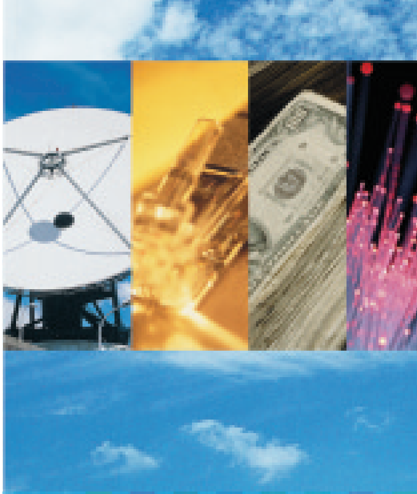
CYBER ON-AIR
創博數碼科技

CYBER ON-AIR GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)



Broadband

Multimedia

Wireless

Internet

First Quarterly Report 2003/04

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This report, for which 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 for the purpose of giving information with regard to the Company. 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.

MESSAGE FROM THE CHIEF EXECUTIVE

The Group's focus on differentiation and active development of niche products and services for the telecom and finance, securities and insurance (FSI) industries in China and Hong Kong is beginning to pay off, even at a time when the Greater China was very much under the dampening influence of the Severe Acute Respiratory Syndrome (SARS) outbreak.

Through persistent efforts, the Group is fast establishing itself as a premier provider of advanced wireless, broadband and multimedia technology and solutions among telecom operators in China. For the three months ended 30 June 2003, the Group's China division successfully clinched contracts with Tibet Telecom, Xichuan Telecom, Wuhan Telecom, Zhejiang Telecom, Guangdong Telecom, Inner Mongolia Telecom and Jianxie Telecom, further expanding our network of customers in all parts of China.

In fact, we are very pleased that the China division has achieved stable revenue despite the negative impact of SARS, further reinforcing the Group's strategic focus on this market of tremendous potential, especially the telecom sector. With a network of four regional offices and an established presence in China, the Group will continue to expand its customer base among telecom operators and provide advanced wireless applications, network solutions and project services to cater to specific customer demands. One of the products that the China division will be actively market to existing and future telecom operators is Time-Net, a new application based on the use of time accuracy technology for the existing telecom exchange equipments and enhancing the billings among all telecom operators, as part of the Group's enhanced, valued added offering.

The Group's Hong Kong project service and networking solution businesses were affected very much under the SARS influence when economic activities came to a virtual halt. However, the Group's Hong Kong division has made great strides in developing a new revenue and growth driver – wireless security solutions for enterprises with wireless local area network ("WLAN") access points, especially large corporations and educational institutions. Contracts have been secured with a major public transportation operator and a university in Hong Kong, having successfully completed elaborate trial tests and evaluation. The Group will continue to ride on recent contract wins and actively market its niche WLAN security management offering to more education institutions and major corporations, before expanding its customer focus to include FSI enterprises.

The Group still continues to utilize the management's expert capabilities in identifying and introducing niche applications, and most importantly, arouse client awareness of such needs. The provision of WLAN security solutions is another significant testimony to our ingenuity.

In addition to WLAN security management contracts, the Group's Hong Kong operation also secured contracts to provide a time synchronization system to Macau Observatory, project services to ATL Logistics Centre, Ocean Shore and Sau Mau Ping Estate, etc.

In respect of Guangdong An Bo Information Services Limited ("An Bo"), a premium provider of full-scale recruitment and corporate services with multimedia technology applications via service centers and on-line portal, the Group remains cautiously optimistic of its long-term prospects and contribution to extend the Group's on-line business and multimedia technology deployment in China. The operation of An Bo was affected by the SARS outbreak as the imported human resources to Guangdong from the rest of China was greatly discouraged. With SARS under control, the Group is reviewing and restructuring the business for re-activation.

