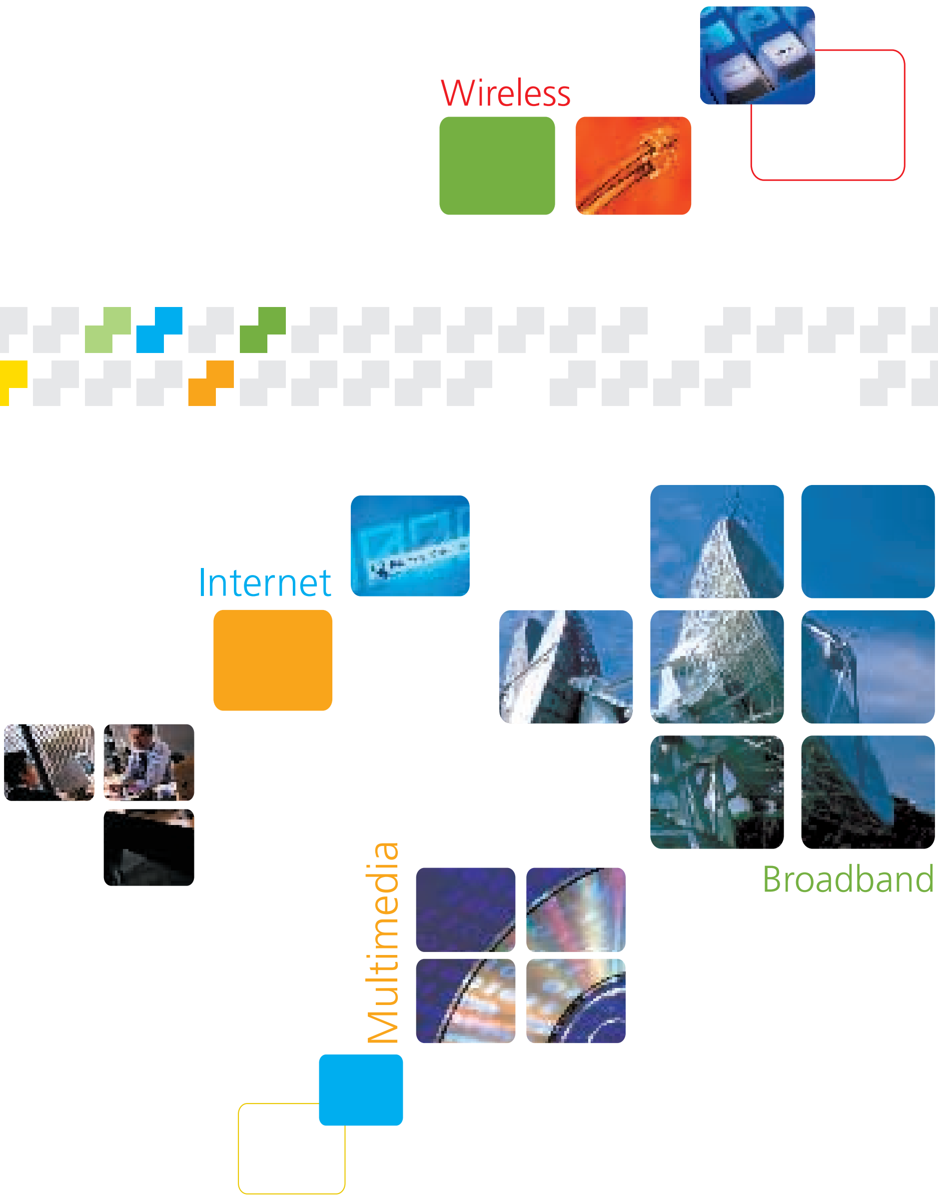
CYBER ON-AIR
創博數碼科技

CYBER ON-AIR GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2004



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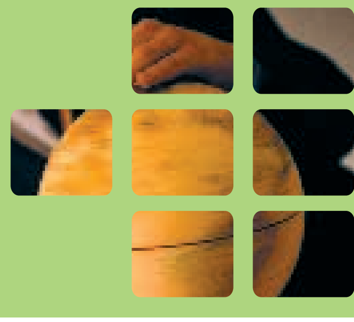

CONTENTS

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SO Kam Wing

COMPLIANCE OFFICER

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QUALIFIED ACCOUNTANT

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CORPORATE INFORMATION

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CHAIRMAN'S STATEMENT

Dear Fellow Shareholders,

"As the recovery of the Hong Kong economy, the People's Republic of China ("PRC")'s accession into the World Trade Organisation ("WTO") and the implementation of the Closer Economic Partnership Arrangement between Hong Kong and the Chinese mainland ("CEPA") together are the key chapters that can benefit and protect the IT corporation for its further growth and development."

I have the pleasure of presenting to you all the 2003/2004 results of Cyber On-Air Group Company Limited (8118) (the "Company") and its subsidiaries (together the "Group"). On behalf of all staffs of the Group, I would like to extend my sincere thanks to all shareholders for their support of the Group.

I am proud to report to you that we have reduced the operation cost by 54.6% from the year of 2003 to 2004. The Group achieved significant cost management accomplishments, with 49.9% reduction in staff cost, 52.5% in office rental and 53.2% in finance cost for the year. We will continue to enhance our operating efficiency and cost effectiveness to improve the Group's profitability.

The Group's total revenue is decreased by 58.5% from HK$38.9 million to HK$16.1 million in the year of 2003 to 2004. As the recovery of the Hong Kong economy, the People's Republic of China ("PRC")'s accession into the World Trade Organisation ("WTO") and the implementation of the Closer Economic Partnership Arrangement between Hong Kong and the Chinese mainland ("CEPA") together are the key chapters that can benefit and protect the IT corporation for its further growth and development.

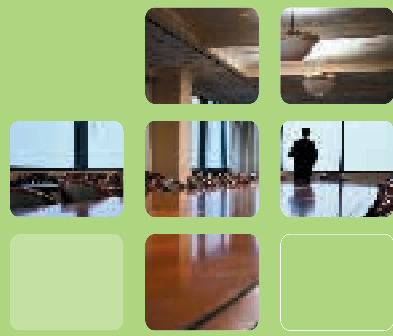
"The Group commits to provide the best and most advanced technology to our dedicated business alliances and customers from now and beyond."

The Group has the faith to the PRC's economy and has foreseen there is a tremendous demand in the newly innovated IT technologies and solutions in the PRC and Hong Kong markets. Under this affirmative business atmosphere, the Group decided to launch some major marketing campaigns in the next financial year. All these campaigns can encourage the sales revenue from application products and solutions, wireless security management solutions and network solutions. The Group commits to provide the best and most advanced technology to our dedicated business alliances and customers from now and beyond.

WELL POSITIONED IN THE YEAR OF 2003/2004

From the advantages of the recovery of economic environment in the PRC and Hong Kong, the Group decided to consolidate its business focus: the provision of project services (including project management, broadband and antenna installation); network solutions (including telecom and networking products);

CHAIRMAN'S STATEMENT



application solutions (including wireless and multimedia applications) and technology products.

The management of the Group is also delighted to witness that the performance in the Financial, Security and Insurance ("FSI") industries in the PRC and Hong Kong is beginning to picking up after the outbreak of Severe Acute Respiratory Syndrome ("SARS") from March to June 2003.

"There was an unfavorable situation to the Group's business due to SARS. However, the WTO issue may have a good effect to the Group as the import tax of the PRC is getting lower and this will make our products and solutions more price competitive."

The Group also has true confidence in the PRC government who is now a member of WTO, and it will be a great demand on the wireless and multimedia products and solutions. For that reason, the Group intends to expand more channels of distribution networks in the PRC. Further to that, the Group will create its own brand of both wireless and multimedia products. There was an unfavorable situation to the Group's business due to SARS. However, the WTO issue may have a good effect to the Group as the import tax of the PRC is getting lower and this will make our products and solutions more price competitive. The Group will continue to leverage its strong position and presence in China and capture business opportunities in the PRC market. The Group will continue to capitalize on the opportunities in the PRC arising from its accession into the WTO.

Our Strength:–

BENEFIT FROM OUR LATEST NEW TECHNOLOGIES AND SOLUTIONS

"Through our team's constant efforts, the Group has been established itself as a competitive player of wireless, broadband, multimedia, and solutions provider in the PRC."

"The Group will continue to utilize the management's expertise and capabilities in innovating and introducing NEW technologies and solutions in order to capture the largest market share and demand in the IT industry."

Through our team's constant efforts, the Group has established itself as a competitive player of wireless, broadband, multimedia, and solutions provider in the PRC. The Group's PRC divisions have successfully clinched contracts with Tibet Telecom, Xichuan Telecom, Wuhan Telecom, Zhejiang Telecom, Guangdong Telecom, Inner Mongolia Telecom and Jianxie Telecom and the Group is continuing explore more potential customers in all parts of PRC in the following years. At this moment, the Group is still a market pioneer in wireless security technology and hence the management team is seeking new business, products and solutions so as to secure our market leader position.

CHAIRMAN'S STATEMENT

3rd Generation ("3G") is a newly state of art technology for the wireless application, even it is still at the stage of launch, and the Group already gained some good public awareness in the PRC. The Group is also closely monitoring the telecom industry's gradual migration to 3G wireless technology, even though the 3G market is still not clear and the existing operator not willing to invest more into this technology. However, we have prepared to seize the business development and growth opportunities in the near future.

Time Net, one of our flourishing products, is enthusiastically launched in the PRC market. It is 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 offering.

A wireless local area network ("WLAN") security solution is another significant testimony to our ingenuity and also the Group's specialty. 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 Ocean Shore and Sau Mau Ping Estate, etc.

The Group will continue to utilize the management's expertise and capabilities in innovating and introducing NEW technologies and solutions in order to capture the largest market share and demand in the IT industry.

FIGHT FOR THE UNCERTAINTY

There is no doubt that SARS has certain kind of effects on the economic growth of the countries. This is because the IT industry in Hong Kong is being under some external constraints such as: the decreasing demand in the IT industry, reducing amount in the on-line advertising placements, therefore the running cost is relatively higher than before. Fortunately, the wireless security solutions helped the Group to fight for the uncertainty under SARS in which it has gained a new stream of revenue and also regarded as a profit growth driver. The other revenue driver is the WLAN access points, especially large corporations and educational institutions. A lot of contracts have been secured with a major public transportation operator and a university in Hong Kong. In addition, it also has successfully completed all the 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.

