



36.com holdings limited

(Incorporated in bermuda with limited liability)

Path to Profitability

Interim Report 2000

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.

HIGHLIGHTS

- Turnover of approximately HK\$10,453,000 for the three months ended 30th September, 2000, a 177 per cent. increase from the turnover of the first quarter ended 30th June, 2000
- Net losses attributable to shareholder for the three months and the six months ended 30th September, 2000 of approximately HK\$19,304,000 and approximately HK\$32,015,000, representing a loss per share of 0.812 cents and 1.410 cents, respectively
- Successful listing on the GEM on 28th July, 2000
- Approximately 750,000 unique visitors for the month of September 2000
- Launched e-commerce (30.com) and e-greeting card portals in Hong Kong and Women's and Entertainment portals in Mainland China
- Launched directory and e-commerce services for small and medium enterprises
- 30.com awarded "Best Site — Online Retail" by MEDIA

UNAUDITED COMBINED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30th September, 2000

	Notes	Three months ended 30th September,		Six months ended 30th September,	
		2000	1999	2000	1999
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	10,453	—	14,226	—
Loss before taxation		(19,318)	(69)	(31,984)	(124)
Taxation	3	14	—	(31)	—
Loss attributable to shareholders		(19,304)	(69)	(32,015)	(124)
Loss per share — basic	4	0.812 cents	0.003 cents	1.410 cents	0.006 cents

Notes:

1. Basis of Presentation

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 8th May, 2000. The Company is an investment holding company for the Group with its principal activities being that of the provision of Internet services. The Company's shares have been listing on GEM operated by The Stock Exchange of Hong Kong Limited since 28th July, 2000.

Pursuant to a group reorganization (the "Reorganization") in preparation for the listing of the Company's shares on GEM, the Company became the ultimate holding company of the Group on 12th July, 2000. Details of the reorganization are set out in the Prospectus. The unaudited combined 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 covered by this report or since the respective dates of incorporation, where this is a shorter period.

All significant intra-group transactions and balances have been eliminated in preparing the combined financial statements.

2. Turnover

Turnover derives from the normal activities of the Group engaged in the provision of Internet advertising, e-commerce, content distribution, Internet consultancy and other media related consultancy services.

3. Taxation

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for the three months and the six months ended 30th September, 2000 and the corresponding periods in 1999. The tax credit shown in the profit and loss account for the three months ended 30th September, 2000 arose from a tax refund of approximately HK\$14,000 relating to the year of assessment 1997/98. The tax charge shown for the six months ended 30th September, 2000 arose from an underprovision of tax relating to the year of assessment of 1996/97.

No recognition of the potential deferred taxation asset relating to tax losses has been made as the recoverability of this potential deferred taxation asset is uncertain.

4. Loss per share

The calculation of the loss per share for the three months and six months ended 30th September, 2000 is based on the respective unaudited combined loss attributable to shareholders of the Company of approximately HK\$19,304,000 and approximately HK\$32,015,000 (1999: approximately HK\$69,000 and approximately HK\$124,000) and the weighted average number of 2,377,928,174 and 2,270,069,716 (1999: 2,161,026,000 and 2,161,026,000) ordinary shares outstanding. The 2,161,026,000 ordinary shares outstanding as a result of the Group's Reorganization 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 1st April, 1999.

The exercise of the share options granted by the Company would have an anti-dilutive effect on the loss per share for the three months and the six months ended 30th September, 2000.

5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2000 (1999: Nil).

CHAIRMAN'S STATEMENT

I am pleased to announce the half-yearly results of 36.com Holdings Limited ("36.com" or the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th September 2000.

For the three months ended 30th September, 2000, our total turnover was approximately HK\$10,453,000. This represented a 177 per cent increase from the total turnover of the first quarter ended 30th June, 2000. The strong revenue growth can be attributed to a sharp rise in advertising and web development revenue as well as the phenomenal success of 30.com, an e-commerce service that was launched on 17th July, 2000. The addition of a directory service targeted at small and medium enterprises, launched in September 2000, also provided a new source of revenue.

