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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 2001

* *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 of the Stock Exchange 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 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 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

- An Extraordinary General Meeting was held on 21 January 2002 at which Resolutions were passed approving:

  a. The agreement on the acquisition of Cyber On-Air Group Limited ("COA") and the transactions contemplated under the acquisition agreement;

  b. The creation of the Charge and the pre-agreed buy-back arrangement;

  c. The change in business nature;

  d. The capital reorganisation;

  e. The change of name of the Company to "Cyber On-Air Group Company Limited" as its English name and【創博數碼科技集團有限公司】as its Chinese name.

  Details of the Resolutions can be found in the Company's circular dated 28 December 2001 on "Very Substantial Acquisition And Connected Transactions, Change Of Name And Capital Reorganisation" (the "Circular") and the Company's announcement on 21 January 2002 in respect of the "Results Of The Extraordinary General Meeting".

- On 31 December 2001, the Company entered into an agreement with【廣東錫安物業發展有限公司】an independent third party, to form a joint venture company, namely "Guangdong An Bo Information Services Limited"【廣東安博信息服務有限公司】(subjected to approval) to provide employment, community services and diverse professional corporate services to China enterprises and citizens of Guangdong Province.

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 nine months ended 31 December 2001 (the "Period").

The most important development of the Group during the period was the acquisition of Cyber On-Air Group Limited ("COA")(the "Acquisition"). An Extraordinary General Meeting of the Company was held on 21 January 2002 at which Resolutions were passed approving:

a. The agreement on the acquisition of Cyber On-Air Group Limited ("COA") and the transactions contemplated under the acquisition agreement;

b. The creation of the Charge and the pre-agreed buy-back arrangement;

c. The change in business nature;

d. The capital reorganisation;

e. The change of name of the Company to "Cyber On-Air Group Company Limited" as its English name and 【創博數碼科技集團有限公司】as its Chinese name

The directors believe that the Acquisition will bring new business opportunities and revenue to the Group. This is critical to the Group since advertising revenue and content market have both declined substantially. The Acquisition was detailed in the Circular.

COA is one of the leading enabler in wireless, broadband and multimedia applications and have proven track record and experience in system integration of applications and solutions, project consulting and management services in Asia Pacific Region and therefore the Acquisition will enhance the Group's future revenue on the respective areas. Given the expertise of the management team, the existing customer base in Hong Kong and the PRC, the distribution network in the PRC market, the position and the technical know-how in the wireless application technologies market of the COA Group, which will further enhance the Group's business opportunities.

On 31 December 2001, the Company entered into an agreement with 廣東錫安物業發展有限公司 ("廣東錫安") an independent third party, to form a joint venture company, namely "Guangdong An Bo Information Services Limited ("An Bo") 【廣東安博信息服務有限公司】(subjected to approval) to provide employment, community services and diverse professional corporate services to China enterprises and citizens of Guangdong Province. An Bo is the first Sino-Hong Kong joint venture in China providing full scale services with multimedia technology applications via service centres and on-line portal. All services will be supported by the state-of-art technology with computerised and efficient operation systems. The Group has 70% stake of the joint venture while廣東錫安owns 30%. 廣東錫安is a very prestigious company especially in China employment services market. They have been providing employment consultancy and community services for over 6 years in Guangdong Province. The establishment of An Bo is a breakthrough of the traditional operations of the employment agency and to improve the market efficiency by using advanced technologies and contemporary management style and will play a role in the market and enhance the target segment to the up-market of human resources.

FINANCIAL REVIEW

Under the continual contraction of the online advertising market, the Group recorded an unaudited combined turnover for the three months ended 31 December 2001 of HK$599,008, which is about 7% less than that achieved in the last quarter ended 30 September 2001. The current quarter registered a loss from operations of HK$15,449,447, almost 10% decrease in comparison to that of the last three months ended 30 September 2001 as a result of significant reduction of website development expenses.

BUSINESS REVIEW

Content Development

During the period the Group continued with the strategy of delivering marketable content with efficient costs.

