



**hkcyber.com (Holdings) Limited**  
**Cyber 日報 (控股) 有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*

**THIRD-QUARTERLY REPORT**

**For the nine months ended 31 December 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 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 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 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.*

## HIGHLIGHTS

- The Group recorded total unaudited turnover of HK\$3,519,000 for the three months ended 31 December 2000, representing a 32.8% increase compared to the previous quarter ended 30 September 2000.
- The Group recorded unaudited loss attributable to shareholders of HK\$18,026,000 for the three months ended 31 December 2000 as a result of expenditures on content development, technological enhancement and brand building activities.
- Using the latest information technology, the Group's new portal "Online School" has organised a number of courses for the public during the quarter ended 31 December 2000.
- The Group has launched a new channel of "Cyber Movie" which delivers movies with visual and sound quality comparable to DVD.
- The Group has successfully developed a few online interactive games including "Marjok" (≥→≥δ) games for our members' leisure.
- The Group has entered into cooperation arrangements with a number of business partners including China Unicom Ltd and Gohome.com for providing products, services and/or information to our viewers.
- In September 2000, the Group has launched an electronic token money, which is later named "Skytoken", as a medium of exchange for goods and services provided through our portals. The Group has also entered into arrangements with a number of merchants whereby Skytokens can be used to purchase their services or products with discounts.
- As part of the strategy to attract more viewers, the Group has set up a meeting place at 3rd Floor, Capital Building, 191 Lockhart Road, Wanchai, Hong Kong, which is named "Skytoken Club" and launched on 28 December 2000. To purchase the services provided at the Skytoken Club, one must be a registered member of the Group's websites and use Skytokens as a mean of payment.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE TRADING RECORD**

We are pleased to present the unaudited combined results of hkcyber.com (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the nine months ended 31 December 2000.

The Group concentrated its effort in creating revenue streams and providing more varieties of content using the state-of-the-art-technology during the past three months ended on 31 December 2000 (the "Third Quarter"). The Third Quarter reported a satisfactory increase of income. We have proactively modified our business strategies in view of fast developing technology and constantly changing viewers' expectations. Our management team has been strengthened to meet the challenge of the internet business. We have a clear vision of enhancing our portals' popularity through bringing value to our viewers. The followings are summary of the Group's achievements during the Third Quarter.

### **FINANCIAL REVIEW**

The Group's unaudited combined turnover for the three months and nine months ended 31 December 2000 amounted to HK\$3,519,000 and HK\$8,400,000 respectively. The unaudited loss attributable to shareholders of the Group for the three months and nine months ended 31 December 2000 amounted to HK\$18,026,000 and HK\$52,188,000 respectively.

The quarterly loss for the three months ended 31 December 2000 is slightly higher than that for the three months ended 30 September 2000 as a result of our effort in expanding the portals' content and services. As the portals' infrastructure has already been well developed, the Group is now rationalising its structure through integration of functions. The Directors believe that the trend of increasing operating loss will be reversed after the Third Quarter by constraining overheads and increasing revenue.

### **BUSINESS REVIEW**

#### **Content development**

The Group's websites were expanded to nine portals and eighteen channels as at 31 December 2000. The attractiveness of our portals have been enhanced by the development and improvement of online games including the Marjok games which allow four players to play a game at the same time. Both Hong Kong style and Shanghai style Marjok games are provided. More online games have been developed for viewers in the channel of "Skygame".

Starting from November 2000, the Group has been cooperating with a number of movies distributors in delivering different categories of movies to viewers through our portal “Cyber Movie”. Movies can be subscribed for viewing through our portal by payment of Skytokens.

The new channel “Job Search” publishes job vacancies in cooperation with “PandaPlanet.com”. The channel has a hyperlink to “PandaPlanet.com” where more interactive search and inquiries can be performed.

Another new channel “hkcyber.gohome.com.hk” provides up-to-date news on properties market in Hong Kong, the channel offers a handy search tool so that viewers can search the database of properties for sale in Hong Kong in accordance with viewers’ defined multiple search criteria. The channel is being run in cooperation with “gohome.com”. Viewers can access directly into “gohome.com” for services of home design, mortgage and moving home.

### **Technical development**

During the Third Quarter the Group has continually invested in computer hardwares and softwares in support of our content development and services to our viewers and corporate clients. Additional servers have been purchased for delivering visual quality of 700K, which is comparable to the quality of DVD.

Two additional servers have been installed to enable service of large-scale web mail up to 300,000 mails per day. Generous training courses were provided to our technical staff so that they could grasp the latest technology of the internet industry.

### **Brand building**

The Directors believe that the Group’s portals has become well-known in Hong Kong through substantial marketing and promotional activities in the past. Our advertising in different media has never ceased during the Third Quarter as we are aware that brand recognition is important in attracting new viewers and advertising clients.