Not only has 30.com made a favorable impact on our financial performance but its achievement was also publicly recognized when it received the "Best Site-Online Retail" Award from MEDIA, Asia's leading media and marketing newspaper in September 2000. The success of 30.com exemplifies our strategy to attract and foster a loyal group of communities by creating content-rich portals. These valuable communities who share similar interests, enable us to conduct commerce-related activities effectively and successfully. In addition, these communities are highly attractive target audiences for a wide range of on-line advertisers to market their products. As one of the most popular websites, the Group's portal network attracted about 750,000 unique visitors for the month of September 2000, representing about a third of Hong Kong's Internet population.

We believe that the revenue growth in this quarter represented only the outset of a trajectory that would lead us to profitability. A number of initiatives are already underway to position the Group for further sustainable and scalable growth in revenue. In Hong Kong, our one-stop platform to enable small and medium enterprises ("SMEs") to conduct on-line advertising as well as e-commerce has generated significant traction in the market place. By the end of September 2000, over 60 SMEs have already taken up our service. Moreover, we made our debut in Mainland China on 1st September, 2000 with the launch of a Women's portal and a localized Entertainment portal. The localized content of these new vertical portals is intended to better appeal to the preferences of the Internet users in Mainland China and to provide a more focused platform for the Group to engage in e-commerce activities and attract advertisers.

We are confident that our efforts to build content-rich vertical portals and make them the leading sites in their specific areas of interests will enable us to achieve better results in the forthcoming quarter.

On behalf of the Board of Directors, I wish to express our sincere appreciation to the management and staff of the Group for their dedication, commitment and loyalty. Their continuing contribution will no doubt enable us to meet the coming challenges and to succeed in the months ahead.

I also wish to express our sincere appreciation to you, as our valued shareholders, our customers and our partners for your strong support. Your continuing support is vital to the further expansion of our business.

FINANCIAL REVIEW

For the three months ended 30th September, 2000, the Group's turnover amounted to approximately HK\$10,453,000 and represented a 177 per cent growth from the first quarter ended 30th June, 2000. As a result of substantial investment in marketing and promotion in Mainland China, loss attributable to shareholders of 36.com rose to approximately HK\$ 19,304,000 for the three months ended 30th September, 2000.

The strong revenue growth can be attributed to a sharp rise in advertising and web development revenue and the phenomenal success of 30.com, an e-commerce service that was launched on 17th July, 2000. The addition of a directory service targeted at SMEs, launched in September 2000, also provided a new source of revenue.

The increase in loss attributable to shareholders was primarily due to the significant increase in marketing expenses (approximately HK\$4,930,000) for the launch of new vertical portals in Mainland China. Ignoring the initial marketing costs relating to the launch of such portals, the average combined losses per month attributable to shareholders for the first and second quarters of the Financial year 2000 were approximately HK\$4,237,000 and approximately HK\$4,791,000, respectively.

In July 2000, the Group raised approximately HK\$110,520,000 through the placing and public offer of new shares at HK\$0.36 per share. Dealing in shares on GEM commenced on 28th July, 2000. After deducting related expenses, net proceeds were approximately HK\$ 97,085,000. The Group intends to use the net proceeds to develop technology and infrastructure, to develop and acquire content, to develop new business, for promotion and marketing activities and as general working capital.

BUSINESS REVIEW

During the second quarter ended 30th September, 2000, the Group concentrated its efforts on creating tangible revenue streams, enhancing the features and content of existing portals and building new ones.

Advertising

For the three months ended 30th September, 2000, advertising and sponsorship revenue accounted for about 20 per cent of the Group's revenue, compared to a contribution of about 2 per cent for the three months ended 30th June, 2000. The primary driver of the Group's advertising and sponsorship revenue growth has been the broadening of the range of advertising solutions for clients. Beside banner ads and title sponsorship, the Group's wholly-owned sales and marketing subsidiary, Cybercom Marketing Limited ("Cybercom"), offers Internet advertising in the form of e-mail marketing and e-card sponsorship.