Future Plans and Development

The first quarter of the 2003/2004 financial year represented a pivotal phase for the Group. The turnover and profit dropped largely. The Group is still maintaining as a value-added provider of products and services and solutions in broadband, multimedia and wireless technologies in Greater China. The performance of this quarter reflected keen competition and reduced sales of previous product offerings. However, we are confident that the prospects and earnings potential of our thriving relationships with telecom operators in China and our WLAN security management solutions in Hong Kong will buoy the Group's growth for the remainder of the year.

We are also closely monitoring the telecom industry's gradual migration to 3G wireless technologies, and have prepared to seize the many business development and growth opportunities that it will present to the Group.

Last but not least, the Group achieved significant cost management accomplishments, with a 36% reduction in staff cost, 33% in office rental and 68% in finance cost for the quarter under review. We will continue to enhance our operating efficiency and cost effectiveness to improve the Group's profitability.

Choi Wing Kin
Chief Executive Officer

Hong Kong, 14 August 2003

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a decrease of 75% in total turnover to HK$4.6 million (2002: HK$18.3 million) for the three months ended 30 June 2003, compared with the same period the previous year. Gross profit for the period under review also fell to HK$1 million (2002: HK$11.5 million), resulting in a 91% decrease in profit margin to 22% (2002: 63%). The lower turnover and gross profit led to a loss attributable to shareholders of HK$5.6 million, equivalent to a loss per share of HK$0.07, compared with a profit of HK$2.1 million and earnings per share of HK$0.03 for the same period the previous year.

The first quarter of the 2003/2004 financial year represented a significant transitional period for the Group as it actively steered its business focus to the provision of application solutions (including wireless and multimedia applications); technology product; network solutions (including telecom and networking products); project services (including project management, broadband and antenna installation) and recruitment services. During this period, sales of a self-developed product experienced a significant drop due to the fierce competition from the local companies in China, leading to a reduction in the Group's overall turnover and also gross profit. Keen competition in the provision of IT solutions and project services also put a squeeze on gross margin.

During the three months under review, the Group succeeded to reduce its administrative expenses further by 49%, compared with the same period the previous year. This included decreases of 36% in staff cost and 33% in office rental. Finance cost was also cut by 68% to HK$0.3 million during the period.

Business Review

1. Application products (wireless) and solutions

(a) Wireless application solutions

As an established market leader in the provision of wireless application products and services in China, the Group is well poised to seize opportunities arising from the industry's migration to the more advanced 2.5G and ultimately 3G wireless telecommunications technologies. The Group's existing wireless product lines such as GPRS Wireless Application Protocol ("WAP") for banking and trading activities should be of increasing demands from China's finance, securities and insurance enterprises as they continue to upgrade their technological infrastructure.

The Group will continue to work closely with the Bank of Communications in Shanghai and the Agricultural Bank of China to expand the deployment of the Group's existing wireless products throughout their networks of branch offices.

(b) Wireless security solutions

The provision of wireless security management solution is an area of much excitement for the Group during the three months ended 30 June 2003. It is fast becoming a significant revenue driver, given the increasing patronage of wireless local area network ("WLAN") devices. The Group has successfully introduced into Hong Kong a WLAN security management solution with unrivalled Access Point roaming features, and contracts have been secured with a major public transportation operator and a university in Hong Kong, having successfully completed elaborate trial tests and evaluation.

Such contracts wins are very encouraging as they further confirm the tremendous market demand and growth potential for wireless security solutions that guard against unauthorized entry into proprietary wireless networks. The Group will continue to actively market its niche WLAN security management offering to more education institutions and major corporations.

2. *Network solutions*

Sales of network solutions were slow but steady during the period. In Hong Kong where economic recovery was feeble, fixed network operators had slowed down their investments in network equipment accordingly. However, the Group also won a contract by Macau Observatory for the provision of time synchronization system.

The Group became the distributor of Convex Network for fibre products and an agent of EMC WLAN products in China in May 2003. 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.

