



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

HALF-YEARLY REPORT

For the six months ended 30 September 2001

** For identification purpose only*

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

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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 GEM 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 continued focusing on internal restructuring during the three months ended 30 September 2001 (the "current quarter") and had achieved significantly in simplifying redundant operations, which result in satisfactory reduction of recurring operating expenses.
- The Group was actively exploring the use of its advanced IT facilities so as to strengthen the revenue base during the current quarter.
- The Group announced on 31 October 2001 for the proposed acquisition of Cyber On-Air Group Limited for a consideration of HK\$80 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS

We are pleased to present the unaudited combined results of hkcyber.com (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30 September 2001.

As mentioned in First Quarterly Results Announcement for the three months ended 30 June 2001, the Group underwent internal restructuring in order to realign itself with the depressed internet market. By now the restructuring is almost complete resulting in significant reduction of recurring operating expenses in the current quarter. The benefit is reflected in the reduction of current quarter's loss compared to the corresponding quarter in the year 2000 despite a 75% drop by comparing the turnover of the two respective quarters.

With regard to the revenue the Group is exploring the best use of its IT facilities and its professional teams of IT and A/V production staff. Our team of IT experts are providing web-based solutions to a growing number of corporate clients. Our A/V production staff is able to produce the most fascinating advertising video with advanced techniques comparable by few media companies in Hong Kong. The Group expects there will be considerable growth in the audio and video production business.

Besides making the best use of the internal resources, the Group is actively seeking opportunities of acquisition, merger or alliance that will contribute a steady stream of cash inflow. The board of directors has the pleasure of announcing the proposed acquisition of Cyber On-Air Group Limited on 31 October 2001, which manifests our strategy of strengthening the Group by acquiring profitable business.

FINANCIAL REVIEW

The Group's unaudited combined turnover for the three months ended 30 September 2001 amounted to HK\$646,000, which is not significantly different from that achieved in the last quarter despite the continual contraction of the online advertising market, which is one of the principal income of the Group. Loss attributable to shareholders for the current quarter was HK\$17,182,000, which was the result of significant non-recurring internal restructuring expenses.

BUSINESS REVIEW

Content Development

During the period the Group continued to provide interactive and readable content on news, commentaries, sports, fortune-telling, features, food, properties, health and jobs. A site on second hand car was introduced during the quarter that offers a wide selection of popular and affordable cars for drivers.

The Group has been delivering online broadcast of Macau horse racing since April 2001. The horse racing content was further strengthened with more commentaries and track record information. The enhanced version of the horse racing content will be available to portal users with monthly subscription fee.

Technical development

The Group's technical development is already achieved and existing capability is sufficient for its business. The challenge during the current quarter was to fine-tune its infrastructure to align with the evolving business environment. As a result, the Group had made improvement on routers to ensure 100% uptime and invested in the video streaming security. These were the group's effort to maintain its competitive edge in this technology-led industry.

Brand building

Spending on brand building was curtailed during the current quarter to preserve our financial resources for other projects. On the other hand, thanks to the Group's large-scale advertising and promotional campaigns in previous periods which has created inertial effect still felt today, our portals continue enjoying very high public awareness that is crucial for an internet content provider, The Group restructured its brand building activities with focus on the provision of services to the community.

E-commerce and services development

E-commerce and services offered by the Group had been redesigned with emphasis on fortune-telling and horse racing services for the current quarter. Our fortune-telling service can be both online and offline. A fortune-telling chat room can actually allow people to attend in persons and discuss their problems with our fortune-telling masters face to face.

The horse racing content were strengthened with more commentaries, odds and track record information with the purpose of providing speedy and useful information to hobbyists that paves the way for charging monthly subscription of our services.

Advertising Income

There has been significant contraction of the online advertising market in Hong Kong this year. To counter the depression the Group has been targeting on casino services companies, which are still willing to spend substantial amount on online advertising, and explore the business opportunities in South East Asia and mainland China.

Content-licensing

Despite significant reduction of manpower in our content development team, the Group has not lost one single content-licensing customer. The Group continues to expand its customers base and to develop marketable content at reasonable cost.

