INTERNATIONAL ENTERTAINMENT CORPORATION
國際娛樂有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8118)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the "Directors") of International Entertainment Corporation (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's turnover for the year ended 31 March 2005 was approximately HK$34.4 million, representing an increase of approximately 113.6%, as compared with approximately HK$16.1 million for the last year. The increase in turnover was mainly contributed by the licensing income from theatrical feature films.

Selling and distribution costs, general and administrative expenses, and other operating expenses increased by approximately 78.0% to approximately HK$31.9 million for the year ended 31 March 2005 from approximately HK$17.9 million in the last year. The increase was mainly attributable to the inclusion of the expenses incurred by M8 Entertainment Inc. and its subsidiaries after the completion of the acquisition in December 2004.

The operating loss was approximately HK$28.8 million for the year ended 31 March 2005, which represented a decrease of approximately 15.2% when compared with approximately HK$33.9 million in the last year. This was mainly due to the recognisation of impairment loss of approximately HK$20.7 million in last year.

With a view to expanding the Group's long-term growth, the Group intents to execute some new plans in order to achieve better results; such as concentrating on projects with higher margin rather than engaging in lower margin projects. The other policy of the Group is to implement effective cost control policy so as to reinforce the Group's various projects.

Business review

1. *Wireless application and network solutions*

   Wireless application solutions are applications that are incorporated with wireless system including mobile networks or wireless local area networks ("WLAN") whereas network solutions include solutions for computer networks, data communication networks, WLAN and synchronization networks.

   During the year ended 31 March 2005, revenue derived from the network solutions was decreased to approximately HK$5.5 million from approximately HK$8.3 million in the last year. The decrease was due to strong competition for projects.

   Apart from the continuous sales of WLAN security system to customers, the vendor of the Group also re-position of the existing WLAN security system to an adaptive security platform for both wired and wireless network. The new positioning will help the Group to broaden sales market from wireless to wired network.

   With the introduction of new products from one of existing vendor, the Group has figured out a new networking solution from one of the new products which enable to help mobile operators to increase their network coverage for remote areas or areas where leased circuits are difficult to be provided by fixed network operators. In addition to the network solutions, the Group also fully utilise its engineer's expertise in both wireless and synchronization to provide service to its customers.

2. *Project and engineering services*

The competition is still very keen in the market. The turnover from project services increased to approximately HK$8.6 million from approximately HK$6.8 million in the last year.

With the introduction of 3G service by mobile operators in Hong Kong, other operators that do not have the 3G license become more aggressive to improve their network by improving their network coverage, optimization of existing networks as well as replacing existing systems to new systems in order to provide more value-added services to customers.

During the year ended 31 March 2005, the Group has completed several projects including the radio communication systems at Tate's Cairns Tunnel, Lai King MTR Station and Parkland.

3. *Media/Entertainment business*

On 20 July 2004, the Company has entered into an investment agreement to invest US$5.0 million (equivalent to approximately HK$39.0 million) in a motion picture titled "Lovewrecked".

On 14 October 2004, Mediamaster Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement pursuant to which Mediamaster Limited conditionally agreed to acquire approximately 51.0% of total voting rights in M8 Entertainment Inc. ("M8") for a total consideration of US$11.6 million (equivalent to approximately HK$90.7 million). M8, a company incorporated in Canada, is principally engaged in the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres. The acquisition of M8 was completed on 22 December 2004.

The acquisition of M8 enables the Group to take a further step into the media/entertainment industry through investing in an established independent picture production/distribution group in North America. M8 can also contribute to the business growth and broaden the revenue base of the Group.

Since the acquisition of M8 was completed on 22 December 2004, only the results of M8 during the period from 1 January 2005 to 31 March 2005 were taken up in the consolidated results of the Group for the year ended 31 March 2005. The revenue derived from the media/entertainment business during that period was approximately HK$18.5 million. The revenue comprised primarily from sales of the theatrical feature films, The Upside of Anger and Monster.