More importantly, Cybercom works closely with advertisers to enhance the effectiveness of campaigns by customizing advertisement delivery with the Group's vertical portals. For example, during the election of the Legislative Council in September 2000, Cybercom offered personalized package for election candidates to promote their policy platform.

E-commerce

The Group's e-commerce debut, 30.com, has been a phenomenal success. Since its launch on 17th July, 2000 till 30th September, 2000, 30.com has generated almost half of the Group's revenue for the quarter. This accomplishment was publicly recognized in September 2000 when it received the "Best Site-Online Retail" Award from MEDIA, Asia's leading media and marketing newspaper.

30.com provides several intermediary services to link up consumers with selected merchants. The most popular service has been a group purchase service, which allows multiple consumers to group together their orders to enjoy bulk discounts from participating merchants. As at 30th September, 2000, about 30 merchants offered over 300 products in 20 categories under 30.com's group purchase service, ranging from household appliances, furniture, audio-visual products to automobile accessories.

Services

By leveraging our expertise in media strategy, content development and web technology integration, we have been able to generate revenue by providing our clients with one-stop, turnkey e-business solution. Our service offerings include Internet strategy formulation, web page design, application development and website hosting and maintenance.

The Group's clients include both corporates as well as SMEs which lack in-house capability to develop their own e-business solution. Recent corporate clients included the Mass Transit Railway Corporation for whom the Group developed, hosted and maintained the official website for their initial public offering in September 2000. The Group has also commenced a new service to target SMEs with a packaged service comprising of advertising, web hosting and e-commerce platform at extremely competitive pricing. By the end of September 2000, over 60 SMEs have already taken up our service.

E-Greeting cards

At the end of September 2000, the Group launched an animated Chinese e-greeting card portal in conjunction with WhyNot Creations, Inc ("WhyNot"). We believe e-greeting cards will become an important revenue generator as it provides significant e-marketing potential by enhancing users' on-line experience and unparalleled ability to target specific consumer groups.

Geographical expansion

The Group perceives Mainland China as its major and principal market for expansion. We intend to replicate our revenue models in China by first creating content-rich vertical portals to attract and foster a loyal group of communities, which will become our target audience for e-commerce activities and on-line advertising.

On 1st September, 2000, the Mainland Chinese version of the Group's Women's and Entertainment portals was unveiled. The women's portal was developed in partnership with Leung Anita Fung Yee, a well-known author and television producer. The Group has also been working with local partners to adopt the content of the Group's Hong Kong portals to suit the tastes and interests of Internet users in Mainland China. The Entertainment portal is the first of a series of such localized portals.

FUTURE PLANS AND DEVELOPMENTS

In spite of the continued volatile market sentiment, we believe the Internet market still offers huge growth potential. The Group is in a strong position to achieve market leadership given our strong brand, ownership of a high traffic network and professional and experienced teams.

Having developed our portal platform and built up traffic in Hong Kong, we are increasingly focused on further growing our revenues. Our initial success with advertising, e-commerce and service models has laid a solid foundation for sustainable revenue growth. The Group will continue to increase the depth of its vertical portals as well as to introduce new content channels, community products and e-commerce services that are of interest to our users. For example, the Group is in discussion with a number of strategic partners to develop an on-line stock trading business. Our critical role would be to enable our partner to quickly penetrate the market by targeting loyal users of our Finance portal. In addition, our differentiated content would also enable them to accelerate growth of their customers' trading volume and frequency. We believe there is a huge potential for on-line trading in Hong Kong and the Group is well positioned to capitalize the abundant opportunities lying ahead. Moreover, the Group intends to develop affiliated programs with service providers (e.g. property agencies, education providers) to market their services to our user base. The Group will receive a percentage of the revenue that the Group's clients generate under these programs.