FUTURE PLANS AND DEVELOPMENT

The internal restructuring is about to conclude. The group's focus is shifting towards the development of steady cash inflow of revenue that will improve the bottom-line. Besides exploring the best use of our facilities and people, the Group is searching for business opportunities including alliance, merger and acquisition that will be able to contribute to the recurring cash inflow of the Group. The recently announcement of the proposed acquisition of Cyber On-Air Group Limited ("COA") by the Group for a consideration of HK\$80 million was solid demonstration of our determination to enhance the value of the Group. COA has significant expertise in wireless and broadband application and penetration in the China market. With the proven operating history and revenue record of COA and their different focus of business, the management believes that the proposed acquisition, if concluded, will greatly transform the Group in the area of financial and business performance.

PROGRESS AGAINST BUSINESS OBJECTIVES

From 1 April to 30 September 2001

Business objectives as set out in the Prospectus:

Increase traffic

1. Introduce multimedia news and web-cast news programmes
2. Launch voice mail allowing users to record and receive their voice mail
3. Launch video mail allowing users to record and send short video
4. Introduce another series of live shows with topics on lifestyle, food, health, movies and latest trends in Japan
5. Seek strategic alliance and merger and acquisition opportunities
6. Continue to introduce new interactive content of popular interest at the relevant times and increase the depth and breadth of the Group's content

Actual business progress to date:

- Cyber TV has been broadcasting news programme daily since last year.
- Further research is needed to ascertain the cost and benefit of this service.
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- The production of the live shows was suspended because of high production cost. The Group is searching for a new business model for live shows so that future series will be profitable
- Negotiation with the management of Cyber On-Air Group Limited that finally led to the proposed acquisition of that group on 31 October 2001.
- The Group improved the chat room, the interactive fortune-telling and to search for interesting online games with reasonable price for portal offering.

Increase brand strength

- 7. Roadshow in Singapore

- 8. Continue advertising through effective media such as outdoor electronic display and billboards and promotional campaigns such as participation in exhibitions and trade shows

Roadshow in Singapore has been set aside because of the weakness in global internet markets.

In previous periods the Company has conducted or sponsored a number of large-scale outdoor events including the Lunar New Year's Eve early this year, the Computer Expo in the Convention Centre last year and numerous promotional campaigns at Times Square. Such participation has given sufficient impetus to the Group's brand-name.

Increase revenue

- 9. Continue to increase revenue from interactive and full-screen advertising and e-marketing services by increasing the fees charged for the marketing services and broadening the customer base at the same time

- 10. Charge viewers in Australia for access to the news channel and specific content and services

- 11. Continue to source new merchants for the e-mall

- 12. Continue its efforts to increase revenue from the licensing of its content to other portals and local and overseas television stations

Besides developing more advertising customers by offering value-added banner package, the Group has improved the fortune-telling and horse racing services hoping that they will provide steady sources of income in the coming quarters.

No charge has yet been levied on viewers because of the weakness in global internet markets.

The e-malls were not profitable throughout its operating history and its operations had been temporarily suspended in the current quarter pending for a redesign of the business model.

The Group has ever explored this revenue stream and sold one of its series to iTV. However, because of intense competition the Group has not yet been able to solicit order from local or overseas television stations at profitable price.

Improvement of infrastructure

- 13. Set up mirror sites in Australia, Shanghai in the PRC and Singapore

- 14. Review and improve the existing IT infrastructure such as the enhancement of the facilities of data storage and the setting up of a total disaster recovery storage

- 15. Purchase of hardware and software for e-commerce

The set up of mirror sites overseas is temporarily set aside because of the depression in the global internet markets.

Improvement has been made to routers to ensure 100% uptime. Streaming encryption has been upgraded to enhance video-streaming security. The existing data storage and disaster recovery storage is sufficient for the Group's business.

