



**hkcyber.com (Holdings) Limited**

**Cyber 日報 (控股) 有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

## **QUARTERLY REPORT**

**For the three months ended 30 June 2000**

*\* For identification purpose only*

## **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 reports 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 report, 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 report.*

*This report, for which the directors of hkcyber.com (Holdings) Limited 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 for the purpose of giving information with regard to hkcyber.com (Holdings) Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- The Group's turnover for the three months ended 30 June 2000 amounted to HK\$2,231,000.
- The Group recorded a loss attributable to shareholders of HK\$16,409,000. The loss was due to expenditures in relation to website development, branding and business development.
- The Group's portals hkcyber.com and hkcyberyouth.com recorded hit rates of 17 million and pageviews of 4.3 million as at 30 June 2000.
- The Company was successfully listed on GEM of the Stock Exchange on 31 July 2000.

## **CHAIRMAN'S STATEMENT**

I am pleased to present the unaudited combined results of hkcyber.com (Holdings) Limited and its subsidiaries (the "Group") for the three months ended 30 June 2000.

It is our belief that the Internet will play a significant role in the transmission of information. As one of the leading providers of Chinese content with leading portals hkcyber.com and hkcyberyouth.com, we have striven to provide comprehensive and updated content through attractive web design and interactive features to maintain our strength and growth momentum. The Group will rely on the following revenue streams: content revenue through licensing and subscription fees for its content; e-mail revenue through hosting and transaction fees from its online shopping platform; and e-marketing revenue from the provision of total solution in marketing and advertising. The Group recorded content licensing revenue and e-marketing revenue during this period. The Group expects to record e-mail revenue and content subscription revenue in the second and third quarters respectively.

As the Group expands its content and e-commerce capability, the Group will capitalize on its experienced content team and web designers and programmers together with its in-house capability on production of live programs. We believe that our innovative and focused strategy will lead us to fulfill our vision of becoming the leading Chinese-language content provider among the Chinese communities worldwide.

## **FINANCIAL REVIEW**

The Group's unaudited combined turnover for the three months ended 30 June 2000 amounted to HK\$2,231,000. As the Group is still in the early stage of development, loss attributable to shareholders of HK\$16,409,000 was reported as a result of substantial amounts being spent on the development of technology, content and e-commerce business, and promotion and marketing activities.

## **BUSINESS REVIEW**

### **Content and services**

The Group launched five new channels, namely news commentary, entertainment, lifestyle, wine&dine and health in April 2000 and is currently carrying eleven channels. In addition, a Cyber Complaint Board was introduced for viewers to express their opinions and complaints. Cyber Consumer, which provides a buyer's guide on consumer goods and services, was also set up. The enhanced content continued to attract viewers and is the primary driver in the portals' growth in popularity, as evidenced by the recorded hit rates of 17 million and pageviews of 4.3 million as at 30 June 2000.

### **Technical development**

During the period, the Group had purchased additional servers for the increased traffic. The Group currently has over 40 servers with storage capacity expanded to 1,200 gigabytes. In addition, the bandwidth of the Group was upgraded to 140 mbps ATM lines to serve our increasing viewers.

### **Brand building**

Various marketing and promotional activities were carried out during the period to enhance our brand recognition. Events such as our participation in the 16th International Computer Expo and innovative initiatives such as the lingerie show for charity have ensured maximum exposure to attract viewers. During the period, the Group spent approximately HK\$4,549,000 on its marketing and promotion activities which are mostly non-recurring in nature. The Group aims to reduce its total marketing and promotional expenditure as a percentage of revenue in the coming periods.

## **Business**

### *e-marketing revenue*

The Group seeks to build upon its viewer base to provide advertisers a targeted platform to reach their customers. The Group provides the traditional advertising forms such as banner advertisements, button advertisements, sponsorships or co-branded advertisements, as well as the innovative products such as interactive advertisements and full-screen advertisements. Furthermore, the Group provides advertisers with the ability to integrate their existing web sites into our network.

The Group has started generating advertising revenue during the period. Currently, all our customers have elected to use our total e-marketing services, i.e. website design, technical support and the formulation of marketing and communication packages. The innovative design and features offered to advertisers have ensured maximum targeted delivery to their intended audiences.