CHAIRMAN'S STATEMENT

CONFIDENT AND FOCUS INTO THE PRC AND HONG KONG'S FSI MARKETS

"With a good network of regional offices and an established presence in the PRC, the Group will continue to expand its customer base among telecom operators and provide advanced wireless applications and network solutions to cater to specific customer demands."

The Group remains confident in the tremendous development in the IT and telecom markets in the PRC. The Group has already established itself as a premium products and solutions provider in broadband, multimedia and wireless technologies in the FSI markets in the PRC and Hong Kong. With a good network of regional offices and an established presence in the PRC, the Group will continue to expand its customer base among telecom operators and provide advanced wireless applications and network solutions to cater to specific customer demands.

CONTINUE TO INCREASE OUR COMPETITIVE POWER

The Group will further reinforce the strategy to promote Time Net, a value add solution, as well as network synchronization system that raises network quality from Symmetricom. These innovated products and solutions are welcomed by the telecom operators and also banking and financial institutions.

With the favorable conditions of WTO and CEPA, the Group expected there will be a thrilling expansion in the IT industry in the PRC and Hong Kong markets. The management of the Group plans to launch a series of sales and marketing campaigns in the upcoming year to create more sales.

The Group's differentiation strategy in focusing on niche products of substantial demands, such as WLAN security and network enhancement solutions has been awarded with very encouraging business wins.

GOOD RELATIONSHIP WITH ALL OUR BUSINESS ALLIANCES AND INTERNAL STAFF

"To innovate more new products and solutions and provide the BEST SERVICES to our customers."

The management team and all staffs in the Group are working in a very pleasant and warm atmosphere. Hence, all staffs are highly motivated at all time. The Group also has a good and long-term business relationship with its business alliances.

UPCOMING OPPORTUNITIES IN THE PRC AND HONG KONG MARKETS

From this year and beyond, the Group is planning for a sustainable expansion in the IT and multimedia businesses in the Hong Kong and especially in the PRC market. Further strengthening of this approach with a series of marketing campaigns in the PRC and Hong Kong markets. Corollary, the Group is expected to generate more favorable results to the Group.

CHAIRMAN'S STATEMENT

In the PRC market, this year, the Group is also pleased that the relationship with China Telecom continues to yield positive business opportunities, as additional upgrade and maintenance contracts have been concluded with more of its subsidiaries in major cities of the country. Hence, this indicates that the Group has properly established itself in the PRC as a premium and reputable supplier of telecom solutions and services to operators.

In the Hong Kong telecom market, the Group believes that successful business development is largely hinged upon the identification and marketing of niche products. Marketing of RAD data communication equipments met with initial success and the Group will step up the campaign to promote public awareness and sales.

AHEAD OF THE YEAR OF 2005 AND BEYOND

Our Key goals for 2005 will be on: —

"I strongly believe that in the upcoming year, the Group will continue to build up and to maintain our competitive advantages."

The Group believes that as the global economy has shown signs of recovery, therefore, during the year of 2005 the Group will face a positive economic climate in both the PRC and Hong Kong markets. For this reason, the Group will still maintain as a value-added provider of products and solutions in broadband, multimedia and wireless technologies in the PRC and Hong Kong. Also, the Group is sure that the prospects and earnings potential of its thriving relationships with telecom operators in the PRC and its WLAN security management solutions in Hong Kong will buoy the Group's growth for the next financial year.

"The Group will explore different areas of business development, including merger and acquisition ("M&A") of other related IT business and multimedia business to make the Group more profitable in the future."

Towards a more prospect future, our innovative products will be driven by and expand from our existing core business. The Group will continue to look for any opportunity in M&A. As the Group endeavors to seek out new business areas and products with high growth potential while working towards increasing customer base, it will continue to exercise prudence in fiscal management and effective cost management. Furthermore, the Group will continue to emphasize strong focus on business development and operations in the PRC market.

The gradual migration to 3G wireless technologies also presents to the Group tremendous business development and growth opportunities. 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 the PRC. Additionally, the Group will continue to make progress on the upcoming projects and products development.

CHAIRMAN'S STATEMENT

Even the whole economy is facing political and economical uncertainties, however, the Group is well prepared and positioned itself to face all these factors. We are well prepared to meet all the challenges and capture opportunities that will arise from Hong Kong and the PRC markets. Hence, we have confidence in our ability to provide service excellence with prudence and professionalism to every of our customers.

"The PRC remains the Group's focus market."

The PRC remains the Group's focus market and the Group will explore different areas of business development including M&A of other related IT business and multimedia business to make the Group more profitable in the future.

The Group will continue to improve the operating efficiencies and at the same time to optimize the value of recourses and to control costs.

"In view of the competitive environment in the IT industry, the Group will seek for every opportunity to increase its market share and scope of service and products in order to ensure the continued stable growth of the Group's business operation and to attain surpass result in return to all supportive shareholders."

Lastly, on behalf of the Board of Directors, I would like to take this opportunity to express my thankfulness once again to my fellow directors and all staffs for their hard work, commitment and inspiration during this challenging period. I also thank you for all of our shareholders, financiers and business partners for their valuable support.

I have full of confidence that our Group will be achieving all these goals in the following months. Here, I look forward to reporting our achievements in regard to you all next year.

Lo Lin Shing, Simon
Chairman

Hong Kong, 18 June 2004

MANAGEMENT DISCUSSION AND ANALYSIS

"We are always focusing on the NEW products & solutions that are to cope with the ever fast-changing demand of IT industry."

Cyber On-Air Group Company Limited (the "Company") and its subsidiaries (together the "Group"), formerly known as hkcyber.com (Holdings) Limited ("hkcyber.com") was established in 1999. Since then, it has been a Chinese content portal service provider. The Company was listed on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 July 2000 (stock code number: 8118). As a portal solution provider, the Group also provides technical development, e-commerce, on-line advertising placement, and content licensing to the WAP users. Since the year of 2001/2002, the Company has decided to impose four restructuring programmes to strengthen the Group's competitiveness in the IT industry. These restructuring programmes include elimination of redundancy in the workforce, termination of certain contracts incurring recurrent cost, consolidation of offices and impairment loss recognized for both tangible and intangible items in order to deal with the changes of the Group.

To further develop our business in the People's Republic of China (the "PRC"), the Group has successfully set-up Guangdong An Bo Information Services Limited ("An Bo"), a joint venture company which is principally engaged in on-line business in the PRC in 2002. On 8 May 2002, the Group successfully acquired 100% equity interests in Cyber On-Air Group Limited ("COA") which contributes a significant stream of revenue to the Group. After the acquisition of COA, the Group introduced a number of new services to its clients such as, broadband, wireless, multimedia and Internet applications. In addition, the Group has been focusing on new products and solutions in order to cope with the ever fast-changing demand of IT industry. Solutions introduced by the Group include project services (project management, broadband and antenna installation), network solutions (telecom and networking products), application solutions (wireless and multimedia applications), technology products, multimedia services and recruitment services. All these value-added solutions further strengthen the Group's capability and competitiveness in the Financial, Security and Insurance ("FSI") sectors.

"We have foreseen a tremendous potential of the IT industry in the PRC market and it then opened four regional offices in Guangzhou, Shanghai, Beijing and Chengdu."

In the year of 2001, after the PRC's entry into the World Trade Organisation ("WTO"), the Group has foreseen a tremendous potential of the IT industry in the PRC market and we opened three regional offices in Guangzhou, Shanghai and Beijing. Since then, the Group has penetrated into the IT industry in the PRC. In the year of 2002, we opened an additional regional office in Chengdu. Furthermore, the Closer Economic Partnership Arrangement between Hong Kong and the Chinese mainland ("CEPA") was signed on 29 June 2003 which represents an excellent opportunity for the

Group to further develop its IT business in the PRC. Therefore, the management team of the Company viewed it would be the major stream of revenue for the Group.

FINANCIAL REVIEW

"The prospect of the PRC market is promising. Development of the PRC business has been our long term strategy for the coming years."

The Group has recorded a turnover of HK$16.1 million (2003: HK$38.9 million) for the year ended 31 March 2004, representing a decrease of approximately 58.5% compared to the previous year. Gross profit for the year under review also fell to HK$4.6 million (2003: HK$17.0 million), representing a decrease of approximately 72.7% compared to the previous year, and the gross profit margin dropped to 28.8% (2003: 43.7%). The lower turnover and gross profit led to a loss attributable to shareholders of HK$35.6 million, equivalent to a loss per share of HK$0.43, compared with a loss of HK$22.7 million and loss per share of HK$0.27 for the previous year.

In current year, in view of the deteriorating results of certain subsidiaries, an impairment loss of HK$20.7 million has been recognized for the goodwill arising on the acquisition of these subsidiaries.

The Group is implementing new-fangled strategies by innovating new services and technologies in both the PRC and Hong Kong markets which will enhance a favorable financial stability in both markets. Additionally, by cutting cost measures and marketing, the Group could further enhance its competitiveness in the markets.

The management of the Company tried to trim down all the downbeat impacts by the outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003. The good news is that the overall markets in the PRC and Hong Kong have been picking up very fast, the Group considers that the PRC's market will have tremendous growth and expansion in the near future.

However, the target customers of the Group in the telecommunications industry, both small and medium enterprises ("SMEs") have not yet fully recovered. They are still very cautious in controlling their expenses and participating any new projects.

The management still believes that the prospect of the PRC market is promising. Development of the PRC business has been the Group's long term strategic in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUILDING FOR PROMISING

During this year, the Group is imposing **FIVE** technologies and services to cope with the demand of our clients.