During the Third Quarter, the Group organised a history quiz of East Zhou Dynasty, with the effect of boosting the viewing rate of the channel “CyberTV” on historical themes.

Preparations were already underway early December 2000 for large-scale promotional campaign in the Victoria Park during the Chinese Lunar New Year’s Eve.

## **E-commerce and services development**

In cooperation with China Unicom Ltd (“CUL”), we are offering online purchase of IP Phone Cards provided by CUL. The Group in return will receive commission from CUL for the sale of phone cards.

During the Third Quarter, a wedding website has been constructed for providing relevant services to couples who are getting married. Services offered include development of tailor-made websites and shooting of wedding ceremony with special effects for the customers. The customers can post their personal information and the joyful moment of their wedding on the website tailor-made for them. The Group currently offered three website development packages and eight wedding ceremony shooting packages for its customers to select and subscribe.

The new portal “Online School”, with the support of renowned professors of local universities and directors of listed companies, has offered a number of courses on economics, finance and securities brokers’ licence for the public to enroll with fees. Lectures can be viewed at home through computers. All courses offered by the Group have been fully subscribed.

During the Third Quarter, our team of information technology specialists have successfully developed websites for our corporate clients including NEC Hong Kong Ltd. The Group will continue to draw upon the expertise of our pool of information specialists and secure more contracts on internet strategy formulation, website design, development and maintenance.

Our portals are now hosting six e-malls with the Skyauction mall being the most active one. The auctioning options in Skyauction mall include One-Dollar Auction, Closed Bid and Bulk Purchase. Each of the other five malls specialise in the sale of gold, crystal, worshipping tools, health food and adult products respectively.

In September 2000, the Group has launched an electronic token money, which is initially named “Token(s)” and later renamed “Skytoken(s)”, as a medium of exchange for goods and services provided through our portals. The Group has also entered into arrangements with a number of merchants whereby Skytokens can be used to purchase their services or products with discounts.

As part of the strategy to attract more viewers, the Group has set up a meeting place at 3rd Floor, Capital Building, 191 Lockhart Road, Wanchai, Hong Kong, which is named “Skytoken Club” and launched on 28 December 2000. The Skytoken Club, with

refreshments offered there, is facilitated with more than 60 computers and a library of comic books and other popular publications. To access our portals through the computers located at the Skytoken Club and other services provided at the Skytoken Club, one must be a registered member of the Group's websites and use Skytokens as a mean of payment.

### **Advertising**

During the Third Quarter, the Group focussed on sourcing more advertising clients and assisting our clients promotional campaigns with our portal facilities by organising activities for clients' sponsorship. Our new advertising clients include Smartone, Challenger, Citibank, Today Optical and Zenith Media Ltd etc. In October 2000, we carried out a promotion programme of Citibank Credit Card on our websites for Citibank.

### **Content licensing**

During the Third Quarter, the Group has made further investments in studio facilities to meet the increasing expectations of our viewers and corporate clients. With advanced streaming technology our studio is able to produce programmes with superb audio and visual quality at 700K. The integration of excellent hardware capability with the talents of the production team undoubtedly enhance our in-house productions marketability. The Group has been awarded additional licensing contracts during the Third Quarter from a number of media companies for the provision of content commencing in the year 2001.

## **FUTURE PLANS AND DEVELOPMENT**

We expect there will be increasing restructuring activities in the internet industry in the forthcoming future. We shall keep alert of new opportunities for investment or cooperation in this dynamic industry while reminding ourselves the needs for containing operating costs and cash outflows. Our strategy will be along the line of innovation and constant creation of value to our viewers and corporate clients, which in turn will transpire into bigger market share and income.

For and on behalf of  
The Board of Directors  
**Lai King Yan, Anthony**  
*Executive Director*

Hong Kong, 13 February 2001

## 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 and nine months ended 31 December 2000 together with the comparative figures for the corresponding period in 1999, are as follows:

	Notes	Three months ended 31 December 2000		Nine months ended 31 December 2000	
		2000 HK\$ 000	1999 HK\$ 000	2000 HK\$ 000	1999 HK\$ 000
Turnover	2	<u>3,519</u>	<u>0</u>	<u>8,400</u>	<u>0</u>
Cost of sales		(830)	0	(1,031)	0
Interest income		872	0	2,755	0
Other revenue		0	0	31	0
Content right		0	0	0	(3,000)
Operating expenses		(8,405)	(763)	(27,571)	(764)
Administrative expenses		(12,397)	(2,622)	(32,022)	(3,164)
Depreciation		(785)	(61)	(1,738)	(72)
Donation		0	0	(1,012)	0
Operating loss before taxation		<u>(18,026)</u>	<u>(3,446)</u>	<u>(52,188)</u>	<u>(7,000)</u>
Taxation	3	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Loss after taxation, attributable to shareholders and accumulated for the period		<u>(18,026)</u>	<u>(3,446)</u>	<u>(52,188)</u>	<u>(7,000)</u>
Loss per share	4	<u>1.4421 Cents</u>	<u>0.2757 Cents</u>	<u>4.1751 Cents</u>	<u>0.5600 Cents</u>