Future outlook

In addition to looking for new products which are price competitive, the Group has also introduced new solutions from one of the existing vendors for mobile operators which assists them in quickly launching new coverage for those areas that they are having difficulty in setting up base stations.

A trial run has been conducted by one of the mobile operators and demostration has been carried out with other fixed network operators and government departments. The result is promising and the Group believes this solution may raise the demand from other mobile operators as well.

On the other hand, the Group is also utilizing its engineer's expertise to provide professional service which has a higher margin. With such professional service, sales are expected to be increased as network solutions can be introduced to customers by its engineers.

Since the Company announced the acquisition of M8, on 23 November 2004, the Company has taken a further step into the media/entertainment industry by entering into a conditional sale and purchase agreement for the acquisition of the hotel and entertainment operations in the Philippines and Macau. Details of the acquisition are set out in the announcement of the Company dated 23 November 2004. As at the date of this announcement, the acquisition has not been completed.

The Group will continue to explore the market and identify any business opportunities may provide its long term growth and development potential, enhance long term profitability, and strive for better return to the shareholders.

Liquidity, financial resources and capital structure

As at 31 March 2005, the Group's net current assets amounted to approximately HK$439.4 million. Current assets amounted to approximately HK$909.4 million, of which approximately HK$362.0 million was cash, bank deposits and pledged deposits; and approximately HK$441.3 million was film costs.

The Group had current liabilities amounted to approximately HK$470.0 million, of which approximately HK$52.7 million was trade payables, approximately HK$110.5 million was other payables and accrued charges, approximujately HK$268.5 million of bank and other borrowings, and approximately HK$36.1 million of promissory notes.

As at 31 March 2005, the Group had bank overdraft of approximately HK$2.1 million. The bank loans of the Group was approximately HK$247.4 million, which will be due within one year, of which approximately HK$31.0 million bore interest at 0.75% in excess of the announced base rate of interest of Bank of America; approximately HK$5.7 million bore interest at 1.5% in excess of the announced base rate of interest of Bank of America; approximately HK$30.4 million bore interest at 1.0% in excess of the announced base rate of interest of Bank of America; and approximately HK$180.3 million bore interest at 1.25% in excess of the announced base rate of interest of Bank of America.

The Group had loans from Directors of approximately HK$3.0 million, of which approximately HK$1.8 million was unsecured, bore interest at the prevailing market rates and was repayable on demand; and the remaining balance was unsecured, interest-free and repayable on demand.

The Group also had loans from related companies of approximately HK$12.6 million, of which approximately HK$9.8 million was unsecured, bore interest at HIBOR plus 2% per annum and was repayable on 30 June 2005; approximately HK$1.2 million was unsecured, bore interest at the Prime Rate per annum and was repayable on 30 June 2005; approximately HK$1.2 million was unsecured, bore interest at HIBOR plus 2% per annum and repayable on demand and the remaining balance was unsecured, interest-free and repayable on demand. Guarantees were given to a related company in respect of loans utilized by subsidiaries of the Group amounting to HK$11.0 million.

In addition, the Group had other loans of approximately HK$3.4 million, of which approximately HK$2.0 million was unsecured, bore interest at the prevailing market rates and was repayable on demand; and the remaining balance was unsecured, interest-free and repayable on demand.

During the year, the Group issued two non-interest bearing promissory notes of approximately HK$36.1 million which matured on 22 June 2005.

The gearing ratio, measured in terms of total borrowings divided by total assets, was approximately 32.0% as at 31 March 2005.

The Group financed its operations generally with internally generated cash flows, the present available credit facilities and proceeds from issue of new shares.

Pursuant to resolutions passed at an extraordinary general meeting held on 22 April 2004, every 100 issued shares of HK$0.01 each in the capital of the Company were consolidated into one new share of HK$1.00 each (the "Share Consolidation"); the 2,000 unissued non-voting preference shares of HK$0.05 each in the authorised share capital of the Company were cancelled (the "Cancellation"); and after the Share Consolidation and Cancellation became effective, the authorised share capital of the Company was increased from HK$20,000,000 to HK$500,000,000 by the creation of 480,000,000 unissued new shares of HK$1.00 each.