1. >Wireless solutions
1a. >Wireless application products and solutions
1b. >Wireless security solutions
2. >Network solutions
2a. >Frequency Synchronization
2b. >Wireless local area network ("WLAN")
2c. >Time Net
2d. >RAD data communication equipment
3. >Project and engineering services
4. >Recruitment business
5. >E-business, IT and multimedia services

BUSINESS REVIEW

1. Wireless solutions

(a) Wireless application products and solutions

One of the initial concerns of 3rd Generation (3G) telecommunications in the PRC market was the realization of the high demand for wireless applications. Wireless applications solutions are mainly used to carry out transactions in banks or security companies via mobile phones. These applications are also designed to be used on wireless equipments such as mobile phones, PDA...etc.

In view of the fact that there is an increase in demand from the PRC's finance, securities and insurance enterprises as a result of the PRC's entry into WTO and the signing of the CEPA, the other mission of the Group is to penetrate into the FSI markets of the PRC.

In Hong Kong, a contract has been signed with a servicing company for the development of a quality control management application system. These applications can be further expanded in the future to include wireless data update.

(b) Wireless security solutions

Wireless security solutions are solutions which are able to provide security to users and avoid unauthorized access of user or corporate database and data through wireless transmission as well as on wireless equipments such as PDA, mobile phone, Wi-Fi enabled notebooks. For example, WLAN security & management system are one of the wireless security solutions that protect unauthorized access of the computer network of an organization by unauthorized users such as hackers or visitors through the wireless LAN access points.

From last year until now, the Group's management level still believes that the wireless security management solutions will have a continuing development. The Group will continue leverage on the expertise on wireless system integration. Hence, the Group has been actively liaising with various wireless solution vendors to widen its range of available solutions by maintaining this business area as a significant growth driver.

In addition to obtaining the distribution rights for WLAN security vendor Vernier Networks in the review year, the Group has also been aggressively promoting the network to customers in the PRC. The Group also introduced the system to the Hong Kong government.

In order to increase the awareness of the system's benefits, the Group launched a promotional campaign for the wireless LAN security for Vernier Networks and advertised it in mainland business medias such as the PRC Hi-Tech Directory 2004.

2. Network solutions

Network solutions are systems and networks that are designed to meet customer's requirements. Network solutions include solutions for computer network, data communication network, WLAN network or synchronization network etc. At this stage, the Group has no plan to explore more cities. However, the Group will continue to strengthen the sales teams in Shanghai, Guangzhou and Chengdu offices.

(a) Frequency Synchronization

With the advance of technology, the importance of synchronization has increased due to the extensive digitization of telecommunications networks and to the introduction of Synchronous Digital Hierarchy ("SDH")/ Synchronous Optical Network ("SONET") technologies. It leads to more demands on frequency synchronization requirements to meet acceptable performance levels.

As the PRC Telecom's authorized agent for the provision of repair and maintenance services to its network synchronization products in 21 cities, the Group has won contracts from Tibet Telecom, Sichuan Telecom and Inner Mongolia Telecom. Zhejiang Telecom and Yunnan Telecom for the provision of synchronized clock and system upgrades. There were also new maintenance contracts with Wuhan Telecom and Zhejiang Telecom.

With years of experience on the distributorship of the Synchronization vendor, the Group was working hard in extending its reach in the PRC telecommunications sector. Contracts had been renewed with Beijing Telecom, Wuhan Telecom, Guangdong Telecom, Hunan Telecom and Yunnan Telecom. There was also a new maintenance contract signed with Anhui Telecom. Technical seminars were conducted for Sichuan Telecom and Shanxi Telecom.

(b) WLAN

The provision of WLAN security solutions is another substantial testimony to our ingenuity. The Group became the distributor of Vernier Networks for WLAN Security and Management System by March 2003. The Group will continue to seek cooperation arrangements with world-renowned vendors and expand its product portfolio and provide value-added services to its existing clients.

In the Hong Kong market, the Group won contract for the trial of WLAN access in a few residential estates.

The Group has successful WLAN installations at Ka Wai Chuen, Lotus Tower, Lai Tak Tsuen, Kwun Lung Lau, Jat Min Chuen, Prosperous Garden and Cho Yiu Chuen in Hong Kong. The application is to provide wireless Internet access for users at mobile library of Leisure and Cultural Services Department. The trial is successful and satisfactory.

(c) Time Net

Time-Net is a new application based on the use of time accuracy technology for the existing telecom exchange equipments and enhancing the billing among all telecom operators, as part of the Group's enhanced, valued-added offering.

Time Server is a product that maintains and distributes the correct date and time over a computer network by means of a special time-distribution protocol. The time provided to the computer network is in real time which is the time from International Telecommunication Union.

For those equipments, such as billing systems that require time clock usually include Network Time Protocol software with their operating systems. The client software runs continuously as a background task that periodically gets updates from the timeserver and uses this information to set their computer clock.

In view of the growing demand of Time Server products, the Group made special efforts in promoting the products in other areas of financial services industries such as banks. Time Server products can provide a highly precise time reference for network equipments, servers and billing systems. As a result of network efficiency the corporations were able to improve great profitability and reduce administrative costs.

(d) **RAD data communication equipment**

RAD is an Israel company providing data communication products. In Hong Kong, we are steady with new contracts from New World Telecommunications Ltd. and Wharf T&T Ltd. In developing the sales of RAD products, the Group provided a new product from RAD for helping customers such as mobile operators in saving cost on leased circuit. A number of promotional campaigns were conducted in the year that already solicited interest from potential users.

RAD has introduced two new products including Vmux and AirMux. Vmux is a product that can help customers to minimize both operating and investment cost. AirMux is another new product, which is especially suitable for remote locations, mountainous areas or where communication is needed but may require high investment cost and long time to install cables.

3. Project and engineering services

In this year, the Group had secured project contracts for Tsuen Wan Plaza, Greenfield Garden at Tsing Yi, Aberdeen Tunnel, Wilson Parking at Star Ferry, Central and Winston Mansion at Tsimshatsui. In Hong Kong, the Group had concluded projects for commercial buildings and shopping complexes for the year. By leveraging on the emergence of 3G developments, the Group was in the progress of approaching successful 3G vendors like Nokia, Ericsson, Alcatel, Huawei, and NEC. etc for co-operation. 3G operators will include CSL, Sunday, Hutchison and SmarTone.

4. Recruitment business

An Bo, is a business provider on a full-scale recruitment services with multimedia technology application via service center and online portal. During and after the outbreak of SARS, the Group was taking precaution in evaluating and restructuring for the preparedness of the market's economic recovery. However, the management considered to discontinue this business section at the end of the year.

5. E-business, IT and multimedia services

Given that this on-line content provider operation has no longer been a foundation business for the Group. The on-line news provider operation was suspended since the economy is still rebounding slowly. While the repair and maintenance service for the customers is still in service, the Group may consider carrying on this business, as there is a favorable recovery of the economic growth.

LIQUIDITY AND FINANCIAL RESOURCES

Current assets amounted to HK$7.3 million as at 31 March 2004, which is approximately HK$1.6 million including cash, bank deposits and pledged deposits. The gearing ratio, measured in terms of total borrowings divided by total assets, was 473.0% as at 31 March 2004. The Group obtained its source of funds through various means to balance the cost and risk. Apart from the funds generated from normal operations and the cash and bank deposits, the Group also obtained its source of funds from directors, related companies and other party amounting to approximately HK$28.5 million as at 31 March 2004.

The Group manages its financial risk management through diversification of funding sources. For the year ended 31 March 2004, total finance costs amounted to approximately HK$1.2 million, a decrease of approximately 53.2% compared with approximately HK$2.6 million in the last year.

As at 31 March 2004, the Group utilized approximately HK$1.0 million of HK$1.0 million secured banking facilities charged at an interest rate of the highest of (i) the Hong Kong dollars ("HKD") prime rate quoted by the Bank of China (Hong Kong) Limited less 1% per annum; (ii) the interest rate of the supporting deposit plus 1% per annum; or (iii) HIBOR plus 0.25% per annum from time to time to its customers for HKD advances. The other borrowings of the Group was HK$28.5 million, of which HK$10.0 million was unsecured and charged at 6% per annum and repayable on demand, HK$14.8 million was unsecured and charged at HIBOR plus 2% per annum and repayable on demand, HK$0.7 million was unsecured and charged at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time to its customers for advances in HKD with a maturity date on 30 June 2004, and HK$3.0 million was unsecured, non-interest bearing and repayable on demand.

In addition, the Group had the loan notes with carrying amounts of HK$42.6 million as at 31 March 2004. The payment obligations of the Company under the loan notes are secured by a charge over the ordinary shares of COA, a wholly-owned subsidiary of the Company, bear interest at the best lending rate per annum and are repayable in May 2005. The loan notes holders agreed to waive the loan interest for the period from

1 October 2002 to 30 September 2003. On 1 October 2003, the loan notes holders agreed to waive the loan interest for the period from 1 October 2003 to 31 March 2004.

The gain of approximately HK$77.6 million as stated in the Company's circular dated 6 April 2004, which is subject to review by the auditors of the Company, was determined with reference to the proposed settlement at a consideration of HK$4 million which would be satisfied by the issue of an aggregate of 4,000,000 new Consolidated Shares at the issue price of HK$1.00 per Consolidated Shares. As advised by the auditors of the Company, pursuant to Statement of Standard Accounting Practice 30 "Business Combinations", as the loan notes provided for adjustment to the consideration on redemption under certain contingent events, the fair value of the loan notes as at the balance sheet date has been adjusted with reference to the fair value of these Consolidated Shares. As a result, the loan notes and goodwill as at the balance sheet date have been adjusted by approximately HK$37.4 million and no gain or loss will be recognised in the financial statements for the year ending 31 March 2005, which is subject to review by the auditors of the Company, in respect of the settlement of the loan notes in the manner described above.

CHARGES ON GROUP ASSETS

A bank deposit amounting to approximately HK$1.0 million was placed a bank as security for banking facilities granted to a subsidiary of the Company, and approximately HK$1.0 million had been utilized as at 31 March 2004.

In addition, 10,000 ordinary shares of HK$0.01 each of COA (representing 100% shareholdings), a wholly-owned subsidiary of the Company, are pledged to the loan notes' holders for the loan notes with carrying amounts of HK$42.6 million as at 31 March 2004.