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 income of advertising service, content licensing, information technology service and e-business 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 nine months ended 31 December 2000 is based on the unaudited combined loss attributable to shareholders of HK\$52,188,000 (1999:HK\$7,000,000) 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 and nine months ended 31 December 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 and nine months ended 31 December 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 nine months ended 31 December 2000 (1999: Nil).

## DIRECTORS' INTERESTS IN SHARES

As at 31 December 2000, 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 (Note 1)	Nil	358,131,468
Wong Yuk Man	Nil	Nil	54,836,790 (Note 2)	Nil	54,836,790
Lai King Yan, Anthony	Nil	Nil	8,123,964 (Note 3)	Nil	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 31 December 2000, 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 adopted by the Company on 17 July 2000 (the "Pre-IPO Share Option Scheme"), the principal terms of which are summarised in the paragraph headed "Pre-IPO Share Option Scheme" in appendix IV to the Prospectus, the Company has granted the following directors 68,896,662 options to subscribe for an aggregate of 68,896,662 Shares of the Company at an exercise price of HK\$0.05 per Share on 18 July 2000. These options are exercisable during the period from 1 February 2001 to 18 July 2010 in accordance with the schedule set out in the paragraph "Pre-IPO Share Option Scheme" below.

<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 (Resigned on 18 January 2001)	6,250,000
Shiu, Stephen Junior	146,662

Save as disclosed above, during the nine months ended 31 December 2000, none of the directors or chief executive of the Company was granted options to subscribe for shares or debentures of the Company.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2000, 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 (Note 1)
Mr. Leung Wai Man, Sunny	358,131,468 (Note 2)
Qantex Limited	287,498,126 (Notes 3 & 6)
Skynet Limited	287,498,126 (Notes 3 & 6)
Gold Cloud Agents Limited	287,498,126 (Notes 3 & 6)
Companion Marble (BVI) Limited	287,498,126 (Notes 3 & 6)
Skynet (International Group) Holdings Limited	287,498,126 (Notes 3 & 6)
Companion Building Material (Holdings) Limited	339,242,126 (Notes 4 & 6)
Companion Building Material (BVI) Limited	339,242,126 (Notes 4 & 6)
Companion Building Material International Holdings Limited	339,242,126 (Notes 4 & 6)
Hanny Magnetics (B.V.I.) Limited	200,015,000 (Notes 5 & 6)
Hanny Holdings Limited	200,015,000 (Notes 5 & 6)

*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 339,242,126 shares of the Company, 287,498,126 shares are owned by Qantex Limited ("Qantex") and 51,744,000 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 percent of the issued share capital of Qantex. 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 ("Hanny") is a wholly-owned subsidiary of Hanny Holdings Limited.
6. 267 and 733 Preference Shares of the Company (the "Preference Shares"), the principal terms of which are summarised in the paragraph headed "Group reorganisation" in appendix IV to the Prospectus, have been issued and allotted to Hanny and Qantex respectively. On 1 February, 2001, Hanny and Qantex have converted all the Preference Shares into 100,125,000 and 274,875,000 ordinary shares of the Company (the "Conversion") respectively. The respective interests of Hanny and Qantex in the Company have been consequently increased to approximately 18.47% and 34.61% of the enlarged issued share capital of the Company immediately following the Conversion.

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 directors of the Company as disclosed in the section headed “Directors’s Rights to Acquire Shares” 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 of the Company 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 nine months ended 31 December 2000. As at 31 December 2000, options comprising a total of 125,000,000 underlying shares, representing 10% of an aggregate 1,250,000,000 shares of the Company in issue at the same date, were outstanding.

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 1 February 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 17 July 2000, the Company has conditionally adopted the Post-IPO Share Option Scheme (the “Share Option Scheme”), the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in appendix IV to the Prospectus.

As at 31 December 2000, no options have been granted by the Company under the Share Option Scheme.

## **COMPETING INTERESTS**

As at 31 December 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**

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

As updated and notified by Yuanta Securities, as at 31 December 2000, neither Yuanta Securities 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.

## **YEAR 2000 COMPLIANCE**

As disclosed in the Prospectus, the Board reports 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 nine months ended 31 December 2000, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.