enterprises to set up broadband networks
Project services	–	Project implementation services to manufacturers, carriers and enterprises
Engineering services	–	Installation and maintenance of telecommunications products
Recruitment services	–	Provision of recruitment and corporate services
Content licensing	–	Licencing and subscription of web content
IT services	–	Computer hardware maintenance and supports

In prior years, the Group was also involved in the following activities:

E-marketing	–	Advertising platform for internet marketing
E-mall	–	Shopping platform for online transactions
Video production	–	Production of video

These activities were discontinued from 30 November 2002.

Segment information about these businesses is presented below.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Income statement for the year ended 31 March 2003

	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	Recruitment services HK$	Content licensing HK$	IT services HK$	Eliminations HK$	Consolidated HK$
TURNOVER									
External sales	9,006,613	14,579,513	12,772,067	808,684	1,159,667	374,932	175,100	–	38,876,576
Inter-segment sales	2,140,200	–	–	–	29,467	–	–	(2,169,667)	–
Total	11,146,813	14,579,513	12,772,067	808,684	1,189,134	374,932	175,100	(2,169,667)	38,876,576

Inter-segment sales are charged at prevailing market prices.

	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	Recruitment services HK$	Content licensing HK$	IT services HK$	Eliminations HK$	Consolidated HK$
RESULTS									
Segment results	8,882,694	3,934,576	2,579,368	716,816	148,640	374,932	169,800	–	16,806,826
Other operating income									948,119
Unallocated expenses									(37,995,929)
Loss from operations									(20,240,984)
Finance costs									(2,596,220)
Loss before taxation									(22,837,204)
Taxation									–
Loss before minority interests									(22,837,204)
Minority interests									175,500
Net loss for the year									(22,661,704)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Balance sheet at 31 March 2003

	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	Recruitment services HK$	Content licensing HK$	IT services HK$	Consolidated HK$
ASSETS								
Segment assets	9,599	3,842,374	2,497,252	4,532	753,354	–	39,500	7,146,611
Unallocated corporate assets								74,511,218
Consolidated total assets								81,657,829
LIABILITIES								
Segment liabilities	–	5,128,666	5,030,681	–	37,955	362,115	–	10,559,417
Unallocated corporate liabilities								107,860,910
Consolidated total liabilities								118,420,327

Other information for the year ended 31 March 2003

	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	Recruitment services HK$	E-marketing HK$	Content licensing HK$	IT services HK$	Others HK$	Consolidated HK$
Capital additions	20,053	157,806	2,389	–	1,075,320	–	–	–	2,027,887	3,283,455
Depreciation and amortisation	14,136	21,692	27,075	–	153,136	1,072,983	–	–	7,948,443	9,237,465
Impairment loss recognised	–	–	–	–	–	–	–	–	33,917	33,917
Loss on disposals and write-off of property, plant and equipment	–	–	–	–	–	–	–	–	727,529	727,529
Allowance for bad and doubtful debts and bad debts written off	348,142	–	1,641,362	–	–	–	–	71,435	2,180	2,063,119
Allowance for obsolete inventories and loss on write-off of inventories	–	297,970	–	–	–	–	–	–	–	297,970

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Income statement for the year ended 31 March 2002

	Continuing operations		Discontinuing operations				
	Content licensing HK$	IT services HK$	E-marketing HK$	E-mall HK$	Video production HK$	Eliminations HK$	Consolidated HK$
TURNOVER							
External sales	534,370	584,156	1,068,414	30,042	209,238	–	2,426,220
RESULTS							
Segment results	(418,199)	584,156	(40,020,925)	(7,119,958)	78,275	–	(46,896,651)
Other operating income							1,000,740
Unallocated expenses							(26,489,895)
Loss from operations							(72,385,806)
Finance costs							(278,349)
Share of loss of an associate							(1,270,581)
Loss on discontinuing operations	–	–	(43,063,121)	–	–	–	(43,063,121)
Loss before taxation							(116,997,857)
Taxation							–
Net loss before minority interests							(116,997,857)
Minority interests							–
Net loss for the year							(116,997,857)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Balance sheet at 31 March 2002

	Continuing operations		Discontinuing operations			
	Content licensing HK$	IT services HK$	E-marketing HK$	E-mall HK$	Video production HK$	Consolidated HK$
ASSETS						
Segment assets	42,655	83,929	4,269,691	–	1,250	4,397,525
Unallocated corporate assets						4,763,447
Consolidated total assets						9,160,972
LIABILITIES						
Segment liabilities	–	–	2,785,423	–	–	2,785,423
Unallocated corporate liabilities						20,476,343
Consolidated total liabilities						23,261,766

Other information for the year ended 31 March 2002

	Continuing operations		Discontinuing operations				
	Content licensing HK$	IT services HK$	E-marketing HK$	E-mall HK$	Video production HK$	Others HK$	Consolidated HK$
Capital additions	–	–	1,195,022	–	–	2,328,064	3,523,086
Depreciation and amortisation	–	–	8,684,841	7,150,000	–	1,434,177	17,269,018
Impairment loss recognised	–	–	–	–	–	6,127,779	6,127,779
Loss on discontinuing operations	–	–	43,063,121	–	–	–	43,063,121
Loss on disposals and write-off of property, plant and equipment	–	–	1,578,912	–	–	2,838,709	4,417,621
Allowances for bad and doubtful debts and bad debts written off	–	–	1,314,435	–	–	890,500	2,204,935

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Geographical segments

The Group's operations are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC").