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 2004.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 8 March 2004, the Company, Chow Tai Fook Enterprises Limited ("CTF") and Mediastar International Limited ("Mediastar"), a wholly-owned subsidiary of CTF, jointly announced that the Company and Mediastar had entered into a conditional subscription agreement ("Subscription Agreement") relating to the subscription by Mediastar of 120,000,000 shares of HK$1.00 each in the Company for a consideration of HK$120 million ("Subscription") on terms and conditions as set out in the Subscription Agreement.

Also on 8 March 2004, the Company and Tai Fook Securities Company Limited ("Tai Fook"), a related company of the Company, entered into a conditional placing agreement ("Placing Agreement") relating to the placing of up to 80,000,000 shares of HK$1.00 each to be issued by the Company in a maximum total placing amount of HK$80 million ("Placing") on terms and conditions as set out in the Placing Agreement.

The Subscription Agreement and the Placing Agreement were completed on 30 April 2004 and 5 May 2004 respectively.

As disclosed in circular of the Company dated 6 April 2004, the total estimated net proceeds to be derived from the Subscription and the Placing would amount to approximately HK$114 million and HK$76 million respectively. It is intended that an amount of approximately HK$50 million of such net proceeds from the Subscription will be used as a general working capital for the Company's existing business activities. It is also intended that the remaining net proceeds from the Subscription of approximately HK$64 million and the entire net proceeds from the Placing will be used for the investing in suitable investment project(s). The directors of the Company intend to seek business opportunities, which would expand or complement the current activities of the Group. As a result of the Placing and the Subscription, the Company will have sufficient funds to make opportunistic decisions to take up business opportunities that may arise in the future. In light of the recovery of the global economy, it is the intention of the directors of the Company to explore the market, where certain sectors are expected to have potential growth in the long run, which may include business activities other that the Group's principal activities.

FOREIGN EXCHANGE EXPOSURE

As the Group's assets and liabilities remain denominated in Hong Kong dollars and Renminbi, the board of directors of the Company considers that the Group is not significantly exposed to any material foreign currency exchange risk.

CONTINGENT LIABILITIES

As at 31 March 2004, the Company has provided guarantees on payment to Cyber Network Technology Limited, a related company, in respect of loans amounted to HK$10.5 million (2003: HK$2.5 million) granted to subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

The Group has operations in the PRC which are located in Beijing, Shanghai, Chengdu, and Guangzhou and there are total of 15 staffs.

The total number of employees of the Group was 35 as at 31 March 2004 (2003: 56). The Group remunerated its employees on the basis of performance, experience and the prevailing industry practice. In addition to salaries, employee benefits included medical scheme, insurance, Mandatory Provident Fund and share option scheme. Total staff cost amounted to HK$6.6 million (2003: HK$13.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE OUTLOOK

"We are planning to increase the number of sales staff and expand our sales network by hiring resellers for our products to generate additional sales revenues"

"The Group also will be result in encouraging effects for the Group in the business in PRC market."

Looking ahead, the Group is confident in the recovery of the economic and business environment in the PRC and Hong Kong. It is ready to meet challenges and continue to move in a positive direction. In addition, the Group is always continuing to look for measures to enhance service quality whilst maintaining cost efficiency.

The business trend favorable to the Group is going wireless in the coming future. The Group believes, due to the price decrease for notebook computers in the PRC, there will be fast growth in wireless LAN deployment, especially in the education and finance segments. Hence, the Group will put more emphasis on the wireless applications and offer total wireless solution including wireless intrusion detection, access management and user security management.

"We believe our employees are the most important assets for the Group."

At present, the Group has a small operation and the operation cost is at a minimal. Instead of minimizing the operational cost, the Group is planning to increase the number of sales staff and expand our sales network by hiring resellers for our products to generate additional sales revenue. We believe our employees are the most important assets for the Group. Additionally, the Group is confident that the CEPA agreement will leverage on the institutional strengths of Hong Kong and the huge market potential of the PRC under the "one country, two systems" principle for revitalizing the Hong Kong economy and modernization of the PRC.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Choi Wing Kin, aged 42, joined the Group as Executive Director in May 2001 and he is 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 Vice President 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 44, 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 of the Group in Hong Kong and Asia Pacific Region. Mr. So obtained several academic qualifications including Master of Science in E-Commerce for Executives and Higher Diploma in Marine Electronics from Hong Kong Polytechnic University, Graduate Diploma in Management from the Hong Kong University of Science and Technology, Professional Diploma in Telecommunications from Hong Kong Management Association. Mr. So has over 15 years of experience in the field of telecommunications.

NON-EXECUTIVE DIRECTORS

Mr. Lo Lin Shing, Simon, aged 48, joined the Group in May 2001. Mr. Lo is the Chairman and 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 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 48, 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Hon Kit, aged 50, joined the Group in May 2001. Mr. Cheung has over 26 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 managing director of Wing On Travel (Holdings) Limited. He is also a Director of Hanny Holdings Limited, Panva Gas Holdings Limited, Skynet (International Group) Holdings Limited and Innovo Leisure Recreation Holdings Limited (formerly known as Surge Recreation Holdings Limited).

Mr. Ng Wai Hung, aged 40, 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. Kwok Ying Tung, Daniel, aged 29, joined the Group as Financial Controller and was appointed as Qualified Accountant in May 2003. He was responsible for the financial matters of the Group. Mr. Kwok is the Member of The Association of Chartered Certified Accountants. He has about 3 years of auditing experience in one of the international CPA firms and about 5 years of accounting experience in listed companies in Hong Kong. Mr. Kwok resigned at his own accord in May 2004.

Mr. Kwok Chi Kin, aged 27, joined the Group as Chief Financial Officer and was appointed as Qualified Accountant and Company Secretary in May 2004. He is responsible for the finance and company secretarial matters of the Group. Mr. Kwok holds a Degree of Bachelor of Business Administration in Finance from the Hong Kong University of Science and Technology. He is an associate member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants. He has about 3 years of auditing and accounting experiences in an international accounting firm and about 2 years of company secretarial experience and accounting experience in listed companies in Hong Kong.

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

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 25% and 42% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for approximately 26% and 66% 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 2004 are set out in the consolidated income statement on page 33.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out on page 78.

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 share capital of the Company are set out in note 32 to the financial statements.

REPORT OF THE DIRECTORS

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

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. All directors continue in office.

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Save as disclosed below, as at 31 March 2004, none of the directors or chief executives of the Company had any interests or short positions in the 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"), Chapter 571 of the Laws of Hong Kong), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 were deemed or taken to have under such provisions of the SFO, or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") relating to securities transactions by directors, to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – continued

Interest in the loan notes of the Company (the "Loan Notes") *(Note 1)*

		Principal amounts				
Name of directors	Capacity	Personal interest *HK$*	Family interest *HK$*	Corporate interest *HK$*	Other interest *HK$*	Total *HK$*
Mr. Choi Wing Kin ("Mr. Choi")	Beneficial owner	26,592,000	–	–	–	26,592,000
Mr. So Kam Wing ("Mr. So")	Beneficial owner	1,824,000	–	–	–	1,824,000
Mr. Lo Lin Shing, Simon ("Mr. Lo") *(Note 2)*	Interest of a controlled corporation	–	–	7,296,000	–	7,296,000

Notes:

1. The Loan Notes were issued by the Company to each of the Vendors (as defined in note 31 to the financial statements) 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 Loan 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. The payment obligations of the Company under the Loan Notes issued to each of the Vendors of COA are secured by a charge over the shares in COA sold by respective Vendors of COA. Details of the above are set out in the Company's circular dated 28 December 2001.

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

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS – continued

Interests in the ordinary shares of the Company

Name of directors	Personal interest	Family interest	Corporate interest	Other interest	Total	Approximate percentage of the issued share capital of the Company
	Number of ordinary shares of HK$0.01 each in the share capital of the Company					%
Mr. Choi	132,960,000 *(Note 1)*	–	–	–	132,960,000	159.91
Mr. So	9,120,000 *(Note 1)*	–	–	–	9,120,000	10.97
Mr. Lo	–	–	36,480,000 *(Notes 1 and 2)*	–	36,480,000	43.88

Notes:

1. These shares represent the number of shares (being the shareholding prior to the capital reorganisation as set out in the circular of the Company dated 6 April 2004 which became effective on 22 April 2004 (the "2004 Capital Reorganisation")) to be issued to the relevant holders of the Loan Notes (the "Loan Notes Holders") pursuant to the Settlement Agreements (as defined in note 43 to the financial statements).

2. These shares represent the number of shares to be issued to Wellington (being one of the Loan Notes Holders) pursuant to the Settlement Agreement.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 31 March 2004, so far as is known to the directors or chief executives of the Company, no person (other than the directors or chief executives of the Company) had, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company 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 as having an interest in 5% or more of the issued share capital of the Company.

Long positions in the ordinary shares of the Company

Name of shareholders	Capacity	Number of ordinary shares of HK$0.01 each in the share capital of the Company	Approximate percentage of the issued share capital of the Company %
Qantex Limited ("Qantex")	Beneficial owner	22,868,656 *(Note 1)*	27.5
Skynet Limited ("Skynet")	Interest of a controlled corporation	22,868,656 *(Note 1)*	27.5
Gold Cloud Agents Limited ("Gold Cloud")	Interest of a controlled corporation	22,868,656 *(Note 1)*	27.5
Companion Marble (BVI) Limited ("Companion")	Interest of a controlled corporation	22,868,656 *(Note 1)*	27.5
Skynet (International Group) Holdings Limited ("SIGHL")	Interest of a controlled corporation	22,868,656 *(Note 1)*	27.5
Mediastar International Limited ("Mediastar")	Beneficial owner	12,000,000,000* *(Note 2)*	14,433

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – continued

Long positions in the ordinary shares of the Company – continued

Name of shareholders	Capacity	Number of ordinary shares of HK$0.01 each in the share capital of the Company	Approximate percentage of the issued share capital of the Company %
Chow Tai Fook Enterprises Limited ("CTF")	Interest of a controlled corporation	12,000,000,000* *(Note 3)*	14,433
Wellington	Beneficial owner	36,480,000* *(Note 4)*	43.88
Wong Kwok Kin, Andrew	Beneficial owner	157,440,000* *(Note 4)*	189.36
Cyber Network Technology Limited	Beneficial owner	64,000,000* *(Note 4)*	76.97
New World CyberBase Limited	Interest of a controlled corporation	64,000,000* *(Note 5)*	76.97
Ku Ming Mei, Rouisa	Interest of spouse	36,480,000* *(Note 6)*	43.88
Cho Lai Mei, Norine	Interest of spouse	132,960,000* *(Note 7)*	159.91
Chow Hor Hing	Interest of spouse	9,120,000* *(Note 8)*	10.97

* *This shows the shareholding prior to the 2004 Capital Reorganisation.*

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY – continued

Long positions in the ordinary shares of the Company – continued

Notes:

1. These shares are owned by Qantex. Qantex is a wholly owned subsidiary of Skynet of which Gold Cloud owns 43% of the issued share capital. Companion owns 99% of the issued share capital of Gold Cloud and is a wholly owned subsidiary of SIGHL. Accordingly, Skynet, Gold Cloud, Companion and SIGHL are deemed to be interested in 22,868,656 shares held by Qantex under the SFO.

2. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) to be issued to Mediastar pursuant to the Subscription Agreement (as defined in note 43 to the financial statements).

3. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) to be issued to Mediastar, which is wholly owned by CTF, pursuant to the Subscription Agreement. Accordingly, CTF is deemed to be interested in 12,000,000,000 shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by Mediastar under the SFO.

4. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by the Loan Notes Holders pursuant to the Settlement Agreements.

5. Cyber Network Technology Limited is a wholly owned subsidiary of New World CyberBase Limited. Accordingly, New World CyberBase Limited is deemed to be interested in 64,000,000 shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by Cyber Network Technology Limited under the SFO.

6. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) to be issued to Wellington pursuant to the Settlement Agreement. Ms. Ku Ming Mei, Rouisa is the spouse of Mr. Lo and accordingly, she is deemed to be interested in 36,480,000 shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by Wellington under the SFO.

7. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) to be issued to Mr. Choi pursuant to the Settlement Agreement. Ms. Cho Lai Mei, Norine is the spouse of Mr. Choi and accordingly, she is deemed to be interested in 132,960,000 shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by Mr. Choi under the SFO.

8. These shares represent the number of shares (being the shareholding prior to the 2004 Capital Reorganisation) to be issued to Mr. So pursuant to the Settlement Agreement. Ms. Chow Hor Hing is the spouse of Mr. So and accordingly, she is deemed to be interested in 9,120,000 shares (being the shareholding prior to the 2004 Capital Reorganisation) interested by Mr. So under the SFO.

SHARE OPTIONS

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

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.

DIRECTORS' INTERESTS IN CONTRACTS

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.

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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with board practices and procedures as set out in rules 5.34 to 5.45 (where applicable) of the GEM Listing Rules during the year.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the requirements as set out in rules 5.28 to 5.30 of the GEM Listing Rules. The audit committee has two members comprising the 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 EVENTS

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

DIVIDENDS

The board of the directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 March 2004 (2003: 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, 18 June 2004

REPORT OF THE AUDITORS

Deloitte.
德勤

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 33 to 77 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

REPORT OF THE AUDITORS

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 18 June 2004

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 HK$	2003 HK$
Turnover	5	**16,130,517**	38,876,576
Cost of sales		**(11,488,344)**	(21,894,250)
Gross profit		**4,642,173**	16,982,326
Other operating income	7	**52,426**	948,119
Selling and distribution costs		**(406,966)**	(598,588)
General and administrative expenses		**(13,829,058)**	(28,414,329)
Other operating expenses		**(3,671,434)**	(9,124,595)
Impairment loss recognised	8	**(20,692,094)**	(33,917)
Loss from operations	9	**(33,904,953)**	(20,240,984)
Finance costs	10	**(1,213,823)**	(2,596,220)
Loss on discontinuing operations	11	**(433,605)**	–
Loss before taxation		**(35,552,381)**	(22,837,204)
Taxation	14	**–**	–
Loss before minority interests		**(35,552,381)**	(22,837,204)
Minority interests		**–**	175,500
Net loss for the year		**(35,552,381)**	(22,661,704)
Loss per share			
Basic	15	**0.43**	0.27

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 HK$	2003 HK$
Non-current assets			
Property, plant and equipment	16	**2,279,537**	4,122,934
Intangible assets	17	**175,143**	478,904
Goodwill	18	**5,493,878**	67,250,930
Interests in an associate	20	**–**	–
		7,948,558	71,852,768
Current assets			
Inventories	21	**1,081,002**	858,991
Trade receivables	22	**3,972,765**	5,362,948
Other receivables, deposits and prepayments		**232,906**	781,549
Amounts due from related companies	23	**406,442**	–
Amount due from a related party	24	**–**	–
Pledged bank deposit		**1,042,063**	1,036,520
Bank balances and cash		**558,995**	1,765,053
		7,294,173	9,805,061
Current liabilities			
Trade payables	25	**6,109,775**	9,806,688
Other payables and accrued charges		**7,861,701**	6,709,834
Amounts due to related companies	26	**816,896**	–
Loans from directors	28	**13,044,572**	13,044,572
Loans from related companies	29	**12,081,714**	4,081,714
Other loans	30	**3,373,714**	3,373,714
Preference dividend payable		**672,877**	672,877
Bank overdraft		**996,361**	730,928
		44,957,610	38,420,327
Net current liabilities		**(37,663,437)**	(28,615,266)
Total assets less current liabilities		**(29,714,879)**	43,237,502
Non-current liability			
Loan notes	31	**42,600,000**	80,000,000
		(72,314,879)	(36,762,498)
Capital and reserves			
Share capital	32	**831,448**	831,448
Share premium and reserves		**(73,146,327)**	(37,593,946)
		(72,314,879)	(36,762,498)

The financial statements on pages 33 to 77 were approved and authorised for issue by the Board of Directors on 18 June 2004 and are signed on its behalf by:

Choi Wing Kin
Director

So Kam Wing
Director

BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 HK$	2003 HK$
Non-current assets			
Interests in subsidiaries	19	**5,500,000**	105,424,702
Amount due from an associate	20	**–**	–
		5,500,000	105,424,702
Current assets			
Amount due from a related company	23	**9,205**	–
Amount due from a related party	24	**–**	–
Accounts receivables and prepayments		**100,238**	112,110
Bank balances and cash		**53,507**	79,942
		162,950	192,052
Current liabilities			
Accounts payables and accrued charges		**4,829,398**	3,416,455
Amounts due to subsidiaries	27	**8,407,769**	4,003,567
Amount due to a related company	26	**262,400**	–
Loan from a director	28	**10,000,000**	10,000,000
Preference dividend payable		**672,877**	672,877
		24,172,444	18,092,899
Net current liabilities		**(24,009,494)**	(17,900,847)
Total assets less current liabilities		**(18,509,494)**	87,523,855
Non-current liability			
Loan notes	31	**42,600,000**	80,000,000
		(61,109,494)	7,523,855
Capital and reserves			
Share capital	32	**831,448**	831,448
Share premium and reserves	33	**(61,940,942)**	6,692,407
		(61,109,494)	7,523,855

Choi Wing Kin
Director

So Kam Wing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2004

	Share capital HK$	Share premium HK$	Merger reserve HK$ *(Note 33)*	Accumulated (losses) HK$	Total HK$
THE GROUP					
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)
Net loss for the year	–	–	–	(35,552,381)	(35,552,381)
At 31 March 2004	**831,448**	**–**	**53,021,957**	**(126,168,284)**	**(72,314,879)**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 HK$	2003 HK$
OPERATING ACTIVITIES			
Loss before taxation		**(35,552,381)**	(22,837,204)
Adjustments for:			
Interest income		**(9,227)**	(26,557)
Interest expenses		**1,213,823**	2,596,220
Allowance for bad and doubtful debts and bad debts written off		**6,987**	2,063,119
Bad debts recovered		**–**	(620,000)
Allowance for obsolete inventories		**–**	263,947
Loss on write-off of inventories		**13,575**	34,023
(Gain) loss on disposal of property, plant and equipment		**(1,933)**	458,785
Loss on write-off of property, plant and equipment		**45,512**	268,744
Depreciation of property, plant and equipment		**1,559,123**	2,135,055
Amortisation of goodwill		**3,664,958**	6,798,649
Amortisation of intangible assets		**303,761**	303,761
Impairment loss recognised		**20,692,094**	33,917
Loss on discontinuing operations		**433,605**	–
Operating cash flows before movements in working capital		**(7,630,103)**	(8,527,541)
(Increase) decrease in inventories		**(235,586)**	273,669
Decrease in trade receivables		**1,383,196**	1,153,198
Decrease in other receivables, deposits and prepayments		**548,643**	4,696,452
(Increase) decrease in amounts due from related companies		**(406,442)**	9,200,234
Decrease in trade payables		**(3,696,913)**	(1,026,083)
(Decrease) increase in other payables and accrued charges		**(28,245)**	303,015
Increase (decrease) in amounts due to related companies		**816,896**	(7,490,579)
NET CASH USED IN OPERATING ACTIVITIES		**(9,248,554)**	(1,417,635)
INVESTING ACTIVITIES			
Interest received		**9,227**	26,557
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	35	**–**	3,061,892
Purchase of property, plant and equipment		**(195,210)**	(1,422,520)
Proceeds on disposal of property, plant and equipment		**2,300**	152,975
Increase in pledged bank deposit		**(5,543)**	(547,445)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(189,226)**	1,271,459

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	2004	2003
	HK$	HK$
FINANCING ACTIVITIES		
Interest paid	**(33,711)**	(278,889)
Repayment of other loans	**–**	(2,478,572)
Advances from a related company	**8,000,000**	2,500,000
Repayment to related companies	**–**	(542,857)
Advances from a director	**–**	1,187,143
NET CASH GENERATED FROM FINANCING ACTIVITIES	**7,966,289**	386,825
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,471,491)**	240,649
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,034,125**	793,476
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**(437,366)**	1,034,125
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**558,995**	1,765,053
Bank overdraft	**(996,361)**	(730,928)
	(437,366)	1,034,125

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$37,663,437 and net liabilities of HK$72,314,879 at 31 March 2004. Given the fact that the Subscription, the Placing and the Settlement Agreements (as defined in note 43) were completed on 30 April 2004, 5 May 2004 and 30 April 2004 respectively, 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 HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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 an 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated 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.