Mainland China will continue to provide the growth momentum of the Group's user base. In the forthcoming quarter, the Group will launch several new portals which would be localized to suit the interests of Mainland users. The Group will strive to build brand recognition with continued marketing and advertising campaigns in China.

Finally, we shall continue to emphasize on containing operating costs in the volatile market environment anticipated for the remainder of 2000.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 18th July, 2000 (the “Prospectus”) for the period ending 31st March, 2001

Actual business progress

Hong Kong

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| <p>1. Launch Chinese and English language e-card portal with WhyNot</p> | <ul style="list-style-type: none"> ● The Group soft launched its e-card portal at the end of September 2000, which consists of about 550 Chinese and 300 English e-cards. ● The site includes a group of custom-made “Taipan” e-cards, based on the character of “Taipan” or Mr. Cheng Albert Jinghan, one of the Group’s Executive Directors. The Group intends to further expand the range of custom-made e-cards based on celebrity characters. |
| <p>2. Launch Women’s portal through partnership with Leung Anita Fung Yee</p> | <ul style="list-style-type: none"> ● The Group launched the Mainland Chinese version of Women’s portal through partnership with Leung Anita Fung Yee on 1st September, 2000. ● The site is also accessible by Hong Kong users from the Group’s homepage. |
| <p>3. Launch intermediary services on the Consumer portal</p> | <ul style="list-style-type: none"> ● On 17th July, 2000, the Group launched 30.com which provides a group purchase service to allow multiple consumers to group together their orders to enjoy bulk discount from selected participating merchants. |

4. Launch English version of Finance portal
 - The English version of Finance portal was launched at the end of July 2000.
5. Launch IBM's portal
 - In the later half of September, 2000, the Group completed an online loyalty portal whereby users of IBM PCs are able to directly access the portal by pressing a pre-programmed button on their keyboard.
6. Launch the Group's first e-tailing vertical portal through partnership with third parties
 - On 17th July, 2000, the Group launched 30.com which provides a group purchase service to allow multiple consumers to group together their orders to enjoy bulk discount from selected participating merchants.
 - In addition, 30.com provides e-commerce services for local and international merchants affiliated with the Group whereby the Group receives commission on any purchase of participating merchants' products made on the Group's website.
7. Continue marketing program
 - The Group has been carrying out marketing campaign to promote 30.com, including advertising on television, radio, newspaper, magazines and the Mass Transit Railway.
 - In addition, the Group has been actively using its homepage to promote 30.com, the e-card portal and the directory services for SMEs.

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| 8. | Improve the look and feel of the Group's vertical portals to make them more user-friendly and attractive | ● | Since its launch on 6th March, 2000, the Group has undertaken several rounds of improvement in the look and feel of its vertical portals. For example, an automatically refreshed screen was introduced in the Finance portal to enable users to obtain up to the minute market news and commentaries on stocks and index futures. |
| 9. | Develop distribution of the Group's Chinese language vertical portals/content through other third parties networks | ● | The Group generates revenue from distribution of its content to Internet and other media providers. Major clients include Pacific Century CyberWorks Limited (formerly Cable & Wireless HKT CSL Limited) and the Mass Transit Railway Corporation. |

Mainland China

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|----|---|---|--|
| 1. | Launch Chinese and English language e-card portal with WhyNot | ● | The Group intends to build on the Hong Kong version of its e-card portal and localize its content to better appeal to the preferences of Internet users in Mainland China. |
| 2. | Launch Women's portal through partnership with Leung Anita Fung Yee | ● | The Group launched the Mainland Chinese version of Women's portal through partnership with Leung Anita Fung Yee on 1st September, 2000. |
| 3. | Launch localized Consumer portal | ● | The Mainland Chinese version of the Group's Consumer portal is under preparation and will be launched at the end of October 2000. |