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods/services:

	Turnover by geographical market	
	2003 HK$	2002 HK$
Hong Kong	31,877,052	2,426,220
Elsewhere in the PRC	6,999,524	–
	38,876,576	2,426,220

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible assets	
	2003 HK$	2002 HK$	2003 HK$	2002 HK$
Hong Kong	73,558,471	9,160,972	1,575,218	3,523,086
Elsewhere in the PRC	8,099,358	–	1,708,237	–
	81,657,829	9,160,972	3,283,455	3,523,086

7. OTHER OPERATING INCOME

	2003 HK$	2002 HK$
Bad debts recovered	620,000	–
Interest income on bank deposits	26,557	237,403
Other interest income	–	246
Sponsorship income	283,223	–
Sundry income	18,339	763,091
	948,119	1,000,740

8. IMPAIRMENT LOSS RECOGNISED

	2003 HK$	2002 HK$
Intangible assets	–	1,013,047
Interests in an associate	–	2,229,419
Amounts due from related companies	33,917	1,385,313
Amount due from a related party	–	1,500,000
	33,917	6,127,779

9. LOSS FROM OPERATIONS

	2003 HK$	2002 HK$
Loss from operations has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts	1,644,494	–
Allowance for obsolete inventories	263,947	–
Amortisation of goodwill (included in other operating expenses)	6,798,649	–
Amortisation of intangible assets (included in general and administrative expenses)	303,761	11,780,871
Auditors' remuneration		
– Current year	364,643	450,000
– Overprovision in prior year	(153,700)	–
	210,943	450,000
Bad debts written off	418,625	2,204,935
Depreciation of property, plant and equipment	2,135,055	5,488,147
Loss on disposal of property, plant and equipment	458,785	1,256,733
Loss on write-off of inventories	34,023	–
Loss on write-off of property, plant and equipment	268,744	3,160,888
Net foreign exchange losses	6,065	–
Rental expenses under operating leases on		
– Premises	2,611,335	2,035,781
– Equipment	1,228,000	2,212,801
Redundancy costs	805,537	6,481,479
Staff costs, including directors' emoluments		
– Salaries and allowances	13,082,555	18,145,407
– Retirement benefits schemes contributions	180,869	(281,810)
	13,263,424	17,863,597
Website development expenses (included in other operating expenses)	–	47,895,924

10. FINANCE COSTS

	2003 HK$	2002 HK$
Interest on bank overdraft	11,552	236
Interest on amounts due to related companies	140,819	40,579
Interest on loan from directors	698,861	237,534
Interest on other loans	104,988	–
Interest on loan notes	1,640,000	–
	2,596,220	278,349

11. DISCONTINUING OPERATIONS

In November 2002, the directors determined to discontinue the Group's E-marketing, E-mall and video production operations.

The results of E-marketing, E-mall and video production for the year were as follows:

	E-marketing		E-mall		Video production	
	Period ended 30.11.2002 HK$	Year ended 31.3.2002 HK$	Period ended 30.11.2002 HK$	Year ended 31.3.2002 HK$	Period ended 30.11.2002 HK$	Year ended 31.3.2002 HK$
Turnover	–	1,068,414	–	30,042	–	209,238
Operating costs	–	(41,089,339)	–	(7,150,000)	–	(130,963)
(Loss) profit before taxation	–	(40,020,925)	–	(7,119,958)	–	78,275
Loss on discontinuing operations	–	(43,063,121)	–	–	–	–
Taxation	–	–	–	–	–	–
(Loss) profit after taxation	–	(83,084,046)	–	(7,119,958)	–	78,275

11. DISCONTINUING OPERATIONS – continued

During the year, there was no significant cash inflow or outflow arising from the E-marketing, E-mall and video production operations.

The carrying amounts of the assets and liabilities of the E-marketing, E-mall and video production operations are as follows:

	E-marketing		E-mall		Video production	
	30.11.2002 HK$	31.3.2002 HK$	30.11.2002 HK$	31.3.2002 HK$	30.11.2002 HK$	31.3.2002 HK$
Total assets	–	4,269,691	–	–	–	1,250
Total liabilities	–	2,785,423	–	–	–	–

A loss of HK$43,063,121, represented impairment loss recognised in respect of property, plant and equipment of HK$20,248,122 and intangible assets of HK$22,814,999, arose on discontinuance of E-marketing operation in last year.