### *e-mall hosting*

One of the Group's primary strategies is to provide an integrated marketplace for commerce on the web. Our e-mall, an online shopping mall, has been under test run since May and was rolled out in July. It is a consumer-focused site aggregating prominent merchants and their merchandises in various categories. It allows merchants to establish virtual storefront to display their merchandises online. A fee at approximately 15% of the transaction value for every successful transaction concluded will be received by the Group, in addition to a fee for hosting their virtual stores. Currently, the Group has five merchants signed up to utilise this service.

### *Content licensing and subscription*

Since May 2000, the Group has provided its content to WAP users that subscribe to the Hutchison mobile phone network. A free trial period is being offered and the Group is expected to generate content subscription revenue commencing October 2000. In addition, the Group has recorded content licensing revenue in June through the licensing of one of the Group's live programs to iTV Broadcasting.

## **FUTURE PLANS AND DEVELOPMENT**

To maintain our growth momentum and to fulfill the Group's objective to become the most popular online community, the Group has constantly upgraded its content and network infrastructure. The Group intends to set up mirror sites in various regions to improve overseas delivery capability.

The Group will strive to increase the width and depth of its content and a new channel on travel is currently being developed. Major efforts will be spent to drive revenue growth. We will strengthen our marketing team to provide support to merchants in our e-mail and e-marketing services and continue to explore new revenue streams. Despite the recent correction in the market for Internet-related stocks, with our pool of resources and talents, our management is confident in delivering an improvement in the operating results in the next quarter.

**Wong Yuk Man**  
*Chairman*

Hong Kong, 14 August 2000

## QUARTERLY RESULTS

The Board of Directors of hkcyber.com (Holdings) Limited (the “Company”) is pleased to announce the unaudited combined results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2000 together with the comparative figures for the corresponding period in 1999, are as follows:

		<b>3 Months Ended 30 June 2000 HK\$000</b>	3 Months Ended 30 June 1999 HK\$000
	<i>Notes</i>		
Turnover	2	<b>2,231</b>	–
Interest income		<b>299</b>	–
Other revenue		<b>23</b>	–
Operating expenses		<b>(7,869)</b>	–
Administrative expenses		<b>(9,669)</b>	(14)
Depreciation		<b>(424)</b>	(4)
Donation		<b>(1,000)</b>	–
Operating loss before taxation		<b>(16,409)</b>	(18)
Taxation	3	–	–
Loss after taxation, attributable to shareholders and accumulated for the period		<b>(16,409)</b>	(18)
Loss per share	4	<b>1.3127 Cents</b>	0.0014 Cents

*Notes:*

### 1. Basis of presentation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company on 14 April 2000. The Company’s shares have been listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 31 July 2000.

Pursuant to a group reorganisation (the "Reorganisation") which took place on 17 July 2000 to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Company became the ultimate holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the Prospectus of the Company dated 21 July 2000. The results of the Group comprise the results of all companies now comprising the Group as if the current group structure had been in existence throughout the periods, or since their dates of incorporation where this is a shorter period.

The principal accounting policies adopted in preparing the unaudited combined results conform with accounting principles generally accepted in Hong Kong.

## **2. Turnover**

Turnover represents marketing and advertising service income and content licensing income received and receivable during the period.

## **3. Taxation**

No provision for Hong Kong profits tax has been made in the accounts as the Group did not generate any assessable profits during the period and the corresponding period in 1999.

No deferred tax asset has been recognised in respect of tax loss available to offset future profits as it is not certain that the tax loss will be utilised in the foreseeable future.

## **4. Loss per share**

The calculation of the basic loss per share for the three months ended 30 June 2000 is based on the unaudited combined loss attributable to shareholders of HK\$16,409,000 (1999: HK\$18,000) and the weighted average number of 1,250,000,000 (1999: 1,250,000,000) ordinary shares outstanding. The 1,250,000,000 ordinary shares outstanding as a result of the Group's Reorganisation prior to its initial public offering of its shares in July 2000, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1 April 1999.

Diluted loss per share for the three months ended 30 June 2000 is not shown as the effect of dilutive potential ordinary shares during the period is anti-dilutive.

