



36.com holdings limited

(Incorporated in Bermuda with limited liability)

First Quarterly Report 2001

FOR THE THREE MONTHS ENDED 30TH JUNE, 2001

| | Three months ended 30th June, | |
|-----------------------------------|----------------------------------|------------------|
| | 2001 HK\$'000 | 2000 HK\$'000 |
| Turnover | 8,270 | 3,773 |
| Loss before taxation | (19,965) | (12,666) |
| Taxation | 0 | (45) |
| Loss attributable to shareholders | (19,965) | (12,711) |
| Loss per share — basic | 0.809 cents | 0.588 cents |

Notes:

I. 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 content distribution. The Company's shares have been listed on GEM operated by the Stock Exchange since 28th July, 2000.



UNAUDITED COMBINED PROFIT AND LOSS ACCOUNT

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 of the Company dated 18th July, 2000. 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 their 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 represents advertising income, content and internet service fees, e-commerce income, circulation income, and other media related consultancy services fees.

3. Taxation

No provision for Hong Kong Profits Tax has been made as the subsidiaries of the Group incurred tax losses for the three months ended 30th June, 2001 and the corresponding period in 2000. The tax charge for the three months ended 30th June, 2000 arose from underprovision in the prior years.

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 basic loss per share for the three months ended 30th June, 2001 is based on the respective unaudited combined loss attributable to shareholders of the Group of HK\$19,965,000 (2000: 12,711,000) and the weighted average number of 2,468,026,000 (2000: 2,161,026,000) ordinary shares outstanding.

No diluted loss per share have been presented for the three months ended 30th June, 2001 and the corresponding period ended 30th June, 2000 as the Company did not have any dilutive potential ordinary shares during these periods.

5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the three months ended 30th June, 2001 (2000: Nil).



As a media company, we have always intended to distribute our content in different formats. In May 2001, we made a major step forward when we launched the "CUP" weekly magazine. Our business objective is to leverage the strength of two different formats — a real-time website and an in-depth weekly magazine — to deliver a unique proposition to both our advertisers and readers. The synergies between the print and web formats give us a very competitive cost structure and many cross-selling opportunities. For example, we ran an exclusive web-plus-magazine campaign for IBM and York in May 2001.

BUSINESS REVIEW

The "CUP" weekly magazine was launched on 16th May, 2001 with a print-run of 88,000. It was sold at the newsstands in Hong Kong at HK\$20 per copy, the highest price in the category of comprehensive weekly magazines. CUP is the only comprehensive weekly magazine targeting the upper middle class in Hong Kong. It is a 300 page-plus weekly with 3 separate books: news, money, and life. CUP NEWS presents objective facts and interesting perspectives on latest political and social issues. CUP MONEY provides a balanced, pragmatic view on stocks, funds, and real estate. There are also profiles on successful businesses and interviews with business executives on their business strategies. CUP LIFE introduces readers to the best of the best in all areas — food, wine, novel, fashion, and beauty. There are entertainment guides, celebrity news, and an extensive photo gallery.

Many existing magazines follow a tabloid-like approach. Market preference is often used as an excuse for making up stories with excessive sensationalism. CUP, on the other hand, excels in content that is timely, trustworthy, and a pleasure to read. Accordingly, many political and business leaders have granted us exclusive interviews. We have talked to political heavy weights like Donald Tsang (Chief Secretary), Anthony Leung (Financial Secretary), Joseph Yam (HKMA), Rafael Hui (MPFA), James Tien (Liberal Party), Audrey Eu (LegCo), and Anna Wu (Equal Opportunity Commission). We also have interviewed top business leaders such as Francis Leung (Solomon Brothers), Cheng Yu-Tung (New World), Gordon Wu (Hopewell), and Vincent Lo (Shui On).

The CUP magazine has met with strong support from many brand-name advertisers because its image and readership profile align closely with their target customers. Key advertisers include Cheung Kong, Hutchison, Cathay Pacific, Air France, PCCW, the Dickson Group, Hong Kong Bank, Hang Seng Bank, Sun Hung Kai Properties, Novartis and Rado.

Meanwhile, our e-businesses also grew steadily in the last few months. We have revamped our www.36.com website and introduced many new value-added features for advertisers, including an exit page ad, mini-TV's on the home page, and mini-windows on each article page. We continued to provide an effective, no-hassle online shopping solution to merchants and advertisers. These efforts attracted many new clients in the last few months, including the Baptist Hospital, speedinsure, health999.com, and York.

FINANCIAL REVIEW

For the three months ended 30th June, 2001, the Group's turnover amounted to approximately HK\$8,270,000. As the magazine was still in the early stage of development, a loss attributable to shareholders of approximately HK\$19,965,000 was reported during the current period.

FUTURE OUTLOOK

We believe that we have built a very solid media business. We are confident that the CUP magazine's unique market position and high quality content would attract more readers and advertisers in the coming months and that 36.com's no-hassle online shopping solutions would continue to gain market share. While our integrated web-plus-magazine approach will offer substantial revenue growth potential, our website and magazine will continue to share the same resources to ensure a competitive cost structure. Accordingly, we believe that the Group is well on track to become a sustainable and profitable business.