12. DIRECTORS' EMOLUMENTS

	2003 HK$	2002 HK$
Directors' fees:		
Executive	–	–
Non-executive	–	–
Independent non-executive	–	240,000
	–	240,000
Other emoluments:		
Salaries and other benefits	1,519,692	4,166,208
Contributions to retirement benefits scheme	18,000	65,200
	1,537,692	4,231,408
	1,537,692	4,471,408

There were two executive directors who received emoluments of approximately HK$1,248,000 and HK$290,000 respectively for the year ended 31 March 2003 and 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. The other executive directors did not receive any emoluments during the year.

12. DIRECTORS' EMOLUMENTS – continued

The two independent non-executive directors did not receive any fees for the year ended 31 March 2003. The two independent non-executive directors received fees of HK$120,000 each for the year ended 31 March 2002.

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.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2002: four) was a director of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining four (2002: one) individuals were as follows:

	2003 HK$	2002 HK$
Salaries and other benefits	1,763,137	892,946
Contributions to retirement benefits scheme	37,000	23,000
	1,800,137	915,946

Of these four individuals, one was a director appointed during the year whose emoluments as a director are included in the disclosures of note 12 above.

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

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

14. 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 34.

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$22,661,704 (2002: HK$116,997,857) and the weighted average number of 83,144,786 shares (2002: 83,141,499 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 32 to the financial statements.

No diluted loss per share has been presented as the exercise of the share options would not have dilutive effect on the loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Computer hardware HK$	Total HK$
THE GROUP				
COST				
At 1 April 2002	–	–	33,186,649	33,186,649
Acquired on acquisition of subsidiaries	467,430	115,965	1,102,040	1,685,435
Additions	729,020	77,672	615,828	1,422,520
Disposals	–	(8,846)	(785,056)	(793,902)
Write-off	(275,570)	(23,648)	(27,758,322)	(28,057,540)
At 31 March 2003	920,880	161,143	6,361,139	7,443,162
DEPRECIATION AND IMPAIRMENT				
At 1 April 2002	–	–	29,156,111	29,156,111
Provided for the year	431,751	63,667	1,639,637	2,135,055
Eliminated on disposals	–	–	(182,142)	(182,142)
Eliminated on write-off	(33,730)	–	(27,755,066)	(27,788,796)
At 31 March 2003	398,021	63,667	2,858,540	3,320,228
NET BOOK VALUES				
At 31 March 2003	522,859	97,476	3,502,599	4,122,934
At 31 March 2002	–	–	4,030,538	4,030,538

Leasehold improvements, furniture, fixtures and equipment and computer hardware of net book values of HK$241,840, HK$23,648 and HK$3,256 respectively were written off upon termination of an operating lease of the office premises.

17. INTANGIBLE ASSETS

	Computer software HK$	Movie rights HK$	Total HK$
THE GROUP			
COST			
At 1 April 2002	33,584,060	9,400,000	42,984,060
Write-off	(32,571,524)	(9,400,000)	(41,971,524)
At 31 March 2003	1,012,536	–	1,012,536
AMORTISATION			
At 1 April 2002	32,801,395	9,400,000	42,201,395
Provided for the year	303,761	–	303,761
Eliminated on write-off	(32,571,524)	(9,400,000)	(41,971,524)
At 31 March 2003	533,632	–	533,632
CARRYING AMOUNT			
At 31 March 2003	478,904	–	478,904
At 31 March 2002	782,665	–	782,665

The amortisation periods adopted for computer software is 3 to 4 years.

18. GOODWILL

	HK$
THE GROUP	
COST	
Arising on acquisitions of subsidiaries during the year and at 31 March 2003	74,049,579
AMORTISATION	
Charge for the year and at 31 March 2003	6,798,649
CARRYING AMOUNT	
At 31 March 2003	67,250,930

The amortisation period adopted for goodwill is 10 years.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK$	2002 HK$
Unlisted shares, at cost	133,024,692	53,024,692
Impairment loss recognised	(35,000,016)	(16)
	98,024,676	53,024,676
Amounts due from subsidiaries	154,458,875	158,034,173
Impairment loss recognised	(147,058,849)	(147,058,849)
	7,400,026	10,975,324
	105,424,702	64,000,000

In view of the deteriorating results of a subsidiary, an impairment loss of HK$35,000,000 (2002: HK$16) has been recognised for investments in subsidiaries with reference to the recoverable amounts estimated by the directors using the discounted cash flow method at discount rate of 8%.

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.