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.

Advertising and promotion costs

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

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

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

	2004 HK$	2003 HK$
The Group's turnover comprises:		
Advertising income net of agency deductions	–	300,000
Sales of goods	**8,423,335**	21,172,090
Services income	**7,707,182**	17,404,486
	16,130,517	38,876,576

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions, namely application solutions, network solutions, project services, engineering services 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
IT services	–	Computer hardware maintenance and supports

The Group was also involved in the following activities:

E-marketing	–	Advertising platform for internet marketing
Content licensing	–	Licencing and subscription of web content
Recruitment services	–	Provision of recruitment and corporate services

The E-marketing, content licensing and recruitment services operations were discontinued from 30 November 2002, 30 September 2003 and 31 March 2004 respectively.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Segment information about these businesses is presented below.

Income statement for the year ended 31 March 2004

	Continuing operations					Discontinuing operations			
	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	IT services HK$	Content licensing HK$	Recruitment services HK$	Eliminations HK$	Consolidated HK$
TURNOVER									
External sales	170,710	8,252,625	6,777,283	705,480	30,700	–	193,719	–	16,130,517
Inter-segment sales	20,952	30,000	–	–	–	–	16,905	(67,857)	–
Total	191,662	8,282,625	6,777,283	705,480	30,700	–	210,624	(67,857)	16,130,517

Inter-segment sales are charged at prevailing market prices.

RESULTS									
Segment results	107,736	2,345,152	1,690,440	470,149	29,700	–	(1,004)	–	4,642,173
Other operating income									52,426
Unallocated expenses									(38,599,552)
Loss from operations									(33,904,953)
Finance costs									(1,213,823)
Loss on discontinuing operations	–	–	–	–	–	–	(433,605)	–	(433,605)
Loss before taxation									(35,552,381)
Taxation									–
Loss before minority interests									(35,552,381)
Minority interests									–
Net loss for the year									(35,552,381)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Balance sheet at 31 March 2004

	Continuing operations					Discontinuing operations		
	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	IT services HK$	Content licensing HK$	Recruitment services HK$	Consolidated HK$
ASSETS								
Segment assets	6,214	3,386,866	1,828,809	35,614	13,600	–	–	5,271,103
Unallocated corporate assets								9,971,628
Consolidated total assets								15,242,731
LIABILITIES								
Segment liabilities	19,048	3,118,987	3,845,081	355,364	–	297,115	–	7,635,595
Unallocated corporate liabilities								79,922,015
Consolidated total liabilities								87,557,610

Other information for the year ended 31 March 2004

	Continuing operations					Discontinuing operations			
	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	IT services HK$	Content licensing HK$	Recruitment services HK$	Others HK$	Consolidated HK$
Capital additions	2,600	141,992	–	–	–	–	–	50,618	195,210
Depreciation and amortisation	10,181	51,063	15,200	–	–	–	328,967	5,122,431	5,527,842
Impairment loss recognised	–	–	–	–	–	–	–	20,692,094	20,692,094
Loss on write-off of property, plant and equipment	–	–	–	–	–	–	–	45,512	45,512
Loss on discontinuing operations	–	–	–	–	–	–	433,605	–	433,605
Gain on disposal of property, plant and equipment	–	–	–	–	–	–	–	1,933	1,933
Allowance for bad and doubtful debts and bad debts written off	–	1,429	–	–	–	–	5,558	–	6,987
Loss on write-off of inventories	–	13,575	–	–	–	–	–	–	13,575

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – continued

Business segments – continued

Income statement for the year ended 31 March 2003

	Continuing operations					Discontinuing operations			
	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	IT services HK$	Content licensing HK$	Recruitment services HK$	Eliminations HK$	Consolidated HK$
TURNOVER									
External sales	9,006,613	14,579,513	12,772,067	808,684	175,100	374,932	1,159,667	–	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	175,100	374,932	1,189,134	(2,169,667)	38,876,576

Inter-segment sales are charged at prevailing market prices.

RESULTS									
Segment results	8,882,694	3,934,576	2,579,368	716,816	169,800	374,932	148,640	–	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

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

Other information for the year ended 31 March 2003

	Continuing operations					Discontinuing operations				
	Application solutions HK$	Network solutions HK$	Project services HK$	Engineering services HK$	IT services HK$	E-marketing HK$	Content licensing HK$	Recruitment services HK$	Others HK$	Consolidated HK$
Capital additions	20,053	157,806	2,389	–	–	–	–	1,075,320	76,077,466	77,333,034
Depreciation and amortisation	14,136	21,692	27,075	–	–	1,072,983	–	153,136	7,948,443	9,237,465
Impairment loss recognised	–	–	–	–	–	–	–	–	33,917	33,917
Loss on disposal 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

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	
	2004	2003
	HK$	HK$
Hong Kong	**12,602,642**	31,877,052
Elsewhere in the PRC	**3,527,875**	6,999,524
	16,130,517	38,876,576

Revenue from the Group's discontinued content licensing operation was derived principally from Hong Kong (2004: nil; 2003: HK$374,932). Revenue from the Group's discontinued recruitment services operation was derived principally from elsewhere in the PRC (2004: HK$193,719; 2003: HK$1,159,667).

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	
	2004	2003	**2004**	2003
	HK$	HK$	**HK$**	HK$
Hong Kong	**12,565,221**	73,558,471	**166,372**	75,624,797
Elsewhere in the PRC	**2,677,510**	8,099,358	**28,838**	1,708,237
	15,242,731	81,657,829	**195,210**	77,333,034

7. OTHER OPERATING INCOME

	2004 HK$	2003 HK$
Bad debts recovered	–	620,000
Gain on disposal of property, plant and equipment	**1,933**	–
Interest income on bank deposits	**9,227**	26,557
Sponsorship income	–	283,223
Sundry income	**41,266**	18,339
	52,426	948,119

8. IMPAIRMENT LOSS RECOGNISED

	2004 HK$	2003 HK$
Goodwill	**20,692,094**	–
Amounts due from related companies	–	33,917
	20,692,094	33,917

9. LOSS FROM OPERATIONS

	2004 HK$	2003 HK$
Loss from operations has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts and bad debts written off	**6,987**	2,063,119
Allowance for obsolete inventories	**–**	263,947
Amortisation of goodwill (included in other operating expenses)	**3,664,958**	6,798,649
Amortisation of intangible assets (included in general and administrative expenses)	**303,761**	303,761
Auditors' remuneration		
– Current year	**330,800**	364,643
– Overprovision in prior year	**–**	(153,700)
	330,800	210,943
Depreciation of property, plant and equipment	**1,559,123**	2,135,055
(Gain) loss on disposal of property, plant and equipment	**(1,933)**	458,785
Loss on write-off of inventories	**13,575**	34,023
Loss on write-off of property, plant and equipment	**45,512**	268,744
Net foreign exchange (gains) losses	**(17,275)**	6,065
Rental expenses under operating leases on		
– Premises	**1,240,129**	2,611,335
– Equipment	**338,294**	1,228,000
Redundancy costs	**185,883**	805,537
Staff costs, including directors' emoluments		
– Salaries and allowances	**6,339,775**	13,082,555
– Retirement benefits schemes contributions	**310,160**	180,869
	6,649,935	13,263,424

10. FINANCE COSTS

	2004 HK$	2003 HK$
Interest on bank overdraft	**33,711**	11,552
Interest on amounts due to related companies	**355,754**	140,819
Interest on loans from directors	**712,914**	698,861
Interest on other loans	**111,444**	104,988
Interest on loan notes	**–**	1,640,000
	1,213,823	2,596,220

11. DISCONTINUING OPERATIONS

The directors determined to discontinue the Group's content licensing and recruitment services operations from 30 September 2003 and 31 March 2004 respectively.

The results of the content licensing and recruitment services for the year were as follows:

	Content licensing		Recruitment services	
	2004	2003	**2004**	2003
	HK$	HK$	**HK$**	HK$
Turnover	**–**	374,932	**210,624**	1,189,134
Operating costs	**–**	–	**(211,628)**	(1,040,494)
Loss on discontinuing operations	**–**	–	**(433,605)**	–
Profit (loss) before taxation	**–**	374,932	**(434,609)**	148,640
Taxation	**–**	–	**–**	–
Profit (loss) after taxation	**–**	374,932	**(434,609)**	148,640

The carrying amounts of the assets and liabilities of the content licensing and recruitment services at the balance sheet date were as follows:

	Content licensing		Recruitment services	
	2004	2003	**2004**	2003
	HK$	HK$	**HK$**	HK$
Total assets	**–**	–	**–**	753,354
Total liabilities	**297,115**	362,115	**–**	37,955

During the year, there was no significant cash inflow or outflow arising from the content licensing and recruitment services operations.

During the year, the assets relating to the recruitment services operation were written off at a loss of HK$433,605.

12. DIRECTORS' EMOLUMENTS

	2004 HK$	2003 HK$
Directors' fees	–	–
Other emoluments:		
Salaries and other benefits	**1,271,496**	1,519,692
Contributions to retirement benefits scheme	**24,000**	18,000
	1,295,496	1,537,692
	1,295,496	1,537,692

The two executive directors who received emoluments of approximately HK$748,000 (2003: HK$1,248,000) and HK$547,000 (2003: HK$290,000) respectively for the year ended 31 March 2004.

During both years, no emoluments were paid by the Group to the two non-executive directors and the two independent non-executive directors.

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, two (2003: one) were directors of the Company whose emoluments are included in the disclosures in note 12 above. The emoluments of the remaining three (2003: four) individuals were as follows:

	2004 HK$	2003 HK$
Salaries and other benefits	**951,951**	1,763,137
Contributions to retirement benefits scheme	**36,000**	37,000
	987,951	1,800,137

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

	Number of individuals 2004	2003
Nil to HK$1,000,000	**3**	4

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.

In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at the balance sheet date.