On 30 April 2004, the Company has issued 120,000,000 shares of HK$1.00 each in the share capital of the Company pursuant to a conditional subscription agreement (the "Subscription Agreement") entered into by the Company with Mediastar International Limited, a wholly owned subsidiary of Chow Tai Fook Enterprises Limited on 8 March 2004 relating to the subscription by Mediastar of 120,000,000 shares of HK$1.00 each in the Company.

On 30 April 2004, the Company has also issued 4,000,000 shares of HK$1.00 each in the share capital of the Company pursuant to conditional settlement agreements ("Settlement Agreements") entered into by the Company with Messrs. Wong Kwok Kin, Choi Wing Kin, So Kam Wing, Cyber Network Technology Limited and Wellington Equities Inc. (collectively the "Loan Notes Holders") on 8 March 2004 for 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 Cyber On-Air Group Limited granted by the Company in favour of each of the Loan Notes Holders.

On 5 May 2004, the Company has issued 80,000,000 shares of HK$1.00 each in the share capital of the Company a conditional placing agreement ("Placing Agreement") entered into by the Company with Tai Fook Securities Company Limited on 8 March 2004 relating to the placing of up to 80,000,000 shares of HK$1.00 each in the Company.

On 18 January 2005, the Company announced the signing of a placing and subscription agreement. The Company issued a total of 31,000,000 shares of the Company at subscription price of HK$8.50 per share. The net proceeds from the subscription of approximately HK$256 million would be for the general working capital of the Company and its subsidiaries.

Charges on group assets

As at 31 March 2005, the Group's bank deposit of approximately HK$9.0 million, trade receivables, deposits and prepayment of HK$78.6 million, and film assets of HK$160.8 million have been pledged to banks to secure banking facility granted to the Group.

In addition, 79,414,501 Class B shares of M8 Entertainment Inc., a subsidiary of the Company, and 130,891,920 Class C shares of M8 Entertainment Inc. are pledged to the holders of the non-interest bearing promissory note in the amount of approximately US$2,794,279 (equivalent to approximately HK$21.8 million) in favour of Music Box Entertainment Limited and the non-interest bearing promissory note in the amount of approximately US$1,831,924 (equivalent to approximately HK$14.3 million) in favour of Mr. Mark Damon as trustee of The Mark and Margaret Damon Trust.

Material acquisitions and disposals and significant investments

On 20 July 2004, the Company has entered into an investment agreement to invest US$5.0 million (equivalent to approximately HK$39.0 million) in motion picture titled "Lovewrecked". Details of the investment in the motion picture are set out in the circular of the Company dated 13 August 2004.

On 14 October 2004, Mediamaster Limited, a wholly owned subsidiary of the Company, entered into an acquisition agreement pursuant to which Mediamaster Limited conditionally agreed to acquire approximately 51.0% of total voting rights in M8 Entertainment Inc. ("M8") for a total cash consideration of US$11,626,203 (equivalent to approximately HK$90.6 million). M8, a company incorporated in Canada, is principally engaged in the acquisition, financing, production and worldwide licensing of theatrical feature films in a variety of genres. The acquisition of M8 was completed on 22 December 2004.

On 23 November 2004, the Company, Cross-Growth Co. Ltd. ("Cross-Growth") and Chow Tai Fook Enterprises Limited ("CTF") entered into a conditional acquisition agreement pursuant to which the Company agreed conditionally to acquire the entired issued share capital of Fortune Gate Overseas Limited, a company incorporated in the British Virgin Islands and all the amounts due as at the date of completion of the acquisition agreement from members of Fortune Gate Overseas Limited and its subsidiaries to CTF and its subsidiaries and, in addition to making cash payment of HK$450.0 million (subject to adjustments), to issue a HK$400.0 million convertible note due in 3 years, convertible into the shares of the Company upon conversion of conversion rights at HK$2 per share (subject to adjustments) (the "Convertible Note") as consideration to satisfy part of the purchase consideration of HK$850.0 million (the "Purchase Price"). As announced on 17 March 2005, the Company exercised the option in favour of the Company to purchase 40% equity interest in the Arc of Triumph Development Company Limited, a company incorporated in Macau (the "Purchase Option") on 17 March 2005 and the Purchase Price will be increased by HK$363.2 million (subject to adjustments). The increased portion of the Purchase Price attributable to the Purchase Option will be paid in cash. Details of the proposed acquisition are set out in the announcements of the Company dated 23 November 2004 and 17 March 2005. As at the date of this announcement, the acquisition has not been completed.

