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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)

(Stock code: 8118)

PLACING OF EXISTING SHARES SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING

The Vendor, which presently holds approximately 58.6% of the issued shares of the Company, has agreed to place, through the Placing Agent, 31,000,000 Shares to independent investors at a price of HK\$8.5 per Share. On completion of the Placing, the Vendor will subscribe for 31,000,000 new Shares at the price of HK\$8.5 per Share.

The Placing Shares represent approximately 15.1% of the existing issued share capital of the Company of 204,831,447 Shares and approximately 13.1% of the Company's issued share capital as enlarged by the Subscription of 31,000,000 new Shares. The net proceeds from the Subscription of approximately HK\$256 million will be for the general working capital of the Company.

The Vendor has approximately a 58.6% interest in the Company as at the date of this announcement which will be reduced to approximately 43.5% immediately upon completion of the Placing and will then be increased to approximately 50.9% immediately upon completion of the Subscription, assuming no other changes to the issued share capital of the Company and the shareholding of the Vendor prior to completion of the Subscription.

Dealings in the Shares on the Stock Exchange were suspended at the request of the Company from 9:30 a.m. on 17 January 2005. Application has been made by the Company for the resumption in the dealings in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 January 2005.

The Directors are pleased to announce the signing of the Placing and Subscription Agreement dated 18 January 2005 which was entered into between the Vendor, the Company and the Placing Agent containing the terms described below.

PLACING OF 31,000,000 EXISTING SHARES

- Vendor:** Mediastar International Limited, a company incorporated in the British Virgin Islands and the controlling shareholder of the Company holding approximately 58.6% of the existing issued capital of the Company as at the date of this announcement. Mediastar International Limited is also a wholly-owned subsidiary of Chow Tai Fook Enterprises Limited. Chow Tai Fook Enterprises Limited is the substantial shareholder of the holding company of the Placing Agent.
- Number of Placing Shares:** 31,000,000 Shares to be placed, representing approximately 15.1% of the existing issued ordinary share capital of the Company and approximately 13.1% of the issued ordinary share capital as enlarged by the Subscription. The Placing Agent agreed to procure, on a best efforts basis, purchasers for the Placing Shares but has not agreed to underwrite the Placing of the Placing Shares.
- Placing Price:** The placing price of HK\$8.5 per Placing Share (the “Placing Price”) represents a discount of approximately 2.6% to the average closing price quoted on the Stock Exchange of approximately HK\$8.73 per Share over the last 5 trading days, up to and including 14 January 2005 and also represents a discount of approximately 17.1% to the closing price of the Shares of HK\$10.25 quoted on the Stock Exchange on 14 January 2005. The Placing Price and other terms and conditions of the Agreement were negotiated between the Vendor and the Placing Agent on an arm’s length basis.
- Placing Agent:** Tai Fook Securities Company Limited is the placing agent of the Placing.
- Placing Commission:** The Placing Agent will receive a placement commission of 2.5% on the gross proceeds of the Placing in addition to brokerage and an advisory fee.
- Placees:** The Placing Shares will be placed to not less than six institutional/professional investors who should be Independent Third Parties. The Board does not expect any placee will become a substantial shareholder of the Company (as defined in the GEM Listing Rules) as a result of the Placing.
- Rights of the Placing Shares:** The Placing Shares will be sold free of any third party rights and the holders thereof will receive all dividends and distributions declared, made or paid on or after the date of completion of the Placing.
- Completion:** The Placing is unconditional and completion of the Placing is expected to take place on 21 January 2005 (subject to the resumption of the trading of the Company’s shares on 19 January 2005).