Details of the Company's subsidiaries at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Anbo Global Company Limited (formerly known as New Leading Limited)	Hong Kong	Company limited	Ordinary	2 ordinary shares of HK$1 each	–	100	Investment holding
China On-Air Inc.	British Virgin Islands	Company limited	Ordinary	1 share of HK$1	–	100	Investment holding
China On-Air Limited	Hong Kong	Company limited	Ordinary	10,000 ordinary shares of HK$1 each	–	100	Inactive

19. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
					Directly %	Indirectly %	
Cyber Awake Limited	British Virgin Islands	Company limited	Ordinary	100 shares of US$1 each	–	60	Inactive
Cyber On-Air (Asia) Limited ("COAA")	Hong Kong	Company limited	Ordinary	100 ordinary shares of HK$1 each 100,000 non-voting deferred shares of HK$1 each*	–	100	Sales of telecommunication products, provision of network installation and engineering services
Cyber On-Air Group Limited	British Virgin Islands	Company limited	Ordinary	10,000 shares of HK$0.01 each	100	–	Investment holding
Cyber On-Air Inc.	United States of America	Company limited	Ordinary	2 shares of US$1 each	–	100	Inactive
Cyber On-Air Limited ("COA Limited")	Hong Kong	Company limited	Ordinary	100 ordinary shares of HK$1 each 10,000,000 non-voting deferred shares of HK$1 each*	–	100	As a wireless applications enabler by providing mobile commerce solutions and products in Asia Pacific Region, and acting as investment holding company
Cyber On-Air Multimedia Limited ("COAM")	Hong Kong	Company limited	Ordinary	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"
Cyber On-Air Services Limited	Hong Kong	Company limited	Ordinary	100 ordinary shares of HK$1 each	–	100	Inactive

19. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Cyber Peak Developments Limited	British Virgin Islands	Company limited	Ordinary	1 share of US$1	100	–	Investment holding
Flash Star Group Limited	British Virgin Islands	Company limited	Ordinary	1 share of US$1	100	–	Investment holding
Newave Technology Inc.	British Virgin Islands	Company limited	Ordinary	1 share of HK$1	–	100	Investment holding
Tober Group Limited	British Virgin Islands	Company limited	Ordinary	1 share of US$1	–	100	Inactive
Vantage Finance Corporation	British Virgin Islands	Company limited	Ordinary	10 shares of HK$1 each	–	100	Investment holding
上海創博數碼科技有限公司	PRC	Wholly-owned foreign enterprise	–	Registered capital of US$210,000	–	100	As a wireless applications enabler by providing mobile applications and mobile commerce solutions and products in the PRC
廣州創博數碼科技有限公司	PRC	Wholly-owned foreign enterprise	–	Registered capital of US$210,000	–	100	As a wireless applications enabler by providing mobile applications and mobile commerce solutions and products in the PRC

19. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Class of shares held	Paid up issued/ registered capital	Proportion of nominal value of issued/ registered capital held by the Company Directly %	Indirectly %	Principal activities
廣東安博信息服務有限公司	PRC	Sino-foreign joint venture	–	Registered capital of US$500,000	–	70	Providing employment, community services and professional corporate services to the PRC enterprises and citizens of Guangdong Province

* The deferred shares carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

None of the subsidiaries had issued any debt securities at the end of the year.

20. INTERESTS IN AN ASSOCIATE

	THE GROUP 2003 HK$	2002 HK$
Share of net liabilities	(1,270,531)	(1,270,531)
Amounts due from an associate	3,499,950	3,499,950
	2,229,419	2,229,419
Impairment loss recognised	(2,229,419)	(2,229,419)
	–	–

	THE COMPANY 2003 HK$	2002 HK$
Amount due from an associate	2,000,000	2,000,000
Impairment loss recognised	(2,000,000)	(2,000,000)
	–	–

20. INTERESTS IN AN ASSOCIATE – continued

The amount due from an 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 an associate at 31 March 2003 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	Inactive

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 in last year were derived from unaudited management accounts made up to 30 June 2001.

21. INVENTORIES

	THE GROUP 2003 HK$	2002 HK$
Raw materials	38,520	–
Work in progress	274,523	–
Finished goods	545,948	–
	858,991	–

Included above are finished goods of HK$543,091 (2002: nil) which are carried at net realisable value.

22. TRADE RECEIVABLES

The credit terms of the Group range from 7 to 60 days. The aged analysis of trade receivables is as follows:

	THE GROUP 2003 HK$	2002 HK$
Aged:		
0 – 30 days	3,429,336	203,579
31 – 60 days	802,995	78,798
61 – 90 days	490,158	8,300
Over 90 days	640,459	76,310
	5,362,948	366,987

23. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	Relationship	THE GROUP 2003 HK$	2002 HK$
Skynet Limited ("Skynet")	A substantial shareholder of the Company	861,572	827,655
Gameplayers.com Limited	Common shareholder, Skynet	234,168	234,168
HK Stock Limited	Common shareholder, Skynet	323,490	323,490
		1,419,230	1,385,313
Impairment loss recognised		(1,419,230)	(1,385,313)
		–	–

24. AMOUNT DUE FROM A RELATED PARTY

	THE GROUP AND THE COMPANY 2003 HK$	2002 HK$
Amount due from a related party	1,500,000	1,500,000
Impairment loss recognised	(1,500,000)	(1,500,000)
	–	–