On 28 February 2005, the Group acquired 75% interest in Gugo Entertainment Company Limited, a cartoon production house in Hong Kong for a total cash consideration of HK$4.5 million.

Same as disclosed above, there were neither significant investments held by the Group nor material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 March 2005.

Future plans for material investments or capital assets

The Group will continue to explore the market and identify any business opportunities may provide its long term growth and development potential, enhance long term profitability, and strive for better return to the shareholders.

Exposure to fluctuations in exchange rates and any related hedges

The Group's assets and liabilities were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has no significant exposure to foreign exchange fluctuations.

Contingent liabilities

As at 31 March 2005, the Company has provided corporate guarantees of approximately HK$11.0 million (2004: HK$10.5 million) to secure loans and other borrowings granted to its subsidiaries. The Group has also provided guarantees to a promissory note holder amounted to approximately US$1,831,924 (equivalent to approximately HK$14.3 million).

Employees and remuneration policies

The total number of employees of the Group was 52 as at 31 March 2005 (as at 31 March 2004: 35). The staff cost for the year ended 31 March 2005 was approximately HK$10.2 million (for the year ended 31 March 2004: approximately HK$6.7 million). The Group remunerated its employees on the basis of performance, experience and the prevailing industry practice. In addition to salaries, employee benefits included bonus, medical scheme, insurance, Mandatory Provident Fund and share option schemes.

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005, together with comparative figures for the year ended 31 March 2004.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2005

	Notes	**2005** *HK$'000*	2004 *HK$'000*
Turnover	*4*	**34,448**	16,131
Cost of sales		**(35,308)**	(11,488)
Gross (loss) profit		**(860)**	4,643
Other operating income	*6*	**3,977**	52
Selling and distribution costs		**(2,424)**	(407)
General and administrative expenses		**(28,210)**	(13,829)
Other operating expenses		**(1,244)**	(3,672)
Impairment loss recognised	*7*	**–**	(20,692)
Loss from operations	*8*	**(28,761)**	(33,905)
Finance costs	*9*	**(1,117)**	(1,214)
Loss on discontinued operations	*10*	**–**	(433)
Loss before taxation		**(29,878)**	(35,552)
Taxation	*11*	**–**	–
Loss before minority interests		**(29,878)**	(35,552)
Minority interests		**10,583**	–
Net loss for the year		**(19,295)**	(35,552)
Loss per share	*12*		
Basic		**HK$0.10**	HK$42.76
Diluted		**HK$0.10**	N/A

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2005

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000* *(Note 14)*	Exchange reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
THE GROUP						
At 1 April 2003	831	–	53,022	–	(90,616)	(36,763)
Net loss for the year	–	–	–	–	(35,552)	(35,552)
At 31 March 2004	831	–	53,022	–	(126,168)	(72,315)
Issue of shares at premium by the Company as a result of the settlement of loan notes, including unpaid accrued interest	4,000	40,569	–	–	–	44,569
Issue of shares through subscription	120,000	–	–	–	–	120,000
Issue of shares through placements	111,000	232,500	–	–	–	343,500
Exchange differences on translation of overseas operation not recognised in income statement	–	–	–	(2,793)	–	(2,793)
Share issue expenses	–	(9,237)	–	–	–	(9,237)
Net loss for the year	–	–	–	–	(19,295)	(19,295)
At 31 March 2005	**235,831**	**263,832**	**53,022**	**(2,793)**	**(145,463)**	**404,429**

NOTES:

1. GENERAL

The Company is a public listed company incorporated in the Cayman Islands. Its ultimate holding company is Chow Tai Fook Enterprises Limited ("CTF"), a company incorporated in Hong Kong.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In year 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not adopted these new HKFRSs, except for HKFRS 3 as detailed below, in the financial statements for the year ended 31 March 2005.