Our sports channel offers easy-to-read summary of results of NBA and 2002 World Cup. The coverage will be expanded to include German Soccer League in the year 2002.

Technical development

Following the completion of Acquisition, the management expects to integrate corporate functions and the IT team of the Group with that of COA in order to create synergy. The Group will also be benefited from the COA's know-how in wireless and broadband applications.

Brand building

The Group will leverage on COA's existing customer base and distribution network in the Hong Kong and PRC markets to build-up the awareness of the Group's brand. The establishment of the joint venture company namely An Bo will further enhance the presence of the Group in the PRC market.

Income

The online advertising market in Hong Kong exhibited further contraction during the period. Despite the worsening of the economy, the Group is able to maintain its income grossly. The turnover for the third quarter ended 31 December 2001 was slightly less than that reported for the second quarter ended 30 September 2001. However, the third quarter's turnover was contributed from wider customers' base compared with that of the second quarter. The major area of growth is in the information technology service and content licensing.

FUTURE PLANS AND DEVELOPMENT

Competition for human resources among corporations will be intensified following the access of China to WTO. The Directors expect that the joint venture company namely An Bo will be able to capture the momentum of growth in the South China employment market. Our strategy of delivering marketable and readable content with low costs is gradually relieving the Group from the huge costs of maintaining the existing portals. This is evident from the gradually declining operating loss compared from the quarter to quarter since 1 April 2001, which is the time just after the Group began its restructuring.

It is generally believed that the global economy will enter a recovery phase in the later half of year 2002. The Group is prepared to deliver more exciting developments and to capture the opportunities of the revival.

By Order of the Board
hkcyber.com (Holdings) Limited
Choi Wing Kin
Executive Director

Hong Kong, 7 February 2002

DIVIDEND

The directors do not recommend the payment of a dividend for the period (2000: Nil).

DIRECTORS' INTERESTS IN SHARES

As at 31 December 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** *(Shares)*	**Family Interest** *(Shares)*	**Corporate Interest** *(Shares)*	**Other Interest** *(Shares)*	**Total** *(Shares)*
Lai King Yan, Anthony	Nil	Nil	7,123,964 *(Note 1)*	Nil	7,123,964

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 31 December 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 (not including the 1,285,574 units entitled by Mr. Lo Sui Sing who was appointed as executive director on 23 August 2001) 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 31 December 2001, 6,250,000 units of the options have been exercised and 50,146,662 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
Directors	
Lai King Yan, Anthony	12,500,000
Lo Sui Sing	1,285,574

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 31 December 2001 all the options granted to Mr. Lo Sui Sing have not yet been exercised.

Save as disclosed above, during the nine months ended 31 December 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 31 December 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")	457,373,126	*(Note 2)*
Companion Building Material (BVI) Limited	457,373,126	*(Note 2)*
Companion Building Material International Holdings Limited	457,373,126	*(Note 2)*

Notes:

1. 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. 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.

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.

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 31 December 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 17,697,666 underlying shares lapsed during the period from 18 July 2000 to 31 December 2001. The remaining exercisable balance of the Pre-IPO Share Options granted to employees as at 31 December 2001 was equivalent to 4,554,971 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 nine months ended on 31 December 2001, none of the Directors, chief executive or the management shareholders of the Company and their respective associates (as defined by the GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group pursuant to GEM Listing Rule 11.04.

SPONSOR'S INTERESTS

As updated and notified by Core Pacific - Yamaichi Capital Limited ("CPYC"), as at 31 December 2001, neither CPYC nor their 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 3 August 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 3 August 2001 until 31 March 2003.