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

25. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	THE GROUP 2003 HK$	2002 HK$
Aged:		
0 – 30 days	4,945,939	1,499,374
31 – 60 days	688,448	96,377
61 – 90 days	1,039,160	63,939
Over 90 days	3,133,141	1,125,733
	9,806,688	2,785,423

26. AMOUNTS DUE TO RELATED COMPANIES

Name of related company	Relationship	Terms	THE GROUP 2003 HK$	2002 HK$
COA Limited	Mr. Choi Wing Kin and Mr. So Kam Wing, directors of the Company, have beneficial interests	Unsecured, bears interest at the best lending rate and repayable on demand	–	7,040,579
COAA	Mr. Choi Wing Kin and Mr. So Kam Wing, directors of the Company, have beneficial interests	Unsecured, non-interest bearing and repayable on demand	–	450,000
			–	7,490,579

Note: COA Limited and COAA became subsidiaries of the Company on 8 May 2002.

27. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, non-interest bearing and are repayable on demand.

28. LOANS FROM DIRECTORS

THE GROUP

The amounts are unsecured.

Included in this amount is HK$10,000,000 (2002: HK$10,000,000) which bears interest at 6% per annum and is repayable on demand. In addition, included in this amount is HK$1,776,000 (2002: nil) which bears interest at the prevailing market rates and is repayable before March 2004. The remaining balance is non-interest bearing and is repayable before March 2004.

THE COMPANY

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

29. LOANS FROM RELATED COMPANIES

THE GROUP

Related companies are companies in which a director of the Company has beneficial interests.

The amounts are unsecured and repayable before March 2004.

Included in this amount is HK$3,756,000 (2002: nil) which bears interest at HIBOR+2% per annum. The remaining balance is non-interest bearing.

30. OTHER LOANS

THE GROUP

The amounts are unsecured and are repayable before March 2004.

Included in this amount is HK$1,968,000 (2002: nil) which bears interest at the prevailing market rates. The remaining balance is non-interest bearing.

31. LOAN NOTES

THE GROUP AND THE COMPANY

The amounts are secured by a charge over the ordinary shares of COA (note 39), bear interest at the best lending rate per annum and are repayable in May 2005. On 1 October 2002, the loan notes' holders agreed to waive the loan interest for the period from 1 October 2002 to 30 September 2003.

The loan notes are held by directors of the Company, related companies and a third party, amounting to HK$28,416,000, HK$20,096,000 and HK$31,488,000 respectively.

32. SHARE CAPITAL

	Par value of shares HK$	Number of shares	Value HK$
Authorised:			
Ordinary shares			
At 1 April 2001 and at 31 March 2002	0.05 each	37,500,000,000	1,875,000,000
Cancelled during the year		(35,837,104,263)	(1,791,855,213)
	0.05 each	1,662,895,737	83,144,787
Capital reduction		–	(82,313,339)
	0.0005 each	1,662,895,737	831,448
Share consolidation		(1,579,750,951)	–
	0.01 each	83,144,786	831,448
Increase during the year		1,916,855,214	19,168,552
At 31 March 2003	0.01 each	2,000,000,000	20,000,000
Preference shares			
At 1 April 2001, at 31 March 2002 and at 31 March 2003	0.05 each	2,000	100
Issued and fully paid:			
Ordinary shares			
At 1 April 2001	0.05 each	1,662,655,737	83,132,787
Issue of shares as a result of exercise of share options	0.05 each	240,000	12,000
At 31 March 2002	0.05 each	1,662,895,737	83,144,787
Capital reduction		–	(82,313,339)
	0.0005 each	1,662,895,737	831,448
Share consolidation		(1,579,750,951)	–
At 31 March 2003	0.01 each	83,144,786	831,448

32. SHARE CAPITAL – continued

Notes:

Pursuant to resolutions passed at an extraordinary general meeting held on 21 January 2002 (the "EGM"):

(i) the nominal value of each of the 1,662,895,737 then issued shares was reduced by HK$0.0495, from HK$0.05 to HK$0.0005, whereby the Company's then 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;

(iii) every 20 then issued shares were consolidated into one new share of HK$0.01 each (the "Share Consolidation");

(iv) the 35,837,104,263 then unissued 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 of HK$0.01 each; and

(v) 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.

33. SHARE PREMIUM AND RESERVES

	Share premium HK$	Merger reserve HK$	Accumulated profits (losses) HK$	Total HK$
THE COMPANY				
At 1 April 2001	74,622,754	53,021,957	151,439	127,796,150
Net loss for the year	–	–	(157,837,516)	(157,837,516)
At 1 April 2002	74,622,754	53,021,957	(157,686,077)	(30,041,366)
Credit arising from capital reduction transferred to share premium	82,313,339	–	–	82,313,339
Share premium applied towards the partial elimination of accumulated losses	(156,936,093)	–	156,936,093	–
Net loss for the year	–	–	(45,579,566)	(45,579,566)
At 31 March 2003	–	53,021,957	(46,329,550)	6,692,407

Note: Pursuant to resolutions passed at the EGM, the share premium account of the Company was applied towards the elimination of the remaining balance of the accumulated losses of the Company.