SUBSCRIPTION OF 31,000,000 NEW SHARES

Subscriber:	The Vendor
Number of Subscription Shares:	The Company will issue 31,000,000 new Shares to the Vendor representing approximately 15.1% of the existing issued ordinary share capital of the Company and approximately 13.1% of the issued ordinary share capital of the Company as enlarged by the issue of the Subscription Shares under the Subscription.
Subscription Price:	The subscription price for the Subscription Shares is HK\$8.5 per Share which is the same as the Placing Price. Subject to the Subscription being completed, the Company will bear the costs and expenses in connection with the Placing and the Subscription which are estimated to be approximately HK\$7 million. Any interest earned by the Vendor on the money raised by the Placing, between the date of completion of the Placing and the date of completion of the Subscription, will be paid to the Company.
General Mandate:	The Subscription Shares will be issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 20 August 2004. The general mandate has not been utilized prior to entering into the Placing and Subscription Agreement.
Ranking of the Subscription Shares:	The Subscription Shares, when fully paid, will rank pari passu in all respects with the existing Shares of the Company in issue.
Use of Proceeds:	The net proceeds from the Subscription of approximately HK\$256 million will be for the general working capital of the Company and its subsidiaries.
Conditions:	<p>The Subscription by the Vendor for the Subscription Shares is conditional upon the satisfaction of the following conditions by not later than 31 January 2005:</p> <ul style="list-style-type: none">(a) completion of the Placing; and(b) the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares <p>Application will be made to the Stock Exchange to grant the listing of and permission to deal in the Subscription Shares. If the listing of the Subscription Shares is not granted, the Subscription will not proceed.</p>

Completion: Under the GEM Listing Rules, the Subscription must be completed within 14 days from the date of the Placing and Subscription Agreement, that is on or before 31 January 2005 (or such later date as the Company and the Vendor may agree such agreement not to unreasonably withheld or delayed and subject to compliance in full with the connected transactions requirements of the GEM Listing Rules), failing which the Subscription shall cease and terminate.

EFFECT OF THE PLACING AND SUBSCRIPTION

The shareholding of the Vendor in the Company before and after the Placing and the Subscription is summarised as follows:

Before the Placing and the Subscription		After the Placing but before the Subscription		After the Placing and the Subscription	
No. of Shares	% of the existing issued ordinary share capital	No. of Shares	% of the existing issued ordinary share capital	No. of Shares	% of the issued ordinary share capital as enlarged by the Subscription
120,000,079	58.6%	89,000,079	43.5%	120,000,079	50.9%

Prior to the Placing, the Vendor is the largest shareholder of the Company and holds approximately 58.6% of the existing issued share capital of the Company. Immediately after the completion of the Placing, but before the Subscription, the shareholding of the Vendor will be reduced to 43.5% of the issued share capital of the Company. The Vendor will hold a total of approximately 50.9% of the issued share capital of the Company as enlarged by the allotment of Subscription Shares immediately after completion of the Placing and the Subscription. Pursuant to Note 6 to the Notes on dispensation from Rule 26 of the Code, a waiver from the obligation to make a general offer under Rule 26 of the Code will not be required in respect of the Subscription.

DESCRIPTION OF FUNDS RAISED ON ANY ISSUE OF SECURITIES OF THE COMPANY IN THE 12 MONTHS PRECEDING THE DATE OF THIS ANNOUNCEMENT

The following table summaries the fund raising activity of the Company for the 12 months preceding the date of this announcement:

Date of announcement	8 March 2004	
Date of agreement	8 March 2004	
Nature of transactions	Placing and issue of new Shares by the Company	
Number of shares issued	120,000,000 subscription shares at HK\$1.0 each	80,000,000 placing shares at HK\$1.0 each

Subscribers/places	Mediastar International Limited	More than six independent third parties
Net proceeds	Approximately HK\$196.6 million in aggregate	
Usage	<ul style="list-style-type: none"> – Approximately HK\$39 million for provision of film financing to M8 Entertainment Inc. as announced by the Company in July 2004; – Approximately HK\$91 million for the acquisition of M8 Entertainment Inc. as announced by the Company in October 2004; and – Remaining balance as general working capital. 	