HKFRS 3 "Business Combinations" has been adopted for the acquisition of a subsidiary, which was completed on 28 February 2005. The adoption of HKFRS 3 has resulted in changes to the Group's accounting policy in goodwill and negative goodwill that have affected the amounts reported for the current year.

HKFRS 3 Business Combinations

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill).

HKFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's indentifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. HKFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Negative goodwill arising from the acquisition of a subsidiary amounted to approximately HK$3,079,000 is recognised into income statement during the year.

Previously, under Statements of Standard Accounting Practice 30 ("SSAP 30") "Business Combinations" (superseded by HKFRS 3), the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the balance sheet date.

Under the previous accounting policy, approximately HK$52,000 of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of approximately HK$3,027,000 at 31 March 2005. Therefore, the impact of the change in accounting policy in 2005 is an increase in other operating income of approximately HK$3,027,000 and an increase in net assets at 31 March 2005 of approximately HK$3,027,000.

Except for the above, the Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. 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.

4. TURNOVER

	2005	2004
	HK$'000	*HK$'000*
The Group's turnover comprises:		
Sales of goods	**5,517**	8,424
Services income	**10,417**	7,707
Film licensing income	**18,514**	–
	34,448	16,131

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions, namely application solutions, network solutions, project services and entertainment business. 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
Entertainment business	–	Production and licensing of theatrical motion pictures in a variety of genres

The Group was also involved in the following activities:

Content licensing	–	Licensing and subscription of web content
Recruitment services	–	Provision of recruitment and corporate services

The content licensing and recruitment services operations were discontinued from 30 September 2003 and 31 March 2004 respectively.

Segment information about these businesses is presented below.

Income statement for the year ended 31 March 2005

	Continuing operations					Discontinued operations			
	Application solutions *HK$'000*	Network solutions *HK$'000*	Project services *HK$'000*	Entertainment business *HK$'000*	Others *HK$'000*	Content licensing *HK$'000*	Recruitment services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER									
External sales	–	5,517	8,648	18,514	1,769	–	–	–	34,448
Inter-segment sales	–	–	–	–	–	–	–	–	–
Total	–	5,517	8,648	18,514	1,769	–	–	–	34,448

Inter-segment sales are charged at prevailing market prices.

	Application solutions *HK$'000*	Network solutions *HK$'000*	Project services *HK$'000*	Entertainment business *HK$'000*	Others *HK$'000*	Content licensing *HK$'000*	Recruitment services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS									
Segment results	–	1,998	2,299	(21,583)	957	–	–	–	(16,329)
Other operating income									1,156
Unallocated expenses									(13,588)
Loss from operations									(28,761)
Finance costs									(1,117)
Loss before taxation									(29,878)
Taxation									–
Loss before minority interests									(29,878)
Minority interests									10,583
Net loss for the year									(19,295)

Other information for the year ended 31 March 2005

	Continuing operations				Discontinued operations			
	Application solutions *HK$'000*	**Network solutions** *HK$'000*	**Project services** *HK$'000*	**Entertainment business** *HK$'000*	**Others** *HK$'000*	**Content licensing** *HK$'000*	**Recruitment services** *HK$'000*	**Consolidated** *HK$'000*
Capital, intangible assets and film costs additions	–	328	–	486,306	2,545	–	–	489,179
Depreciation and amortisation	5	57	15	30,831	2,312	–	–	33,220
Loss on write-off of property, plant and equipment	–	–	–	–	14	–	–	14
Allowance for bad and doubtful debts and bad debts written off	–	–	–	4,247	–	–	–	4,247
Loss on write-off of inventories	–	–	–	–	22	–	–	22