As China Telecom's sole authorised agent for the provision of repair and maintenance services to its network synchronization products in 21 cities, the Group signed contracts with Tibet Telecom for the provision of synchronized products and annual professional services in April; a contract with Xichuan Telecom for three sets of synchronized clocks in June; and a contract with Wuhan Telecom – the support hub of China Telecom in southern China – in June for the provision of repair services and spare parts. Maintenance contracts were also clinched with Zhejiang Telecom, Guangdong Telecom and Jianxie Telecom, further consolidating the Group's market presence and standing in China's telecom sector.

The Group has been enjoying steady business growth in China's telecom market. Importantly, the Group's professional expertise and engineering capabilities are well recognised by telecom operators in China and it is the Group's intention to ride on this solid platform and momentum to achieve greater business growth.

3. *Project and engineering services*

This business segment was adversely affected during the SARS outbreak when economic activities almost came to a halt. The market began to pick up in June but operating environment remains fiercely competitive. During the three months under review, the Group was awarded several sub-contracted project services in a logistics center, private and government housing estates respectively.

4. *Recruitment business*

An Bo was formed as the first Sino-Hong Kong joint venture in China to provide full-scale services with multimedia technology applications via service centers and on-line portal. This business segment was put on hold during the SARS outbreak and the Group is looking into restructuring and re-activating the operation, now that SARS is under control.

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

This on-line content provider operation is no longer a core business of the Group and has been scaled down to provide minimal but sufficient on-line news.

RESULTS

The Board of Directors (the "Board") of the Company hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 30 June 2003, together with the comparative unaudited figures for the corresponding period in 2002 are as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS ENDED 30 JUNE 2003

		Three months ended 30 June	
		2003	2002
	Notes	**HK$'000**	HK$'000
Turnover	2	**4,552**	18,302
Cost of sales		**(3,562)**	(6,819)
Gross profit		**990**	11,483
Interest income		**3**	9
Other revenue		**3**	921
Depreciation and amortisation		**(597)**	(601)
Advertising and promotion expenses		**(22)**	(103)
General and administrative expenses		**(3,871)**	(7,558)
Amortisation of goodwill		**(1,851)**	(1,234)
(Loss)/profit from operations		**(5,345)**	2,917
Finance costs		**(271)**	(837)
(Loss)/profit before taxation		**(5,616)**	2,080
Taxation	3	**–**	–
Net (loss)/profit attributable to shareholders		**(5,616)**	2,080
(Loss)/earnings per share – basic	4	**HK$(0.07)**	HK$0.03

Notes:

1. Basis of preparation of the accounts

The unaudited combined results for the period have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

	Three months ended 30 June	
	2003	2002
	HK$'000	HK$'000
The Group's turnover comprises:		
Sales of goods	**1,987**	12,877
Revenue from short-term contracts	**2,358**	4,957
Advertising income	**–**	180
Services income	**207**	288
	4,552	18,302

3. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (2002: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operated, based on the existing legislation, interpretations and practices in respect thereof.

There was no material unprovided deferred taxation for the period (2002: Nil).

4. (Loss)/earnings per share

The calculation of the basic loss per share for the period is based on the unaudited net loss attributable to shareholders of HK$5,616,000 (2002: net profit of HK$2,080,000) and the weighted average number of 83,144,786 (2002: 83,144,786) ordinary shares in issue during the period. Earnings per share for the corresponding period in 2002 has been adjusted for the share consolidation on 6 May 2002.

No diluted loss per share has been presented for the three months ended 30 June 2003 as there were no dilutive potential ordinary shares outstanding for the period.