The tax charge for the year can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK$	%	HK$	%
Loss before taxation	**(35,552,381)**		(22,837,204)	
Tax at the domestic income tax rate of 17.5% (2003: 16%)	**(6,221,667)**	**17.50**	(3,653,953)	16.00
Tax effect of expenses not deductible for tax purpose	**3,285,874**	**(9.24)**	354,352	(1.55)
Tax effect of income not taxable for tax purpose	**(10,683)**	**0.03**	(10,446)	0.04
Tax effect of tax losses not recognised	**2,946,476**	**(8.29)**	3,310,047	(14.49)
Tax charge for the year	**–**	**–**	–	–

15. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK$35,552,381 (2003: HK$22,661,704) and the number of shares of 83,144,786 (2003: 83,144,786) in issue during the year.

No diluted loss per share has been presented as there were no share options in issue during the year. In prior year, 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 2003	920,880	161,143	6,361,139	7,443,162
Additions	9,300	13,200	172,710	195,210
Disposals	–	–	(3,558)	(3,558)
Write-off	(758,483)	(61,768)	(482,333)	(1,302,584)
At 31 March 2004	**171,697**	**112,575**	**6,047,958**	**6,332,230**
DEPRECIATION AND IMPAIRMENT				
At 1 April 2003	398,021	63,667	2,858,540	3,320,228
Provided for the year	396,403	43,482	1,119,238	1,559,123
Eliminated on disposals	–	–	(3,191)	(3,191)
Eliminated on write-off	(627,377)	(39,167)	(156,923)	(823,467)
At 31 March 2004	**167,047**	**67,982**	**3,817,664**	**4,052,693**
NET BOOK VALUES				
At 31 March 2004	**4,650**	**44,593**	**2,230,294**	**2,279,537**
At 31 March 2003	522,859	97,476	3,502,599	4,122,934

Leasehold improvements and furniture, fixtures and equipment with carrying amounts of HK$8,098 and HK$13,535 respectively were written off upon termination of an operating lease of the office premises.

Leasehold improvements, furniture, fixtures and equipment and computer hardware related to recruitment services operation with carrying amounts of HK$123,008, HK$9,066 and HK$301,531 respectively were written off.

17. INTANGIBLE ASSETS

	Computer software HK$
THE GROUP	
COST	
At 1 April 2003 and at 31 March 2004	1,012,536
AMORTISATION	
At 1 April 2003	533,632
Provided for the year	303,761
At 31 March 2004	**837,393**
CARRYING AMOUNT	
At 31 March 2004	**175,143**
At 31 March 2003	478,904

The amortisation period adopted for computer software is 3 years.

18. GOODWILL

THE GROUP

	HK$
COST	
At 1 April 2003	74,049,579
Adjustment to measurement of consideration for acquisition of subsidiaries	(37,400,000)
At 31 March 2004	36,649,579
AMORTISATION AND IMPAIRMENT	
At 1 April 2003	6,798,649
Charge for the year	3,664,958
Impairment loss recognised in the year	20,692,094
At 31 March 2004	**31,155,701**
CARRYING AMOUNT	
At 31 March 2004	**5,493,878**
At 31 March 2003	67,250,930

The amortisation period adopted for goodwill is 10 years.

In the current year, in view of the deteriorating results of certain subsidiaries, an impairment loss of HK$20,692,094 has been recognised for the goodwill arising on the acquisition of these subsidiaries with reference to the recoverable amounts estimated by the directors using the discounted cash flow method at discount rate of 5% per annum.

Details of adjustment on the cost of goodwill are set out in note 43.

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK$	2003 HK$
Unlisted shares, at cost	**133,024,692**	133,024,692
Adjustment to measurement of consideration for acquisition of subsidiaries	**(37,400,000)**	–
Impairment loss recognised	**(90,124,692)**	(35,000,016)
	5,500,000	98,024,676
Amounts due from subsidiaries	**154,532,759**	154,458,875
Impairment loss recognised	**(154,532,759)**	(147,058,849)
	–	7,400,026
	5,500,000	105,424,702

In the current year, in view of the deteriorating results of certain subsidiaries, an impairment loss of HK$55,124,676 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 5% per annum.

In the current year, an impairment loss of HK$7,473,910 has been recognised for amounts due from subsidiaries.

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 adjustment on investment cost in subsidiaries are set out in note 43.

Details of the Company's subsidiaries at 31 March 2004 are as follows:

Name of subsidiaries	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	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 subsidiaries	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 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 telecommunications products, provision of network installation and engineering services
Cyber On-Air Group Limited ("COA")	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
Cyber Peak Developments Limited	British Virgin Islands	Company limited	Ordinary	1 share of US$1	100	–	Investment holding

19. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiaries	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
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
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	
	2004	2003
	HK$	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	
	2004	2003
	HK$	HK$
Amount due from an associate	**2,000,000**	2,000,000
Impairment loss recognised	**(2,000,000)**	(2,000,000)
	–	–

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 the associate at 31 March 2004 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.

21. INVENTORIES

	THE GROUP 2004 HK$	2003 HK$
Raw materials	**24,449**	38,520
Work in progress	**197,039**	274,523
Finished goods	**859,514**	545,948
	1,081,002	858,991

Included above are finished goods of HK$859,514 (2003: HK$543,091) 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 2004 HK$	2003 HK$
Aged:		
0 – 30 days	**1,506,492**	3,429,336
31 – 60 days	**518,130**	802,995
61 – 90 days	**616,145**	490,158
Over 90 days	**1,331,998**	640,459
	3,972,765	5,362,948

23. AMOUNTS DUE FROM RELATED COMPANIES

Name of related companies	Relationship	THE GROUP 2004 HK$	THE GROUP 2003 HK$	THE COMPANY 2004 HK$	THE COMPANY 2003 HK$
Skynet Limited ("Skynet")	A substantial shareholder of the Company	**861,572**	861,572	**–**	–
Gameplayers.com Limited	Common shareholder, Skynet	**234,168**	234,168	**–**	–
HK Stock Limited	Common shareholder, Skynet	**323,490**	323,490	**–**	–
New World CyberBase (Greater China) Limited	Common director, Mr. Lo Lin Shing, Simon	**22,205**	–	**9,205**	–
New World CyberBase (Shanghai) Limited	Common director, Mr. Lo Lin Shing, Simon	**384,237**	–	**–**	–
		1,825,672	1,419,230	**9,205**	–
Impairment loss recognised		**(1,419,230)**	(1,419,230)	**–**	–
		406,442	–	**9,205**	–

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

24. AMOUNT DUE FROM A RELATED PARTY

	THE GROUP AND THE COMPANY 2004 HK$	THE GROUP AND THE COMPANY 2003 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	
	2004	2003
	HK$	HK$
Aged:		
0 – 30 days	**3,567,740**	4,945,939
31 – 60 days	**797,976**	688,448
61 – 90 days	**91,400**	1,039,160
Over 90 days	**1,652,659**	3,133,141
	6,109,775	9,806,688

26. AMOUNTS DUE TO RELATED COMPANIES

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

27. AMOUNTS DUE TO SUBSIDIARIES

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

28. LOANS FROM DIRECTORS

THE GROUP

The amounts are unsecured and repayable on demand.

Included in this amount is HK$10,000,000 (2003: HK$10,000,000) which bears interest at 6% per annum. In addition, included in this amount is HK$1,776,000 (2003: HK$1,776,000) which bears interest at the prevailing market rates. The remaining balance is non-interest bearing.

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.

Included in this amount is HK$11,056,000 (2003: HK$3,756,000) which bears interest at HIBOR+2% per annum and is repayable on demand. In addition, included in this amount is HK$700,000 (2003: nil) which bears interest at the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited and is repayable before 30 June 2004. The remaining balance is non-interest bearing and repayable on demand.

30. OTHER LOANS

THE GROUP

The amounts are unsecured and repayable on demand.

Included in this amount is HK$1,968,000 (2003: HK$1,968,000) which bears interest at the prevailing market rates. The remaining balance is non-interest bearing.

31. LOAN NOTES

THE GROUP AND THE COMPANY

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"), a director of the Company, So Kam Wing ("Mr. So"), a director of the Company, Cyber Network Technology Limited ("Cyber Network") and Wellington Equities Inc. ("Wellington") (collectively the "Vendors"), pursuant to which the Company had conditionally agreed to acquire the entire issued share capital of 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 "Acquisition"). The consideration was satisfied by the issue of the loan notes having an aggregate principal amount of HK$80 million to the Vendors in accordance with their corresponding shareholding interests in COA. 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.

The Acquisition was completed on 8 May 2002.

The payment obligations of the Company under the loan notes raised to each Vendor 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.

The loan notes holders agreed to waive the loan interest for the period from 1 October 2002 to 30 September 2003. On 1 October 2003, the loan notes holders agreed to waive the loan interest for the period from 1 October 2003 to 31 March 2004.

On 8 March 2004, the Company entered into conditional settlement agreements ("Settlement Agreements") with the loan notes holders, pursuant to which the loan notes holders had conditionally agreed to the full and final settlement of all amounts outstanding under the loan notes, including unpaid accrued interest, and the discharge and release of the share charges in respect of all the shares in COA granted by the Company in favour of each of the loan notes holders. In return, the Company will issue an aggregate of 4,000,000 consolidated shares of HK$1.00 each of the Company (see note 43) to the loan notes holders.

The Settlement Agreements were completed on 30 April 2004.

During the year, an adjustment was made to the carrying amounts of loan notes and details are set out in note 43.

The carrying amounts of loan notes held by two directors of the Company, Cyber Network, Wellington and Mr. Wong, are HK$15,131,520 (2003: HK$28,416,000), HK$6,816,000 (2003: HK$12,800,000), HK$3,885,120 (2003: HK$7,296,000) and HK$16,767,360 (2003: HK$31,488,000) respectively.