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| 4. | Launch the Group's first e-tailing vertical portal through partnership with third parties | ● | The Group intends to replicate and localize the Hong Kong version of its e-tailing portal to better appeal to the preferences of Internet users in Mainland China. |
| 5. | Launch aggressive marketing campaign | ● | Since their launch in Mainland China, the Group has been carrying out local marketing campaign to promote the Women's and Entertainment portals, including advertising on television, radio, newspaper and magazines. |
| 6. | Develop distribution of the Group's Chinese language vertical portals/content through other third parties networks | ● | As the Group's localized content builds up and expands, the Group intends to allow clients to host certain of the Group's targeted portals. |

North America

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|----|--|---|--|
| 1. | Launch Chinese and English language e-card portal with WhyNot. | ● | The Group has established an editorial team based in Toronto, Canada. In the forthcoming months, the Group intends to build on the Hong Kong versions of its selected portals and localize their content to better appeal to the preferences of Internet users in North America. |
| 2. | Launch Women's portal through partnership with Leung Anita Fung Yee | | |
| 3. | Launch localized News, Finance and Consumer vertical portals targeted at the Chinese community in North America | | |
| 4. | Develop distribution of the Group's Chinese language vertical portals/content through other third parties networks | ● | As the Group's localized content builds up and expands, the Group intends to allow clients to host certain of the Group's targeted portals. |

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September, 2000, according to the register required to be kept under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standards of dealings by the Directors as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules"), the interests of Directors, chief executive and their associates in the shares of the Company were as follows:

Name	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
Cheng Albert Jinghan	1,326,000	13,206,000 (note 1)	—	602,490,000 (note 2)	617,022,000
Ip Saimond	243,456,000	—	—	—	243,456,000
Yeung Kwok Mung	68,238,000	—	—	—	68,238,000
Tsang Moses Kwok Tai	13,290,000	—	151,806,000 (note 3)	—	165,096,000
Poon Kai Tik	5,910,000	79,206,000 (note 4)	—	—	85,116,000
Huang Erwin Steve	25,326,000	—	—	—	25,326,000
Chung Wai Yang	—	—	83,166,000 (note 5)	—	83,166,000

Notes:

- These shares were held by Cheng Albert Jinghan's wife, Lo Irene Kam Sheung and therefore he was deemed to be interested in these shares.
- These shares were held by Drummond Finance Limited. Drummond Finance Limited is the wholly-owned subsidiary of Umbel Inc., which is a company owned by CIBC Trust Company (Bahamas) Limited, a trustee of the Albert Cheng Family Trust. Cheng Albert Jinghan and his children are discretionary beneficiaries of such trust and Cheng Albert Jinghan was therefore deemed to be interested in these shares. Cheng Albert Jinghan is a director of Drummond Finance Limited.
- These shares were held by MKT Holdings (Cayman Islands) LLC, which is wholly-owned by Tsang Moses Kwok Tai and Tsang Moses Kwok Tai was therefore deemed to be interested in these shares.
- These shares were held by Poon Kai Tik's wife, Au Tak Yee, and therefore he was deemed to be interested in these Shares.
- These shares were held by Cyber Channel Limited, which is wholly owned by Chung Wai Yang and therefore he was deemed to be interested in these shares.

Directors, chief executive and their associates were not interested in the warrants of the Company.

SHARE OPTIONS

The Company has Pre-IPO Share Option Scheme and Share Option Scheme (the “Schemes”) under which the Directors and employees of the Company and its subsidiaries may be granted options to subscribe for shares of the Company under the terms and conditions stipulated in the Schemes.