Merger reserve of the Group represents the difference between the share capital and share premium of COAM (formerly known as HKcyber Limited) whose shares were exchanged for the Company's shares and the nominal amount of share capital issued by the Company pursuant to a group reorganisation ("Group Reorganisation"). Details of the Group Reorganisation are set out in the prospectus dated 21 July 2000 issued by the Company.

Merger reserve of the Company represents the difference between the consolidated shareholders' funds of COAM and the nominal amount of the issued share capital of the Company's shares which were issued for the acquisition of COAM 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 (2002: nil) available for distribution at 31 March 2003.

34. UNPROVIDED DEFERRED TAXATION

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

	THE GROUP		THE COMPANY	
	2003 HK$	2002 HK$	2003 HK$	2002 HK$
Tax effect of timing differences because of:				
Taxation losses available to relieve future assessable profit	40,531,000	34,756,000	2,287,000	2,109,000
Difference between accounting depreciation and amortisation and tax allowances	23,000	(261,000)	–	–
	40,554,000	34,495,000	2,287,000	2,109,000

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

	THE GROUP		THE COMPANY	
	2003 HK$	2002 HK$	2003 HK$	2002 HK$
Tax effect of timing differences because of:				
Tax losses arising	4,178,000	8,645,000	178,000	1,915,000
Difference between accounting depreciation and amortisation and tax allowances	235,000	8,828,000	–	–
Arising on acquisition of subsidiaries	1,646,000	–	–	–
	6,059,000	17,473,000	178,000	1,915,000

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.

35. ACQUISITION OF SUBSIDIARIES

On 8 May 2002 and 26 July 2002, the Group acquired 100% of the issued share capital of COA and 上海創博數碼科技有限公司 at considerations of HK$80,000,000 and HK$532,000 respectively. These acquisitions have been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of the acquisitions was HK$74,049,579.

	2003 HK$	2002 HK$
Net assets acquired		
Property, plant and equipment	1,685,435	–
Inventories	1,430,630	–
Trade receivables	7,592,278	–
Other receivables, deposits and prepayments	2,604,270	–
Amounts due from related companies	9,234,151	–
Bank balances and cash	3,593,892	–
Trade payables	(8,047,348)	–
Other payables and accrued charges	(1,776,601)	–
Loan from a director	(1,662,000)	–
Loan from related companies	(2,124,571)	–
Other loans	(6,047,715)	–
	6,482,421	–
Goodwill	74,049,579	–
Total consideration	80,532,000	–
Satisfied by:		
Cash	532,000	–
Loan notes	80,000,000	–
	80,532,000	–

35. ACQUISITION OF SUBSIDIARIES – continued

	2003 HK$	2002 HK$
Net cash inflow arising on acquisitions:		
Cash consideration	(532,000)	–
Bank balances and cash acquired	3,593,892	–
	3,061,892	–

The subsidiaries acquired during the year had contributed approximately HK$37,167,000 to the Group's turnover and approximately HK$3,809,000 to the Group's profit from operations.

During the period since acquisition, the subsidiaries acquired have utilised approximately HK$1,660,000 from the Group's cash flows from operating activities, utilised approximately HK$1,492,000 in respect of investing activities and contributed approximately HK$154,000 for financing activities.

36. MAJOR NON-CASH TRANSACTION

During the year, the Company issued loan notes having an aggregate principal amount of HK$80 million to the ex-Vendors of COA in accordance with their shareholding interests in COA.

37. SHARE OPTION SCHEMES

Pre-IPO share option scheme

A pre-IPO share option scheme ("Pre-IPO Scheme") was adopted pursuant to a resolution passed by the board of directors of the Company on 17 July 2000 to recognise 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 consultant of the Group to subscribe for shares in the Company.

At 31 March 2003, there was no share (2002: 12,455,602, representing 0.75% of the shares of the Company in issue at that date) in respect of which options had been granted under the Pre-IPO Scheme. 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.

37. SHARE OPTION SCHEMES – continued

Pre-IPO share option scheme – 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's shares on GEM	Zero
Six- to twelve-month period after the listing of the Company's shares on GEM	Up to one-third
Six- to eighteen-month period after the listing of the Company's shares on GEM	Up to two-third
Thereafter	All options which have not been previously exercised

Post-IPO share option scheme

A post-IPO share option scheme ("Post-IPO Scheme") was adopted pursuant to a resolution passed by the board of directors of the Company 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 2003, there was no share (2002: 8,000,000, representing 0.48% of the shares of the Company in issue at that date) in respect of which options had been granted under the Post-IPO Scheme.