32. SHARE CAPITAL

	Par value of shares HK$	Number of shares	Value HK$
Authorised:			
Ordinary shares			
At 1 April 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 and at 31 March 2004	0.01 each	2,000,000,000	20,000,000
Preference shares			
At 1 April 2002, at 31 March 2003 and at 31 March 2004	0.05 each	2,000	100
Issued and fully paid:			
Ordinary shares			
At 1 April 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 and at 31 March 2004	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 (losses) HK$	Total HK$
THE COMPANY				
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
Net loss for the year	–	–	(68,633,349)	(68,633,349)
At 31 March 2004	**–**	**53,021,957**	**(114,962,899)**	**(61,940,942)**

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 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 (2003: nil) available for distribution at 31 March 2004.

34. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and the movements thereon during the current and the prior reporting years:

	Accelerated tax depreciation HK$	Estimated tax losses HK$	Total HK$
At 1 April 2002 and 1 April 2003	–	–	–
(Charge) credit to income statement	(291,000)	291,000	–
At 31 March 2004	**(291,000)**	**291,000**	**–**

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At the balance sheet date, the Group has unused tax losses of HK$282,833,000 (2003: HK$253,316,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the remaining HK$281,170,000 (2003: HK$253,316,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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.

	2004 HK$	2003 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

Net cash inflow arising on acquisitions:

	2004 HK$	2003 HK$
Cash consideration	–	(532,000)
Bank balances and cash acquired	–	3,593,892
	–	3,061,892

The subsidiaries acquired in prior year 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 in prior year, 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

In prior year, the Company issued loan notes having an aggregate principal amount of HK$80 million to the Vendors of COA in accordance with their shareholding interests in COA (see note 31).

37. SHARE OPTIONS 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 2004, there was no share options (2003: nil) remained outstanding under the Pre-IPO Scheme. The number of shares in respect of which options may be granted to any one person is not permitted to exceed 25% of the aggregate number of shares issued and issuable under the Pre-IPO Scheme.

37. SHARE OPTIONS 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 2004, there was no share (2003: nil) in respect of which options had been granted under the Post-IPO Scheme.

37. SHARE OPTIONS 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 schemes 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.

At 31 March 2004 and 31 March 2003 no options remained outstanding under both the Pre-IPO Scheme and Post-IPO Scheme.

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

			Number of options			
Grantee	Option type	Exercise price per share (Note) HK$	Outstanding at 1.4.2002	Adjustments (Note)	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 OPTIONS SCHEMES – continued

Post-IPO share option scheme – continued

Note: 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 the Pre-IPO Share Options and Post-IPO Share Options respectively.

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 former defined contribution provident fund schemes which have been terminated with the scheme assets transferred to the Group's mandatory provident fund scheme, which have been dealt with in the consolidated income statement amounted to:

	2004 HK$	2003 HK$
Gross employers' contributions	**335,867**	539,649
Less: Forfeited contributions utilised to offset employers' contributions for the year	**(25,707)**	(358,780)
Net employers' contributions charged to the income statement	**310,160**	180,869

During the year, there are no forfeited contributions (2003: HK$18,000), which arose upon employees leaving the retirement benefits schemes and which are refundable to the Group.

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 the retired staff.

39. PLEDGE OF ASSETS

At the balance sheet date, the Group's bank deposit of HK$1,042,063 (2003: HK$1,036,520) has been pledged to a bank to secure banking facility granted to the Group.

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 2004 of approximately HK$9,705,000, are pledged to the loan notes' holders.

40. CONTINGENT LIABILITIES

	THE COMPANY	
	2004	2003
	HK$	HK$
Guarantee given to a related company in respect of loans utilised by subsidiaries	**10,500,000**	2,500,000

41. OPERATING LEASE COMMITMENTS

At 31 March 2004, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	HK$	HK$
Within one year	**95,695**	1,092,660
In the second to fifth year inclusive	**17,143**	–
	112,838	1,092,660

Operating lease payments represent rentals payable by the Group for certain of its office premises. 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:

	THE GROUP	
	2004	2003
	HK$	HK$
Rentals and building management fee *(note a)*	–	80,000
Technical support service *(note b)*	–	5,452
Administrative costs *(note c)*	–	70,000
Rentals and office administrative expenses *(note d)*	**313,275**	4,147
Finance costs to related companies *(note e)*	**355,754**	552,787
Finance costs to directors *(note f)*	**712,914**	1,243,997
Telephone lines and electricity charges received *(note g)*	–	(39,368)
Cabling sales *(note h)*	**(41,326)**	(92,855)

Notes:

(a) Prior to the acquisition of COA, COAA, 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.

(b) Skynet provided co-location services and web design services for the Group and the above sum was charged, being an appropriate allocation of costs incurred.

(c) 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.

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

(e) 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 and the best lending rate quoted by The Hongkong and Shanghai Banking Corporation Limited. In respect of loan notes issued to related companies, interest was charged at the prime rate per annum.

(f) 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, a 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.

(g) 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.

(h) Cabling sales represented sales to a company, in which a director of the Company has beneficial interests. The transactions were carried at cost plus a certain percentage of mark-up.

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

42. RELATED PARTY TRANSACTIONS – continued

During the year, the Group obtained loan advances of HK$8,000,000 from Cyber Network. The amount is secured by a corporate guarantee issued by the Company with interest rate charged at HIBOR+2% per annum and is repayable on demand.

In prior year, the Group obtained loan advances from related companies amounting to HK$4,081,714. The loan advances obtained from Wellington 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 amounting to HK$3,300,000. Included in this amount is HK$2,500,000 which are secured by a corporate guarantee issued by the Company with interest rate charged at HIBOR+2% 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.

In prior year, the Company acquired the entired issued capital of COA by the issue of the loan notes with an aggregate principal amount of HK$80 million to the Vendors. Details of the transaction are set out in note 31.

43. POST BALANCE SHEET EVENTS

On 8 March 2004, the Company, Chow Tai Fook Enterprises Limited ("CTF") and Mediastar International Limited ("Mediastar"), a wholly-owned subsidiary of CTF, jointly announced that the Company and Mediastar had entered into a conditional subscription agreement ("Subscription Agreement") relating to the subscription by Mediastar of 120,000,000 shares of HK$1.00 each in the Company for a consideration of HK$120 million ("Subscription") on terms and conditions as set out in the Subscription Agreement.

Also on 8 March 2004, the Company and Tai Fook Securities Company Limited ("Tai Fook"), a related company of the Company, entered into a conditional placing agreement ("Placing Agreement") relating to the placing of up to 80,000,000 shares of HK$1.00 each to be issued by the Company in a maximum total placing amount of HK$80 million ("Placing") on terms and conditions as set out in the Placing Agreement.

Also on 8 March 2004, the Company entered into conditional settlement agreements ("Settlement Agreements") with Messrs. Wong Kwok Kin ("Mr. Wong"), Choi Wing Kin ("Mr. Choi"), So Kam Wing ("Mr. So"), Cyber Network Technology Limited ("Cyber Network") and Wellington Equities Inc. (collectively the "Loan Notes Holders"), pursuant to which the Loan Notes Holders had conditionally agreed to the full and final settlement of all amounts outstanding under the loan notes, including unpaid accrued interest, and the discharge and release of the share charges in respect of all the shares in COA granted by the Company in favour of each of the Loan Notes Holders. In return, the Company will issue an aggregate of 4,000,000 consolidated shares of HK$1.00 each in the Company (see below) to the Loan Notes Holders. The Settlement Agreements were entered into pursuant to the Acquisition Agreement which provided for an adjustment to the purchase consideration. Accordingly, the consideration on the business combination has been adjusted. As a result, the carrying amounts of goodwill, loan notes and investment cost in subsidiaries at the balance sheet date have been adjusted with reference to the fair value of the 4,000,000 shares then issued on 30 April 2004.

43. POST BALANCE SHEET EVENTS – continued

Also on 8 March 2004, the directors of the Company proposed to implement a capital reorganisation ("2004 Capital Reorganisation") which will involve:

(i) every 100 then issued shares were consolidated into one new share of HK$1.00 each;

(ii) the 2,000 authorised preference share capital of the Company were cancelled; and

(iii) the authorised share capital of the Company was increased to HK$500 million by the subsequent creation of 480,000,000 unissued new shares of HK$1.00 each.

The 2004 Capital Reorganisation was approved by shareholders at the extraordinary general meeting held on 22 April 2004. The Subscription Agreement and the Settlement Agreements were completed on 30 April 2004. The Placing Agreement was completed on 5 May 2004.

Subsequent to the completion of transactions as listed above, CTF became the Company's ultimate holding company.

FINANCIAL SUMMARY

FOR THE YEAR ENDED 31 MARCH 2004

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$	**1.4.2003 to 31.3.2004 HK$**
Turnover	–	11,396,022	2,426,220	38,876,576	**16,130,517**
Loss from operations	(19,945,074)	(87,166,963)	(72,385,806)	(20,240,984)	**(33,904,953)**
Finance costs	(73)	(107,448)	(278,349)	(2,596,220)	**(1,213,823)**
Loss on partial disposal of a subsidiary	–	(312)	–	–	**–**
Share of loss of an associate	–	–	(1,270,581)	–	**–**
Loss on discontinuing operations	–	–	(43,063,121)	–	**(433,605)**
Loss before taxation	(19,945,147)	(87,274,723)	(116,997,857)	(22,837,204)	**(35,552,381)**
Taxation	–	–	–	–	**–**
Loss before minority interests	(19,945,147)	(87,274,723)	(116,997,857)	(22,837,204)	**(35,552,381)**
Minority interests	–	312	–	175,500	**–**
Net loss for the period/year	(19,945,147)	(87,274,411)	(116,997,857)	(22,661,704)	**(35,552,381)**
Dividend	–	(672,877)	–	–	**–**
	(19,945,147)	(87,947,288)	(116,997,857)	(22,661,704)	**(35,552,381)**
Loss per share – basic	0.40	1.42	1.41	0.27	**0.43**

ASSETS AND LIABILITIES

	At 31 March				
	2000 HK$	2001 HK$	2002 HK$	2003 HK$	**2004 HK$**
Total assets	46,843,632	109,489,920	9,160,972	81,657,829	**15,242,731**
Total liabilities	(13,764,105)	(6,604,857)	(23,261,766)	(118,420,327)	**(87,557,610)**
Balance (deficiency) of shareholders' funds	33,079,527	102,885,063	(14,100,794)	(36,762,498)	**(72,314,879)**