Pre-IPO Share Option Scheme

As at 30th September, 2000, options comprising a total of 264,503,216 underlying shares were granted to 5 directors and 2 employees of the Group at an exercise price of HK\$0.0379 per share on 12th July, 2000. Details of these options were as follows:

Grantees	Number of shares subject to options	Expiration date
<i>Directors</i>		
Ip Saimond	72,602,255	31st December, 2005
Yeung Kwok Mung	72,602,255	31st December, 2005
Tsang Moses Kwok Tai	44,551,384	31st December, 2005
Poon Kai Tik	19,800,615	31st December, 2005
Hung Erwin Steve	7,425,231	31st December, 2005
<i>Employees</i>	47,521,476	31st December, 2005

Each of the above options will become exercisable as to 8.33 per cent of the number of shares subject to it after each Reference Date immediately after the dealing commencement date of the Company’s shares and warrants on GEM. “Reference Date” means each of 31st March, 30th June, 30th September and 31st December. The first Reference Date is 30th September, 2000.

In addition, on 12th July, 2000, the Company granted options comprising a total of 52,012,951 underlying shares to 71 other employees of the Group at an exercise price of HK\$0.0909 per share and expiring on 31st July, 2004. The options granted to these employees of the Group are subject to the same limitations on timing of exercise as the above options granted at HK\$0.0379 per share except for the options granted to 6 employees of the Group, comprising an aggregate of 4,580,542 underlying shares. Each of these options will become exercisable as to 6.26 per cent of the number of shares subject to it after each Reference Date immediately after the dealing commencement date of the Company’s shares and warrants on GEM.

No options pursuant to the Pre-IPO Option Scheme had been exercised or cancelled as at 30th September, 2000. Due to the departure of certain employees, options comprising an aggregate of 5,540,874 underlying shares had lapsed as at 30th September, 2000. As at 30th September, 2000, options pursuant to the Pre-IPO Option Scheme comprising a total of 310,975,293 shares were outstanding.

Share Option Scheme

No options had been granted to Directors of the Group under the Share Option Scheme adopted by the Company on 12th July, 2000 (as described in the Prospectus) during the period from 28th July, 2000 (the dealing commencement date of the Company's shares and warrants on GEM) to 30th September, 2000.

Details of options to subscribe for shares in the Company granted to employees of the Group (other than Directors and chief executive) under the Share Option Scheme of the Company are set out below:

Date of grant/lapse	Exercise price (HK\$)	Number of shares subject to options	Expiration date
15th August, 2000	0.187	41,860,000	31st December, 2005
11th September, 2000	0.168	<u>940,000</u>	31st December, 2005
Total granted options		42,800,000	
Less: Lapsed options		<u>30,000</u>	
As at 30th September, 2000		42,770,000 (note)	

Note: The underlying shares of the outstanding options under the Share Option Scheme as at 30th September, 2000 represent approximately 1.73 per cent of the issued share capital of the Company.

Each of the above options will become exercisable as to 8.33 per cent of the number of shares subject to it after each Reference Date immediately after the dealing commencement date of the Company's shares and warrants on GEM.

The above options were granted to 31 employees as at 30th September, 2000. The highest number of shares underlying the outstanding options granted to an employee under the Share Option Scheme as at 30th September, 2000 was 20,000,000. None of such options were granted to connected persons of the Company as defined in the GEM Listing Rules.

No options pursuant the Share Option Scheme had been exercised as at 30th September, 2000.

A summary of the major terms of the Schemes was set out on pages 238 to 248 of the Prospectus.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2000, the register required to be kept under Section 16(1) of the SDI Ordinance showed that the Company had been notified of the following interests, being 10 per cent or more of the issued share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors:

Name	Number of shares	Approximate Percentage of holding
CIBC Trust Company (Bahamas) Limited (a trustee of the Albert Cheng Family Trust)	602,490,000	24.41%
Umbel Inc. (Note 1)	602,490,000	24.41%
Drummond Finance Limited (Note 1)	602,490,000	24.41%
Lo Irene Kam Sheung (Note 2)	617,022,000	25.00%
ACAEDL Limited (Note 3)	326,052,000	13.21%
Chung Po Yang (Note 3)	331,372,000	13.43%

Notes:

1. Drummond Finance Limited is the wholly-owned subsidiary of Umbel Inc., which is a company owned by CIBC Trust Company (Bahamas) Limited, a trustee of the Albert Cheng Family Trust ("CIBC"). Cheng Albert Jinghan and his children are discretionary beneficiaries of such trust and Cheng Albert Jinghan was therefore deemed to be interested in these shares. Cheng Albert Jinghan is a director of Drummond Finance Limited.
2. Lo Irene Kam Sheung is the wife of Cheng Albert Jinghan and therefore she was deemed to be interested in 603,816,000 shares in which Cheng Albert Jinghan was interested.
3. ACAEDL Limited is wholly owned by Chung Po Yang and Chung Po Yang was therefore deemed to be interested in these shares (by virtue of the SDI Ordinance). Therefore, shareholdings stated against ACAEDL Limited were entirely duplicated in the shareholdings stated against Chung Po Yang. Chung Po Yang is the brother of Chung Wai Yang who is a non-executive Director. Chung Wai Yang is also a director of ACAEDL Limited.

Save as disclosed above, the Director are not aware of any other person having an interest in Shares representing 10 per cent or more of the issued share capital of the Company.

COMPETING INTERESTS

None of the Director nor the substantial shareholders have any interest in any business that directly or indirectly competes with the business of the Group except that:

- (a) Cheng Albert Jinghan, an Executive Director, is a director of a company whose principal business includes the provision of media services. The Company may, in the future, expand its business activities to the provision of content for broadband web television. Mr. Cheng has the entire shareholding interest in this company.
- (b) Tsang Moses Kwok Tai, a non-executive Director, is a director and shareholder of 4 companies whose principal business includes the provision of Internet incubating services and stock trading strategies involving artificial intelligence. The shareholding of Tsang Moses Kwok Tai in each of such companies is less than 30 per cent of the issued share capital. The business activities of each such company would not compete, in any way, with that of the Group unless such company provides incubating services to a financial on-line service company or the Group expands its business into stock trading strategies involving artificial intelligence; and
- (c) Wong Richard Yue Chim, an independent non-executive Director, as private investments, holds securities in various publicly listed companies, whose business may compete with that of the Group. The shareholding in each case is less than 0.01 per cent of the issued share capital and no management function in such companies or their respective subsidiaries is performed by him.

SPONSOR'S INTERESTS

Neither the sponsor of the Company, Worldsec Corporate Finance Limited ("Worldsec") nor its associates obtain any material benefit as a result of the listing of the Company on the GEM, other than the following: (i) by way of underwriting commissions paid to its associate, Worldsec International Limited, for acting as one of the underwriters; (ii) the advisory and documentation fees paid to Worldsec as sponsor; (iii) by a sponsor agreement entered into between Worldsec and the Company, pursuant to which Worldsec was retained as sponsor of the Company for the remainder of the financial year of the Company ending 31st March, 2001 and for the period of two years commencing from 1st April, 2001 and the Company agreed to pay an agreed fee to Worldsec for its

provision of such services; and (iv) Cheong Henry Ying Chew, one of the directors of Worldsec, subscribed for 1,500 shares in Cyber Communications Corporation Limited, at a consideration of HK\$750,000 on 17th February, 2000 and became a shareholder of the Company after the Group's Reorganization and held approximately 0.80 per cent of the Company's issued shares as at 30th September, 2000.

Save as disclosed above, Worldsec, its director, employees and associates, as at 30th September, 2000, did not have any interest in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30th September, 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference on 11th May, 2000. The audit committee comprises two independent non-executive Directors, Mr. Shek Abraham Lai Him and Professor Wong Richard Yue Chim. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Group.

YEAR 2000 COMPLIANCE

The Board of Directors is pleased to announce that the Group's computer systems were proved to Year 2000 compliant safely. The Board of Directors believes that the Year 2000 computer issue will have no material impact on the operations of the Group.

By Order of the Board
Saimond Ip
Chairman

Hong Kong, 25th October, 2000