The build-up of the Company's IT infrastructure has been completed well ahead of schedule. At the moment, the facility is sufficient for the Company's operation

HALF-YEARLY RESULTS

The Board of Directors (the "Board" and the "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 six months ended 30 September 2001 together with the comparative figures for the corresponding periods in the year 2000, as follows:

	Notes	Three Months Ended 30 September		Six Months Ended 30 September	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	<u>646</u>	<u>2,650</u>	<u>1,422</u>	<u>4,881</u>
Interest income		30	1,584	238	1,883
Other revenue		176	7	233	31
Website development expenses		(9,846)	(16,151)	(23,188)	(28,207)
Depreciation and amortisation		(4,929)	(528)	(9,497)	(952)
Advertising and promotion expenses		(31)	(2,536)	(303)	(6,114)
General and administrative expenses		(3,226)	(2,724)	(7,671)	(4,621)
Donation		<u>0</u>	<u>(12)</u>	<u>0</u>	<u>(1,012)</u>
Loss from operations		<u>(17,180)</u>	<u>(17,710)</u>	<u>(38,766)</u>	<u>(34,111)</u>
Finance costs		<u>(2)</u>	<u>(43)</u>	<u>(9)</u>	<u>(50)</u>
Loss before taxation		<u>(17,182)</u>	<u>(17,753)</u>	<u>(38,775)</u>	<u>(34,161)</u>
Taxation	3	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Loss attributable to shareholders		<u>(17,182)</u>	<u>(17,753)</u>	<u>(38,775)</u>	<u>(34,161)</u>
Loss per share	4	<u>1.0334 Cents</u>	<u>1.4202 Cents</u>	<u>2.3320 Cents</u>	<u>2.7329 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, 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 "Prospectus"). 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.

2. Turnover

Turnover represents income of advertising, content licensing, information technology service, ANV production 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 current period and the corresponding period in the year 2000.

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 and six months ended 30 September 2001 is based on the respective unaudited combined loss attributable to shareholders of HK\$17,182,000 and HK\$38,775,000 (2000 : HK\$17,753,000 and HK\$34,161,000) and the weighted average number of 1,662,765,476 and 1,662,710,906 (2000: 1,250,000,000 and 1,250,000,000) ordinary shares outstanding. The 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 2000.

No diluted loss per share for the three months and six months ended 30 September 2001 and 2000 are shown as the exercise of share options would have an anti-dilutive effect on the loss per share for each of the above-mentioned periods.

5. Comparative Figures

Certain comparative figures have been reclassified to conform with current period's presentation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the period (2000: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2001, the interests of the 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 GEM (the "GEM Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Personal Interest <i>(Shares)</i>	Family Interest <i>(Shares)</i>	Corporate Interest <i>(Shares)</i>	Other Interest <i>(Shares)</i>	Total <i>(Shares)</i>
Lai King Yan, Anthony	Nil	Nil	8,123,964 <i>(Note 1)</i>	Nil	8,123,964
Choi Wing Kin	Nil	Nil	Nil	Nil	Nil
Lo Lin Shing, Simon	Nil	Nil	Nil	Nil	Nil
Wu Wing Kin	Nil	Nil	Nil	Nil	Nil
Ng Wai Hung	Nil	Nil	Nil	Nil	Nil
Cheung Hon Kit	Nil	Nil	Nil	Nil	Nil

Note:

1. 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 30 September 2001, 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 then directors 68,896,662 units of the 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 30 July 2003 in accordance with the schedule set out in the paragraph "Pre-IPO Share Option Scheme" below.

As at 30 September 2001, 6,250,000 units of the options have been exercised and 16,764,441 units of the options have lapsed following the resignation of certain directors in July and August during the year 2001. The remaining exercisable balances attributable to the respective directors under the Pre-IPO Share Option Scheme are as follows:

Name of Director	Units of Pre-IPO Share Options and Equivalent Number of Underlying Shares
Wong Yuk Man – resigned on 6 August 2001	16,666,667
Leung Wai Man, Sunny – resigned on 14 August 2001	16,666,667
Lai King Yan, Anthony	8,333,333
Shiu, Stephen Junior – resigned on 27 July 2001	48,887
Lo Sui Sing – appointed as executive director on 23 August 2001	857,049

On 17 August 2001, options to subscribe for 8,000,000 shares of the Company at exercise price of HK\$0.084 per share under the Company's Post-IPO Share Option Scheme were granted to Mr. Lo Sui Sing, who was appointed as executive director of the Company on 23 August 2001. The options are exercisable before 17 August 2004. As at 30 September 2001 all the options granted to Mr. Lo Sui Sing have not yet been exercised.