5. Reserves

	Share premium HK$'000	**Merger reserve** HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 1 April 2002	74,623	53,022	(224,890)	(97,245)
Credit arising from capital reduction transferred to share premium and reserve account	82,313	–	–	82,313
Share premium applied towards the partial elimination of accumulated loss	(156,936)	–	156,936	–
Profit for the three months ended 30 June 2002	–	–	2,080	2,080
At 30 June 2002	–	53,022	(65,874)	(12,852)

	Share premium HK$'000	**Merger reserve** HK$'000	**Accumulated loss** HK$'000	**Total** HK$'000
At 1 April 2003	–	53,022	(90,616)	(37,594)
Loss for the three months ended 30 June 2003	–	–	(5,616)	(5,616)
At 30 June 2003	–	53,022	(96,232)	(43,210)

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2002: Nil).

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE

As at 30 June 2003, the interests of the directors and the chief executive of the Company in the loan notes (the "Notes") *(Note 1)* of the Company were as follows:

Name of directors	**Personal interest**	**Family interest**	**Corporate interest**	**Other interest**	**Total**
	HK$	HK$	HK$	HK$	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 at the extraordinary general meeting of the Company held on 21 January 2002. The Notes are charged at the interest rate of the best lending rate quoted by The Hongkong 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., a company incorporated in Republic of Panama with limited liability which is wholly owned by Mr. Lo Lin Shing, Simon.

Save as disclosed above, as at 30 June 2003, none of the directors or chief executive of the Company had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the minimum standard of dealings by directors of the Company as referred to in Rule 5.40 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the directors of the Company, as at 30 June 2003, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in shares and underlying shares of the Company, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Long position in the shares of the Company

Name of shareholder	Capacity	Number of shares	Approximate percentage of interest %
Qantex Limited ("Qantex")	Beneficial Owner	22,868,656	27.5 *(Notes 1 & 4)*
Skynet Limited ("Skynet")	Interest of a controlled corporation	22,868,656	27.5 *(Note 1)*

Name of shareholder	Capacity	Number of shares	Approximate percentage of interest %
Gold Cloud Agents Limited ("Gold Cloud")	Interest of a controlled corporation	22,868,656	27.5 *(Note 1)*
Companion Marble (BVI) Limited	Interest of a controlled corporation	22,868,656	27.5 *(Note 1)*
Skynet (International Group) Holdings Limited ("SIGHL")	Interest of a controlled corporation	22,868,656	27.5 *(Note 1)*
Companion Building Material (Holdings) Limited ("CBMHL")	Interest of a controlled corporation	22,868,656	27.5 *(Note 2)*
Companion Building Material (BVI) Limited	Interest of a controlled corporation	22,868,656	27.5 *(Note 2)*
Dong Fang Gas Holdings Limited ("Dong Fang Gas")	Interest of a controlled corporation	22,868,656	27.5 *(Note 2)*
Great Joint Profits Limited ("Great Joint Profits")	Interest of a controlled corporation	22,868,656	27.5 *(Note 3)*
China Strategic (B.V.I.) Limited ("China Strategic BVI")	Interest of a controlled corporation	22,868,656	27.5 *(Note 3)*
China Strategic Holdings Limited ("CSH")	Interest of a controlled corporation	22,868,656	27.5 *(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.

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 Technology Limited ("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 the terms and conditions as set out in the Agreement. Completion for the sale and purchase of the Sale Shares is subject to the fulfillment or waiver of certain conditions as stipulated in the Agreement. As at the date hereof, completion of the sale and purchase of the Sale Shares has not been taken place.

Save as disclosed above, as at 30 June 2003, the directors were not aware of any other person who had an interest or short position in shares, underlying shares or debentures which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's post-IPO share option scheme adopted pursuant to a resolution passed by the Board of the Company on 17 July 2000, the Board 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. No options have been granted to the directors during the period or outstanding as at 30 June 2003.

Other than as disclosed in the section headed "Interests of the Directors and Chief Executive" above, at no time during the period 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 during the period.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had 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 during the period under review.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in Rules 5.28 to 5.39 (where applicable) of the GEM Listing Rules during the period.

AUDIT COMMITTEE

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

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

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

By Order of the Board
CHOI WING KIN
Executive Director

Hong Kong, 14 August 2003