Income statement for the year ended 31 March 2004

	Continuing operations				Discontinued operations			
	Application solutions *HK$'000*	Network solutions *HK$'000*	Project services *HK$'000*	Others *HK$'000*	Content licensing *HK$'000*	Recruitment services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER								
External sales	171	8,254	6,777	735	–	194	–	16,131
Inter-segment sales	21	30	–	–	–	17	(68)	–
Total	192	8,284	6,777	735	–	211	(68)	16,131

Inter-segment sales are charged at prevailing market prices.

	Application solutions *HK$'000*	Network solutions *HK$'000*	Project services *HK$'000*	Others *HK$'000*	Content licensing *HK$'000*	Recruitment services *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS								
Segment results	108	2,346	1,690	500	–	(1)	–	4,643
Other operating income								52
Unallocated expenses								(38,600)
Loss from operations								(33,905)
Finance costs								(1,214)
Loss on discontinuing operations	–	–	–	–	–	(433)	–	(433)
Loss before taxation								(35,552)
Taxation								–
Loss before minority interests								(35,552)
Minority interests								–
Net loss for the year								(35,552)

Other information for the year ended 31 March 2004

	Continuing operations				Discontinued operations			
	Application solutions *HK$'000*	Network solutions *HK$'000*	Project services *HK$'000*	Others *HK$'000*	Content licensing *HK$'000*	Recruitment services *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Capital additions	2	142	–	–	–	–	51	195
Depreciation and amortisation	10	51	15	–	–	329	5,123	5,528
Impairment loss recognised in respect of goodwill	–	–	–	–	–	–	20,692	20,692
Loss on write-off of property, plant and equipment	–	–	–	–	–	–	46	46
Loss on discontinued operations	–	–	–	–	–	433	–	433
Gain on disposal of property, plant and equipment	–	–	–	–	–	–	2	2
Allowance for bad and doubtful debts and bad debts written off	–	1	–	–	–	6	–	7
Loss on write-off of inventories	–	14	–	–	–	–	–	14

Geographical segments

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

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	
	2005	2004
	HK$'000	*HK$'000*
Hong Kong	**14,957**	12,603
Elsewhere in the PRC	**977**	3,528
USA	**18,514**	–
	34,448	16,131

Revenue from the Group's discontinued recruitment services operation was derived principally from elsewhere in the PRC (2005: nil, 2004: HK$194,000).

6. OTHER OPERATING INCOME

	2005 *HK$'000*	2004 *HK$'000*
Gain on disposal of property, plant and equipment	**1**	2
Interest income on bank deposits	**684**	9
Sundry income	**21**	41
Rental income	**192**	–
Negative goodwill recognised	**3,079**	–
	3,977	52

7. IMPAIRMENT LOSS RECOGNISED

	2005 *HK$'000*	2004 *HK$'000*
Goodwill	**–**	20,692

8. LOSS FROM OPERATIONS

	2005 *HK$'000*	2004 *HK$'000*
Loss from operations has been arrived at after charging (crediting):		
Allowance for bad and doubtful debts and bad debts written off	**4,247**	7
Allowance for obsolete inventories	**27**	–
Amortisation of film costs	**30,495**	–
Amortisation of goodwill (included in other operating expenses)	**968**	3,665
Amortisation of intangible assets (included in general and administrative expenses)	**175**	304
Auditors' remuneration	**1,516**	331
Depreciation of property, plant and equipment	**1,582**	1,559
Loss on write-off of inventories	**22**	14
Loss on write-off of property, plant and equipment	**14**	46
Net foreign exchange losses (gains)	**8**	(17)
Rental expenses under operating leases on		
– premises	**1,753**	1,240
– equipment	**267**	338
Redundancy costs	**–**	186
Staff costs, including directors' emoluments		
– Salaries and allowances	**10,204**	6,340
– Retirement benefits schemes contributions	**15**	310
	10,219	6,650

9. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans	**4,483**	34
Interest on amounts due to related companies	**567**	356
Interest on loans from directors	**289**	713
Interest on other loans	**241**	111
	5,580	1,214
Less: Amount capitalised in film costs	**(4,463)**	–
	1,117	1,214

10. DISCONTINUED 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**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**–**	–	**–**	211
Operating costs	**–**	–	**–**	(212)
Loss on discontinued operations	**–**	–	**–**	(433)
Loss before taxation	**–**	–	**–**	(434)
Taxation	**–**	–	**–**	–
Loss after taxation	**–**	–	**–**	(434)

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**	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Total assets	**–**	–	**–**	–
Total liabilities	**–**	297	**–**	–

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

During the year ended 31 March 2004, the assets relating to the recruitment services operation were written off at a loss of approximately HK$433,000.

11. 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.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

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

	2005	2004
	HK$'000	*HK$'000*
Loss before taxation	**(29,878)**	(35,552)
Tax at the domestic income tax rate of 17.5%	**(5,229)**	(6,222)
Tax effect of expenses not deductible for tax purpose	**127**	3,286
Tax effect of income not taxable for tax purpose	**(116)**	(11)
Tax effect of tax losses not recognised	**9,383**	2,947
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(4,165)**	–
Tax charge for the year	**–**	–

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of approximately HK$19,295,000 (2004: HK$35,552,000) and the weighted average number of shares of 192,793,091 (2004: 831,447) in issue during the year.

The weighted average number of shares for the year ended 31 March 2004 for the purpose of basic losses per share has been adjusted for the share consolidation of every 100 ordinary shares of HK$0.01 each into one share of HK$1.00 each, which become effective on 22 April 2004.

The computation of diluted loss per share did not assume the exercise of the subsidiary's outstanding share options existed during the year ended 31 March 2005 since their exercise would reduce loss per share. For the year ended 31 March 2004, no diluted loss per share has been presented as there were no options in issue.

13. DIVIDEND

The Board does not recommend the payment of a final dividend of the year ended 31 March 2005 (2004: nil).

14. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Merger reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
THE COMPANY				
At 1 April 2003	–	53,022	(46,330)	6,692
Net loss for the year	–	–	(68,632)	(68,632)
At 31 March 2004	–	53,022	(114,962)	(61,940)
Issue of shares at premium to settle loan notes and unpaid accrued interest	40,569	–	–	40,569
Premium arising from placing of shares	232,500	–	–	232,500
Share issue expenses	(9,237)	–	–	(9,237)
Net loss for the year	–	–	(11,910)	(11,910)
At 31 March 2005	**263,832**	**53,022**	**(126,872)**	**189,982**

Merger reserve of the Group represents the difference between the share capital and share premium of Cyber On-Air Multimedia Limited ("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 reserves available for distribution to the shareholders at 31 March 2005 was approximately HK$189,982,000 (2004: nil).

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

During the year, the Company has complied with board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules which applied before the amendment of the GEM Listing Rules relating to the code on Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules of the financial year ending 31 March 2006.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with written terms of reference in compliance with the requirements of the GEM Listing Rules. The audit committee has three members comprising two independent non-executive directors, namely Mr. Cheung Hon Kit and Mr. Wong Chi Keung and a non-executive director, Mr. Wu Wing Kin. 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 including the annual results for the year ended 31 March 2005, and provided advice and recommendations to the board of directors.

By order of the Board
Cheng Kar Shun
Chairman

Hong Kong, 28 June 2005

As at the date of this announcement, the Board comprises the following members:

Executive Directors:
Cheng Kar Shun *(Chairman)*
Lo Lin Shing, Simon
Choi Wing Kin
So Kam Wing

Non-Executive Director:
Wu Wing Kin

Independent Non-Executive Directors:
Cheung Hon Kit
Kwee Chong Kok, Michael
Wong Chi Keung

This announcement will remain at www.hkgem.com on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Company at www.cyberonair.com.