Dr. Saimond Ip

Chairman

Hong Kong, 27 July 2001



DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 2001, the interests of the directors and their associates in the share capital and warrants of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

| Name | Number of issued ordinary shares of HK\$0.0001 each in the Company | | | | Total |
|----------------------|---|-------------------------------|-------------------------------|--------------------------------|-------------|
| | Personal interests | Family interests | Corporate interests | Other interests | |
| Cheng Albert Jinghan | 1,326,000 | 13,206,000 <i>(note 1)</i> | — | 602,490,000 <i>(note 2)</i> | 617,022,000 |
| Ip Saimond | 243,456,000 | — | — | — | 243,456,000 |
| Yeung Kwok Mung | 68,238,000 | — | — | — | 68,238,000 |
| Poon Kai Tik | 5,910,000 | 79,206,000 <i>(note 3)</i> | — | — | 85,116,000 |
| Huang Erwin Steve | 25,326,000 | — | — | — | 25,326,000 |
| Chung Wai Yang | — | — | 83,166,000 <i>(note 4)</i> | — | 83,166,000 |

Notes:

- (1) These shares were held by Cheng Albert Jinghan's wife, Lo Irene Kam Sheung and therefore he was deemed to have interest in these shares.
- (2) These shares were held by Drummond Finance Limited. Drummond Finance Limited is a wholly-owned subsidiary of Umbel Inc., which is a company owned by CIBC Trust Company (Bahamas) Limited as a trustee of the Albert Cheng Family Trust. Cheng Albert Jinghan and his children are the discretionary beneficiaries of such Trust and Cheng Albert Jinghan was therefore deemed to have interest in these shares. Cheng Albert Jinghan is a director of Drummond Finance Limited.
- (3) These shares were held by Poon Kai Tik's wife, Au Tak Yee, and therefore he was deemed to have interest in these shares.
- (4) These shares were held by Cyber Channel Limited, which is wholly-owned by Chung Wai Yang and therefore he was deemed to have interest in these shares.

No directors of the Company or their associates were interested in the warrants of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

| Name | Number of shares held | Percentage of issued share capital |
|--|--------------------------|---------------------------------------|
| CIBC Trust Company (Bahamas) Limited | 602,490,000 | 24.41% |
| Umbel Inc. (<i>note 1</i>) | 602,490,000 | 24.41% |
| Drummond Finance Limited (<i>note 1</i>) | 602,490,000 | 24.41% |
| Lo Irene Kam Sheung (<i>note 2</i>) | 617,022,000 | 25.00% |
| ACAEDL Limited (<i>note 3</i>) | 326,052,000 | 13.21% |
| Chung Po Yang (<i>note 3</i>) | 336,192,000 | 13.62% |

Notes:

- (1) Drummond Finance Limited is a wholly-owned subsidiary of Umbel Inc., which is a company owned by CIBC Trust Company (Bahamas) Limited as a trustee of the Albert Cheng Family Trust. Cheng Albert Jinghan and his children are the discretionary beneficiaries of the trust and Cheng Albert Jinghan was therefore deemed to have interest 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 have interest in 617,022,000 shares in which Cheng Albert Jinghan had interest.
- (3) ACAEDL Limited is wholly owned by Chung Po Yang and Chung Po Yang was therefore deemed to have interest in these shares. 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 of the Company. Chung Wai Yang is also a director of ACAEDL Limited.

Save as disclosed above, no persons, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.



SHARE OPTIONS

On 12th July, 2000, the shareholders of the Company adopted a Pre-IPO share option scheme (the "Pre-IPO Plan"). The principal terms of the Pre-IPO Plan were set out in the Company's prospectus dated 18th July, 2000. Pursuant to the terms of the Pre-IPO Plan, 316,516,167 options to subscribe for ordinary shares in the Company were granted to 2 executive directors, and 3 non-executive directors of the Company and 73 other employees of the Group on 12th July, 2000. Details of these options were as follows:

| Grantees | Notes | Number of | | Expiration date |
|---------------------------|-------|-------------------------------|--------------------------|---------------------|
| | | shares subject to the options | Exercise price per share | |
| | | | HK\$ | |
| 2 executive directors | (i) | 145,204,510 | 0.0379 | 31st December, 2005 |
| 3 non-executive directors | (i) | 71,777,230 | 0.0379 | 31st December, 2005 |
| 2 employees | (i) | 47,521,476 | 0.0379 | 31st December, 2005 |
| 65 employees | (i) | 47,432,409 | 0.0909 | 31st July, 2004 |
| 6 employees | (ii) | 4,580,542 | 0.0909 | 31st July, 2004 |
| | | 316,516,167 | | |

Notes:

- (i) Each of these options becomes exercisable as to 8.33% of the number of shares subject to it after each Reference Date immediately after the date of commencement of dealings of the Company's shares and warrants on the GEM of the Stock Exchange. "Reference Date" means each of 31st March, 30th June, 30th September and 31st December. The first Reference Date was 30th September, 2000.

- (ii) Each of these options becomes exercisable as to 6.25% of the number of shares subject to it after each Reference Date (as referred to above) immediately after the date of commencement of dealings of the Company's shares and warrants on the GEM of the Stock Exchange.