No diluted loss per share has been presented for the three months ended 30 June 1999 as the Company did not have any dilutive potential ordinary shares.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period (1999: Nil).



## DIRECTORS' INTERESTS IN SHARES

As at the date of this report, the interests of the Company's Directors and their respective associates in the Company and its associated corporations as recorded in the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), or which required, pursuant to Rules 5.40 to 5.59 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

<b>Name of Director</b>	<b>Personal Interest (Shares)</b>	<b>Family Interest (Shares)</b>	<b>Corporate Interest (Shares)</b>	<b>Other Interest (Shares)</b>	<b>Total (Shares)</b>
Leung Wai Man, Sunny	Nil	Nil	358,131,468	Nil <i>(Note 1)</i>	358,131,468
Wong Yuk Man	Nil	Nil	54,836,790	Nil <i>(Note 2)</i>	54,836,790
Lai King Yan, Anthony	Nil	Nil	8,123,964	Nil <i>(Note 3)</i>	8,123,964

Notes:

1. Shares held by Spencer Logistics Limited and Greatgo Holdings Limited which are wholly owned by Leung Wai Man, Sunny.
2. Shares held by Super Nation Investment Limited which is wholly owned by Wong Yuk Man.
3. Shares held by E-com Network Limited which is wholly owned by Lai King Yan, Anthony.

Save as disclosed above, none of the Directors, chief executive or their respective associates had, as at the date of this report, any interests in the shares of the Company or its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Under the pre-IPO Share Option Scheme, the principal terms of which are set out in the Company's prospectus dated 21 July 2000, the Company has granted its directors 68,896,662 options to subscribe for an aggregate of 68,896,662 Shares at an exercise price of HK\$0.05 per Share on 18 July 2000.

<b>Name of director</b>	<b>Number of underlying Shares</b>
Wong Yuk Man	25,000,000
Leung Wai Man, Sunny	25,000,000
Lai King Yan, Anthony	12,500,000
Choy Hok Man, Constance	6,250,000
Shiu, Stephen Junior	146,662

Save as disclosed above, during the three months ended 30 June 2000, none of the directors or chief executive was granted options to subscribe for shares or debentures of the Company.

## SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company.

<b>Name of shareholders</b>	<b>No. of shares held</b>
Greatgo Holdings Limited	262,486,876 ( <i>Note 1</i> )
Mr. Leung Wai Man, Sunny	358,131,468 ( <i>Note 2</i> )
Qantex Limited	287,498,126 ( <i>Notes 3 &amp; 6</i> )
Skynet Limited	287,498,126 ( <i>Notes 3 &amp; 6</i> )
Gold Cloud Agents Limited	287,498,126 ( <i>Notes 3 &amp; 6</i> )
Companion Marble (BVI) Limited	287,498,126 ( <i>Notes 3 &amp; 6</i> )
Skynet (International Group) Holdings Limited	287,498,126 ( <i>Notes 3 &amp; 6</i> )
Companion Building Material (Holdings) Limited	301,286,126 ( <i>Notes 4 &amp; 6</i> )
Companion Building Material (BVI) Limited	301,286,126 ( <i>Notes 4 &amp; 6</i> )
Companion Building Material International Holdings Limited	301,286,126 ( <i>Notes 4 &amp; 6</i> )
Hanny Magnetics (B.V.I.) Limited	200,015,000 ( <i>Notes 5 &amp; 6</i> )
Hanny Holdings Limited	200,015,000 ( <i>Notes 5 &amp; 6</i> )