Save for the above, the Sponsor has no other interest in the Company as at 31 December 2001.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in July 2000. The current audit committee comprising two independent non-executive Directors, Mr. Ng Wai Hung and Mr. Cheung Hon Kit. 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 2001, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT – UNAUDITED

	Notes	Three months ended 31 December 2001 HK$	Three months ended 31 December 2000 HK$	Nine months ended 31 December 2001 HK$	Nine months ended 31 December 2000 HK$
Turnover	2	**599,008**	3,519,012	**2,021,452**	8,399,978
Interest income		**55**	871,572	**237,402**	2,754,960
Other revenue		**304,111**	–	**537,218**	30,558
Website development expenses		**(4,394,135)**	(17,065,596)	**(27,581,726)**	(45,272,788)
Depreciation and amortisation		**(4,667,238)**	(785,416)	**(14,163,888)**	(1,737,548)
Advertising and promotion expenses		**(861,328)**	(1,461,236)	**(1,163,893)**	(7,575,630)
General and administrative expenses		**(6,429,920)**	(2,986,886)	**(14,101,465)**	(7,607,952)
Donation		**–**	–	**–**	(1,012,000)
Loss from operations		**(15,449,447)**	(17,908,550)	**(54,214,900)**	(52,020,422)
Finance costs		**(91,820)**	(117,963)	**(102,633)**	(167,820)
Loss after finance costs		**(15,541,267)**	(18,026,513)	**(54,317,533)**	(52,188,242)
Loss on partial disposal of a subsidiary		**–**	(312)	**–**	(312)
Share of loss of an associate		**(1,270,581)**	–	**(1,270,581)**	–
Loss before taxation		**(16,811,848)**	(18,026,825)	**(55,588,114)**	(52,188,554)
Taxation	3	**–**	–	**–**	–
Loss before minority interest		**(16,811,848)**	(18,026,825)	**(55,588,114)**	(52,188,554)
Minority interest		**–**	312	**–**	312
Loss attributable to shareholders		**(16,811,848)**	(18,026,513)	**(55,588,114)**	(52,188,242)
Loss per share	4	**1.0110 Cents**	1.4421 Cents	**3.3432 Cents**	4.1751 Cents

NOTES TO THE THIRD-QUARTERLY REPORT – UNAUDITED

NINE MONTHS ENDED 31 DECEMBER 2001

1. Basis of Preparation and Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with the disclosure requirements set out in Chapter 18 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"). The accounting policies adopted by the Group are consistent with those followed in the annual financial statements for the year ended 31 March 2001.

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, audio and video 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 nine months ended 31 December 2001 is based on the respective unaudited combined loss attributable to shareholders of HK$16,811,848 and HK$55,588,114 (2000 : HK$18,026,513 and HK$52,188,242) and the weighted average number of 1,662,895,737 and 1,662,711,184 (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 nine months ended 31 December 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.

6. Share Premium and Reserves

	Share Premium HK$	Merger Reserve HK$	Minority Interest HK$	Share of loss of an associate HK$	Loss HK$	Total HK$
At 1.4.2001	74,622,754	53,021,957	312	–	(107,892,747)	19,752,276
Loss for the nine months ended 31.12.2001	–	–	–	–	(54,317,533)	(54,317,533)
Share of loss of an associate	–	–	–	(1,270,581)	–	(1,270,581)
Negative goodwill of a wholly-owned subsidiary written off	–	–	–	–	(7)	(7)
At 31.12.2001	74,622,754	53,021,957	312	(1,270,581)	(162,210,287)	(35,835,845)

	Share Premium HK$	Merger Reserve HK$	Minority Interest HK$	Share of loss of an associate HK$	Loss HK$	Total HK$
At 1.4.2000	52,997,006	–	–	–	(19,945,147)	33,051,859
Transfer of share premium to merger reserve as a result of the Group Reorganisation	(52,997,006)	52,997,006	–	–	–	–
Merger reserve arising upon the Group Reorganisation	–	24,951	–	–	–	24,951
Shares issued at premium	157,500,000	–	–	–	–	157,500,000
Expenses incurred in connection with the New Issue and Placing	(14,129,963)	–	–	–	–	(14,129,963)
Allotment under the Pre-IPO Issue	(49,997,333)	–	–	–	–	(49,997,333)
Conversion of the Preference Shares into ordinary shares	(18,749,950)	–	–	–	–	(18,749,950)
Loss for the nine months ended 31.12.2000	–	–	–	–	(52,188,242)	(52,188,242)
At 31.12.2000	74,622,754	53,021,957	–	–	(72,133,389)	55,511,322