37. SHARE OPTION SCHEMES – continued

Post-IPO share option scheme – 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 following table discloses details of the Company's share options held by employees and movements in such holdings during the year.

			Number of options			
Grantee	Option type	Exercise price per share HK$	Outstanding at 1.4.2002	Adjustments *(Note a)*	Cancelled during the year	Outstanding at 31.3.2003
Directors	Pre-IPO	0.0100	9,618,907	(9,137,963)	(480,944)	–
	Post-IPO	0.0168	8,000,000	(7,600,000)	(400,000)	–
			17,618,907	(16,737,963)	(880,944)	–
Employees	Pre-IPO	0.0100	2,836,695	(2,694,860)	(141,835)	–
Total			20,455,602	(19,432,823)	(1,022,779)	–

37. SHARE OPTION SCHEMES – continued

Post-IPO share option scheme – continued

The following table discloses details of the Company's share options held by employees and movements in such holdings during last year.

Grantee	Option type	Exercise price per share HK$	Outstanding at 1.4.2001	Granted during the year *(Note b)*	Exercised during the year *(Note c)*	Cancelled during the year	Reallocation during the year	Outstanding at 31.3.2002
			Number of options					
Directors	Pre-IPO	0.050	62,646,662	–	–	(54,313,329)	1,285,574	9,618,907
	Post-IPO	0.084	–	8,000,000	–	–	–	8,000,000
			62,646,662	8,000,000	–	(54,313,329)	1,285,574	17,618,907
Employees	Pre-IPO	0.050	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

Notes:

(a) Subsequent to the Capital Reorganisation which became effective on 6 May 2002, the number of the outstanding share options held by directors and employees were adjusted from 17,618,907 to 880,944 and from 2,836,695 to 141,835 respectively. The exercise price was adjusted from HK$0.05 to HK$0.01 and from HK$0.084 to HK$0.0168 for Pre-IPO Share Options and Post-IPO Share Options respectively.

(b) On 17 August 2001, 8,000,000 share options were granted to a director of the Company under the Post-IPO share option scheme.

(c) On 10 July 2001 and 23 August 2001, 184,000 and 56,000 share options were exercised by the employees respectively and the share price at the date of exercise was HK$1.66 and HK$1.64 respectively.

Other than as disclosed above, no option was exercised, cancelled or granted during the year.

38. RETIREMENT BENEFITS SCHEMES

The Group participates in a mandatory provident fund scheme. The scheme assets are held under a mandatory provident fund operated by HSBC Life (International) 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.

The aggregate employers' contributions, net of forfeited contributions arising from the previous defined contribution provident fund schemes which have been terminated and the scheme assets were transferred to the mandatory provident fund scheme, which have been dealt with in the consolidated income statement amounted to:

	2003 HK$	2002 HK$
Gross employers' contributions	539,649	934,508
Less: Forfeited contributions utilised to offset employers' contributions for the year	(358,780)	(1,216,318)
Net employers' contributions charged (credited) to the income statement	180,869	(281,810)

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$18,000 (2002: HK$103,000).

The relevant PRC subsidiaries are required to make contributions to the state retirement schemes in the PRC based on 37% to 44% of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

39. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposit of HK$1,036,520 has been pledged to a bank to secure banking facility granted to the Group. In last year, the bank deposit of HK$489,075 has been pledged to a bank to secure a guarantee in lieu of rental deposits.

In addition, 10,000 ordinary shares of HK$0.01 each of COA (representing 100% shareholdings), a wholly-owned subsidiary with net assets value as at 31 March 2003 of approximately HK$11,910,000, are pledged to the loan notes' holders for the loan notes of principal sum of HK$80,000,000.

40. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2003 HK$	2002 HK$	2003 HK$	2002 HK$
Guarantee given to a related company in respect of loans utilised by subsidiaries	2,500,000	–	2,500,000	–

41. OPERATING LEASE COMMITMENTS

At 31 March 2003, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2003 HK$	2002 HK$
In respect of premises rental within one year	1,092,660	1,467,225
In respect of equipment rental within one year	–	1,164,000

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.

At the balance sheet date, the Company had no significant operating lease commitment.

42. RELATED PARTY TRANSACTIONS

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

	2003 HK$	2002 HK$
Rentals and building management fee *(note a)*	–	526,349
Rentals and building management fee *(note b)*	80,000	240,000
Technical support service *(note c)*	5,452	3,294,701
Consultancy fee *(note d)*	–	441,935
Administrative costs *(note e)*	70,000	210,000
Building management fee *(note f)*	4,147	–
Finance costs to related companies *(note g)*	552,787	–
Finance costs to directors *(note h)*	1,243,997	–
Telephone lines and electricity charges received *(note i)*	(39,368)	–
Cabling sales *(note j)*	(92,855)	–

42. RELATED PARTY TRANSACTIONS – continued

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, 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) Prior to the acquisition of COA, COAA, in which a director of the Company has beneficial interests, provided general and administration services for the Group during the year.