Save as disclosed above and except for the possible issue of the Conversion Shares and the Right Share(s) as part of the consideration for the Acquisition pursuant to the Acquisition Agreement as disclosed in its announcement dated 23 November 2004, the Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

REASON FOR THE PLACING AND SUBSCRIPTION

The principal business activity of the Company is investment holding. The principal activities of its principal subsidiaries are provision of project services, network solutions, application solutions, technology project and multimedia services. As stated in the circular of the Company dated 6 April 2004, the Directors intend to seek new business opportunities which would expand or complement with the current activities of the Group. Since it announced in October 2004 of the acquisition of the 51.0% voting rights in M8 Entertainment Inc., the Company has taken a step further into the media/entertainment industry by entering into a sale and purchase agreement for the possible acquisition of the hotel and entertainment operations in the Philippines and Macau as announced on 23 November 2004. All these investments require additional funding from the Company.

The Directors believe that the Placing and Subscription represent a good opportunity to raise capital and strengthen its cash resources. With sufficient funding, the Group will not just be in a better position to capture and secure the benefits derived from its investments, provide the necessary working capital for its ongoing operations but will also be in a better position to explore future expansion opportunities. The Placing together with the Subscription will also broaden the shareholder base of the Company by including institutional investors.

Dealings in the Shares on the Stock Exchange were suspended at the request of the Company from 9:30 a.m. on 17 January 2005. Application has been made by the Company for the resumption in the dealings in the Shares on the Stock Exchange with effect from 9:30 a.m. on 19 January 2005.

DEFINITIONS

The following defined terms are used in this announcement:

“Acquisition”	the proposed acquisition by the Company of the 100% equity interest in Fortune Gate Overseas Limited and the related shareholders loans pursuant to the Acquisition Agreement as disclosed in the Company’s announcement dated 23 November 2004
“Acquisition Agreement”	the sale and purchase agreement dated 23 November 2004 entered into among Cross-Growth Co., Ltd., the Company and Chow Tai Fook Enterprises Limited in relation to, inter alia, the Acquisition
“Board”	the board of Directors
“Code”	the Hong Kong Code on Takeovers and Mergers
“Conversion Shares”	the Shares which fall to be issued upon the exercise of conversion rights attached to the Convertible Note
“Conversion Price”	initially HK\$2 per Conversion Share (subject to adjustments)
“Convertible Note”	a HK\$400,000,000 convertible note due in 3 years, convertible into Conversion Shares at the Conversion Price
“Company”	Cyber On-Air Group Company Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Third Party”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, an independent third party (including its ultimate beneficial owner) not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the Placing and Subscription Agreement
“Placing Agent”	Tai Fook Securities Company Limited, a wholly owned subsidiary of Tai Fook Securities Group Limited of which Chow Tai Fook Enterprises Limited is its substantial shareholder

“Placing and Subscription Agreement”	the placing and subscription agreement entered into among the Vendor, the Company and the Placing Agent dated 18 January 2005 in relation to the Placing and the Subscription
“Placing Shares”	the 31,000,000 Shares to be placed by the Placing Agent pursuant to the Placing and Subscription Agreement
“Rights Issue”	the issue by way of rights to the certain shareholders of the Company to raise about HK\$1,229 million at a subscription price of HK\$1.5 per Rights Share as disclosed in the Company’s announcement dated 23 November 2004
“Rights Share(s)”	new Share(s) to be issued and allotted under the Rights Issue
“Shares”	ordinary shares of HK\$1.0 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares pursuant to the Placing and Subscription Agreement
“Subscription Shares”	the 31,000,000 Shares to be subscribed by the Vendor pursuant to the Placing and Subscription Agreement
“Vendor”	Mediastar International Limited

By order of the Board
Cyber On-Air Group Company Limited
Kwok Chi Kin
Company Secretary

Hong Kong, 18 January 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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.

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