Save as disclosed above, during the six months ended 30 September 2001, 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 30 September 2001, 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.

Name of shareholders	No. of shares held
Qantex Limited ("Qantex")	457,373,126 (Note 1)
Skynet Limited	457,373,126 (Note 1)
Gold Cloud Agents Limited ("Gold Cloud")	457,373,126 (Note 1)
Companion Marble (BVI) Limited	457,373,126 (Note 1)
Skynet (International Group) Holdings Limited ("SIGHL")	457,373,126 (Note 1)
Companion Building Material (Holdings) Limited ("CBMHL")	538,717,126 (Notes 1 & 2)
Companion Building Material (BVI) Limited	538,717,126 (Notes 1 & 2)
Companion Building Material International Holdings Limited	538,717,126 (Notes 1 & 2)
Hanny Magnetics (B.V.I.) Limited	300,140,000 (Note 3)
Hanny Holdings Limited	300,140,000 (Note 3)

Notes:

- These 457,373,126 shares of the Company are owned by Qantex. Qantex is a wholly owned subsidiary of Skynet Limited of which Gold Cloud 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 and is a wholly owned subsidiary of SIGHL.

2. Of these 538,717,126 shares of the Company, 457,373,126 shares are owned by Qantex and 81,344,000 shares are owned by CBMHL. CBMHL owns more than one third of the issued share capital of SIGHL. 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.
3. Hanny Magnetics (B.V.I.) Limited is a wholly-owned subsidiary of Hanny Holdings Limited.

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' 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.

All the above-mentioned options may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during the period from 1 February 2001 to 30 July 2003 in accordance with the following schedule:

Period	Percentage of options granted to an Individual which are exercisable
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

As at 30 September 2001, 37,895,737 ordinary shares had been issued as a result of exercise of the Pre-IPO Share Options granted to employees, directors and a consultant. Due to resignation of certain employees, options comprising an aggregate of 16,899,258 underlying shares lapsed during the period from 18 July 2000 to 30 September 2001. The remaining exercisable balance of the Pre-IPO Share Options granted to employees as at 30 September 2001 was therefore equivalent to 4,887,055 underlying shares.

Post-IPO Share Option Scheme

On 17 July, 2000, the Company 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.

On 17 August 2001, the Company granted the director Mr. Lo Sui Sing eight million share options with exercise price of HK\$0.084 each. Save as the aforesaid, no option was granted by the Company under the Post-IPO Share Option Scheme.

COMPETING INTERESTS

During the six months ended on 30 September 2001, none of the Directors, chief executive 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 competed or might compete with the business of the Group.

SPONSOR'S INTERESTS

Pursuant to the sponsor's 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 (the "Sponsoring Period").

On 4 May 2001, Yuanta Securities notified the Stock Exchange and the Company that, due to the merger of Yuanta Securities and Core Pacific-Yamaichi Capital Limited ("CPY Capital"), Yuanta Securities would no longer comply with the eligibility criteria as set out in Chapter 6 of the GEM Listing Rules. Accordingly, Yuanta Securities' role as the continuing sponsor of the Company was terminated and CPY Capital was appointed to be the continuing sponsor of the Company on 3 August 2001 for the balance of the Sponsoring Period, being from 3 August 2001 to 31 March 2003.

As updated and notified by CPY Capital, as at 30 September 2001, neither CPY Capital 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.

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. Mr. Li Ka Cheung, Eric and Mr. Cheung Yan Leung, Stephen tendered their resignation on 10 July 2001 and, with immediate effect the other two independent non-executive directors Mr. Ng Wai Hung and Mr. Cheung Hon Kit were appointed as members of the audit committee of the Company.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 September 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

By Order of the Board
Lai King Yan, Anthony
Executive Director

Hong Kong 12 November 2001