No further options will be granted pursuant to the Pre-IPO Plan. No options under the Pre-IPO Plan had been exercised or cancelled as at 30th June, 2001. Due to the departure of certain employees, options comprising an aggregate of 96,428,178 underlying shares lapsed during the period from 28th July, 2000 to 30th June, 2001:

| | Number of share options at an exercise price of | | |
|--------------------|--|--------------|--------------|
| | HK\$0.0379 | HK\$0.0909 | Total |
| At date of grant | 264,503,216 | 52,012,951 | 316,516,167 |
| Lapsed | (82,172,553) | (14,255,625) | (96,428,178) |
| At 30th June, 2001 | 182,330,663 | 37,757,326 | 220,087,989 |

On 12th July, 2000, the Company approved a share option scheme (the "Share Option Scheme") under which the board of directors of the Company may, at their discretion, to invite any full-time employee of the Group, including any executive directors of the Company and any of its subsidiaries, to take up options to subscribe for shares in the Company in accordance with the provisions of the Share Option Scheme.

Under the Share Option Scheme, the subscription price of the shares over which the options are granted will be determined by the directors, but may not be less than the higher of the closing price of the shares on the GEM of the Stock Exchange on the date of the grant of the option, and the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the option, and the nominal value of the shares. Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The maximum number of shares in respect of which options may be granted under the Share Option Scheme, together with the options so granted under the Pre-IPO Plan must not exceed 30% of the issued share capital



DIRECTORS' INTERESTS IN SECURITIES

of the Company, from time to time which have been duly allotted and issued. The Share Option Scheme became effective for a period of ten years commencing on the public listing of the Company's shares on 28th July, 2000. Further details of the Share Option Scheme were set out in the Company's prospectus dated on 18th July, 2000.

No options had been granted to any directors of the Company under the Share Option Scheme. Details of the options granted to employees of the Group pursuant to the Share Option Scheme are as follows:

| Date of grant | Exercise price per share HK\$ | Expiration date | Number of share options | | |
|----------------------|-------------------------------------|---------------------|----------------------------|---------------------------|-------------------|
| | | | Granted during the year | Lapsed during the year | At end of year |
| 15th August, 2000 | 0.187 | 31st December, 2005 | 45,780,000 | 24,960,833 | 20,819,167 |
| 11th September, 2000 | 0.168 | 31st December, 2005 | 940,000 | 30,000 | 910,000 |
| 25th October, 2000 | 0.072 | 31st December, 2005 | 540,000 | 440,000 | 100,000 |
| 24th November, 2000 | 0.058 | 31st December, 2005 | 2,490,000 | 1,800,000 | 690,000 |
| 20th December, 2000 | 0.058 | 31st December, 2005 | 120,000 | 120,000 | — |
| 23rd February, 2001 | 0.050 | 31st December, 2005 | 40,000,000 | 36,666,667 | 3,333,333 |
| 28th March, 2001 | 0.050 | 31st December, 2005 | 10,000,000 | — | 10,000,000 |
| | | | 99,870,000 | 64,017,500 | 35,852,500 |

Note: Each of the above options becomes exercisable as to 8.33% of the number of shares subject to it after each Reference Date immediately after the date of commencement of dealings of the Company's shares and warrants on the GEM of the Stock Exchange. "Reference Date" means each of 31st March, 30th June, 30th September and 31st December. The first Reference Date was 30th September, 2000.

Warrants

As at 30th June, 2001, the Company had 307,000,000 warrants outstanding. Each warrant entitles the holder thereof to subscribe for one ordinary share in the Company of HK\$0.0001 each at a subscription price of HK\$0.40 per share, payable in cash and subject

to adjustment, from the date of issue to 27th July, 2002. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 307,000,000 additional shares of HK\$0.0001 each.

SPONSOR'S INTEREST

Neither the sponsor of the Company, Worldsec Corporate Finance Limited ("Worldsec") nor its associates had as at 30th June, 2001 any interest in the Company other than the following: (i) by a sponsor agreement entered into between Worldsec and the Company, Worldsec received, and will receive, fees for acting as the Company's retained sponsor for the period from 28th July, 2000 to 31st March, 2003; and (ii) Cheong Henry Ying Chew, one of the directors of Worldsec, subscribed for 1,500 shares in CCC, at a consideration of HK\$750,000 on 17th February, 2000 and became a shareholder of the Company after the Reorganisation and held approximately 0.80% of the Company's issued shares.

Save as disclosed above, Worldsec, its directors, employees and associates, as at 30th June, 2001, 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.

COMPETING INTERESTS

During the year, none of the directors nor the substantial shareholders of the Company had any interest in any business that directly or indirectly competed with the business of the Group except that, Cheng Albert Jinghan is a director of a company whose principal business includes the provision of media services. The Group 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30th June, 2001, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.



AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 11th May, 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control systems of the Group. The Committee comprises two independent non-executive directors, Wong Richard Yue Chim and Shek Abraham Lai Him.

By Order of the Board

Ip Saimond

Chairman

Hong Kong, 27th July, 2001