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

(g) Companies, in which a director of the Company has beneficial interests, provided loans to the Group. In respect of loans from related companies, interest was charged at HIBOR+2% per annum. In respect of loan notes issued to related companies, interest was charged at the prime rate per annum.

(h) The amounts included finance costs paid in respect of loans from Mr. Choi Wing Kin and Mr. So Kam Wing, directors of the Company, interest was charged at the HIBOR+2% per annum. For the loan from Mr. Lo Lin Shing, Simon, director of the Company, interest was charged at 6% per annum. In respect of loan notes issued to Mr. Choi Wing Kin and Mr. So Kam Wing, interest was charged at the prime rate per annum.

(i) Skynet, having indirect interests in the Group, shared the telephone lines and electricity with the Group and the above sum was received, being an appropriate allocation of costs incurred.

(j) The transactions were carried at cost plus a certain percentage of mark-up.

The transactions in respect of (a) to (f) were charged at cost.

42. RELATED PARTY TRANSACTIONS – continued

During the year, the Group obtained loan advances from related companies amounted to HK$4,081,714 (2002: nil). The loan advances obtained from Wellington Equities Inc. amounting to HK$781,714 is unsecured and repayable before March 2004. Included in this amount is HK$456,000 which bears interest at HIBOR+2% per annum. In addition, the loan advances obtained from Cyber Network Technology Limited ("Cyber Network") amounted to HK$3,300,000. Included in this amount is HK$2,500,000 which are secured by a corporate guarantee with interest rate charged at 2% over HIBOR rate per annum. These loan advances are repayable on 30 June 2003. The remaining balance is unsecured, bears interest at HIBOR+2% per annum and repayable before March 2004.

During last year, the Group made advances to an associate, related companies and a related party amounting to HK$3,500,000, HK$1,249,482 and HK$1,500,000 respectively. The advances to an 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.

43. POST BALANCE SHEET EVENT

Pursuant to the conditional sale and purchase agreements dated 5 March 2003 ("Agreement") entered into by Qantex Limited, Cyber Network and Skynet (International Group) Holdings Limited, Qantex Limited has agreed to sell, and Cyber Network has agreed to purchase, 22,868,656 shares of HK$0.01 each ("Sale Shares") in the capital of the Company on terms and conditions as set out in the Agreement. Completion for the sale and purchase of the Sale Shares is subject to the fulfilment or waiver of certain conditions as stipulated in the Agreement by 30 June 2003 (or such later date as the parties to the Agreement may agree in writing). At the date of this report, completion of the sale and purchase of the Sale Shares has not been taken place.

FINANCIAL SUMMARY

For the year ended 31 March 2003

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$	**1.4.2002 to 31.3.2003 HK$**
Turnover	–	11,396,022	2,426,220	**38,876,576**
Loss from operations	(19,945,074)	(87,166,963)	(72,385,806)	**(20,240,984)**
Finance costs	(73)	(107,448)	(278,349)	**(2,596,220)**
Loss on partial disposal of a subsidiary	–	(312)	–	**–**
Share of loss of an associate	–	–	(1,270,581)	**–**
Loss on discontinuing operations	–	–	(43,063,121)	**–**
Loss before taxation	(19,945,147)	(87,274,723)	(116,997,857)	**(22,837,204)**
Taxation	–	–	–	**–**
Loss before minority interests	(19,945,147)	(87,274,723)	(116,997,857)	**(22,837,204)**
Minority interests	–	312	–	**175,500**
Net loss for the period/year	(19,945,147)	(87,274,411)	(116,997,857)	**(22,661,704)**
Dividend	–	(672,877)	–	**–**
	(19,945,147)	(87,947,288)	(116,997,857)	**(22,661,704)**
Loss per share – basic	0.40	1.42	1.41	**0.27**

FINANCIAL SUMMARY

For the year ended 31 March 2003

ASSETS AND LIABILITIES

	At 31 March			
	2000	2001	2002	**2003**
	HK$	HK$	HK$	**HK$**
Total assets	46,843,632	109,489,920	9,160,972	**81,657,829**
Total liabilities	(13,764,105)	(6,604,857)	(23,261,766)	**(118,420,327)**
Balance (deficiency) of shareholders' funds	33,079,527	102,885,063	(14,100,794)	**(36,762,498)**

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 MR 306, 3/F, Hongkong International Trade and Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 22 August 2003 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 2003;

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 authorise the Board to fix their remuneration;

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

"**THAT**:

(A) subject to paragraph (B) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its issued shares 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 recognised 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;

(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; and

(C) 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."

6. To consider as special business, and if thought fit, pass with or without amendments the following resolution as an 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, 23 June 2003

Principal office in Hong Kong:
Unit 1703, 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 1703, 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 despatched to the shareholders with the annual report for the year ended 31 March 2003.