*Notes:*

1. Greatgo Holdings Limited is wholly owned by Mr. Leung Wai Man, Sunny.
2. Mr Leung Wai Man, Sunny's shares are held through Greatgo Holdings Limited and Spencer Logistics Limited, each of which is wholly owned by Mr Leung Wai Man, Sunny.
3. These 287,498,126 shares of the Company are owned by Qantex Limited. Qantex Limited is a wholly owned subsidiary of Skynet Limited of which Gold Cloud Agents Limited owns more than one third of the issued share capital. Companion Marble (BVI) Limited owns more than one third of the issued share capital of Gold Cloud Agents Limited and is a wholly owned subsidiary of Skynet (International Group) Holdings Limited.
4. Of these 301,286,126 shares of the Company, 287,298,126 shares are owned by Qantex Limited and 13,788,000 shares are owned by Companion Building Material (Holdings) Limited ("CBMHL"). CBMHL owns more than one third of the issued share capital of Skynet (International Group) Holdings Limited, which indirectly holds approximately 54 per cent. of the issued share capital of Qantex Limited. Companion Building Material (BVI) Limited owns the entire share capital of CBMHL and is a wholly owned subsidiary of Companion Building Material International Holdings Limited.
5. Hanny Magnetics (B.V.I.) Limited is a wholly-owned subsidiary of Hanny Holdings Limited.
6. 267 and 733 Preference Shares have been issued and allotted to Hanny Magnetics (B.V.I.) Limited and Qantex Limited respectively. The principal terms of the Preference Shares are set out in the paragraph head "Group reorganisation" in Appendix IV of the Company's prospectus dated 21 July 2000. On 31 January 2001, all (but not part) of the outstanding Preference Shares will be converted into 30% of the number of Shares in issue immediately upon completion of the listing of Shares on GEM (but excluding the exercise of options granted under the Pre-IPO Share Option Scheme and the Share Option Scheme). The respective interests of Hanny Magnetics (B.V.I.) Limited and Qantex Limited in the Company will consequently increase to approximately 18.47% and 34.61% of the total issued share capital of the Company upon the full conversion of the Preference Shares.

Save as disclosed above, the Directors are not aware of any other person having an interest in shares representing 10% or more of the issued share capital of the Company.

## **SHARE OPTION SCHEMES**

### **Pre-IPO Share Option Scheme**

In addition to options granted to its directors as disclosed above, the Company has granted options under the pre-IPO Share Option Scheme totaling 56,103,338 to 114 employees and a consultant of the Group to subscribe for an aggregate of 56,103,338 Shares at an exercise price of HK\$0.05 per Share on 18 July 2000.

No option pursuant to the pre-IPO Share Option Scheme had been exercised, cancelled or lapsed during the three months ended 30 June 2000. Options comprising a total of 125,000,000 underlying shares were outstanding as at the date of this report.

All the above outstanding options may be exercised in accordance with the terms of the pre-IPO Share Option Scheme at any time during the period commencing from six months after the date of listing of the Company on GEM which is 31 January, 2001 and ending 10 years after the date of grant of the options which is 18 July, 2010 in accordance with the following schedule:

<b>Period</b>	<b>Percentage of options granted to an individual which are exercisable</b>
Date of grant to six-month period after the listing of the Company on GEM	Zero
Six- to twelve-month period after the listing of the Company on GEM	Up to one-third
Six- to eighteen-month period after the listing of the Company on GEM	Up to two-thirds
Thereafter	All options which have not been previously exercised

### **Post-IPO Share Option Scheme**

On 17th July, 2000, the Company has conditionally adopted the post-IPO Share Option Scheme, the principal terms of which are set out in the Company's prospectus dated 21 July 2000.

As at the date of this report, no options have been granted by the Company under the post-IPO Share Option Scheme.

### **COMPETING INTERESTS**

During the three months ended 30 June 2000, none of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

## **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor, Yuanta Securities (Hong Kong) Company Limited, as at 30 June 2000, neither Yuanta Securities (Hong Kong) Company Limited nor its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 20 April 2000 entered into between the Company and Yuanta Securities (Hong Kong) Company Limited, Yuanta Securities (Hong Kong) Company Limited will receive a fee for acting as the Company's retained sponsor for the period from 20 April 2000 to 31 March 2003.

## **YEAR 2000 COMPLIANCE**

In the Group's prospectus dated 21 July 2000, the directors reported that the Group has taken all necessary steps to ensure that all the Group's computers and software are year 2000 compliant. The Group has not encountered any material difficulties in all functional areas arising from the year 2000 compliance issue since 1 January 2000.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in July 2000. The audit committee comprising two independent non-executive Directors, Mr. Li Ka Cheung, Eric and Mr. Cheung Yan Leung, Stephen. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the three months ended 30 June 2000, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.