



Interim Report 2001

36.com holdings limited

(Incorporated in Bermuda with limited liability)



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.

I hereby 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 2001. In May 2001, we launched the "CUP" weekly magazine to deliver a unique on-line and off-line proposition to both our advertisers and readers. The synergies between the print and web formats have given us a very competitive cost structure.

Business Review

Our stated objective when we launched the CUP weekly was to make it the leading magazine for the middle-class in Hong Kong. I believe that we have already met that target. Since its launch six months ago, its circulation has steadily climbed to a over 100,000 copies per issue, according to an audited report by Ernst & Young. A reader survey conducted by a third party market research firm Marketing Decision Research indicates that CUP has a predominantly middle-class readership base. For example, 59% of our readers fall between 25 to 44 years old, 38% are university graduates, and 34% have monthly personal income of HK\$15,000 or above. The proportion of middle-class readers for CUP is significantly higher than most of the other comparable magazines in Hong Kong.

Meanwhile, our e-businesses continued to strengthen in the last few months. Our one-stop, no-hassle online shopping solution continued to expand its client base. The effectiveness of our online campaigns is demonstrated by many repeated businesses. For example, online campaigns for Baptist Hospital's quarterly seminars typically drew over 1,000 participants.

For the six months ended 30th September, 2001, the Group's turnover amounted to approximately HK\$19,589,000, with a loss attributable to shareholders of approximately HK\$48,914,000.

Future Outlook

Recent terrorist attacks on the US have created huge short-term uncertainties for many economies and industries. Like most other company, our near-term business outlook would be somewhat affected. However, we believe that the Group will emerge from these uncertainties as one of the winners. The CUP weekly will be a major beneficiary when the local economy gets back to business-as-usual. Our premier position in the on-line and off-line media market will put us well on track to become a sustainable and profitable business.

Dr. Saimond Ip
Chairman

Hong Kong, 14 November 2001



UNAUDITED COMBINED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

	Three months ended 30th September		Six months ended 30th September	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	11,319	10,453	19,589	14,226
Loss before taxation	(28,949)	(19,318)	(48,914)	(31,984)
Taxation	0	14	0	(31)
Loss attributable to shareholders	(28,949)	(19,304)	(48,914)	(32,015)
Loss per share -basic	1.173cents	0.812cents	1.982cents	1.410cents

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 content distribution. The Company's shares and warrants have been listed on GEM operated by the Stock Exchange 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 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 Company incurred tax losses for the six months ended 30th September, 2001 and corresponding period in 2000. The tax charge for the six months ended 30th September, 2000 arose from underprovision in the prior years.

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

4. Loss per share

The calculation of the basic loss per share for the six months ended 30th September, 2001 is based on the unaudited combined loss attributable to shareholders of the Company of HK\$48,914,000 (2000 : 32,015,000) and the weighted average number of 2,468,026,000 (2000 : 2,270,069,716) ordinary shares outstanding.

No diluted loss per share have been presented for the six months ended 30th September, 2001 and the corresponding period ended 30th September, 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 six months ended 30th September, 2001 (2000 : Nil).

As at 30th September, 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 (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
Huang Erwin Steve	25,326,000	–	–	–	25,326,000
Chung Wai Yang	–	–	83,166,000 (note 3)	–	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 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 September, 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 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 issued 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 shares subject to the options	Exercise price per share HK\$	Expiration date
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 completion of the share offer in connection with the listing 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 completion of the share offer in connection with the listing of the Company's shares and warrants of 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 September, 2001. Due to the departure of certain employees, options comprising an aggregate of 122,334,381 underlying shares lapsed during the period from 28th July, 2000 to 30th September, 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	(102,375,603)	(19,958,778)	(122,334,381)
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At 30th September , 2001	162,127,613	32,054,173	194,181,786

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, invite any full-time employees 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 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 listing of the Company's shares and warrants on GEM of the Stock Exchange 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		Number of share options		
	per share <i>HK\$</i>	Expiration date	Granted since commencement	Lapsed	At end of period
15th August, 2000	0.187	31st December, 2005	45,780,000	26,147,549	19,632,451
11th August, 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	1,905,001	584,999
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	65,309,217	34,560,783

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 completion of the share offer in connection with the listing of the Company's share 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 September, 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 would 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 September, 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 Cyber Communications Corporation Limited, at a consideration of HK\$750,000 on 17th February, 2000 and became a shareholder of the Company after the Reorganization and held approximately 0.80% of the Company's issued shares.

Save as disclosed above , Worldsec, its directors, employees and associates, as at 30th September, 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 INTEREST

During the six months ended 30th September, 2001 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. Mr Cheng has the entire shareholding interest in this company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30th September, 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, 14th November, 2001

Progress Against Business Objectives

Business objectives as stated in the prospectus dated 18 July, 2000 for the period commencing from 1st April, 2001 and ending 30th September, 2001	Actual business progress
Hong Kong	
<ul style="list-style-type: none"> · Continue to increase the depth of content and variety of features on all the Group's vertical portals to encourage a rapid rate of growth in traffic to the portals and in the number of new registered users · Continue to expand and build new portals through joint-venture partnerships including e-tailing (such as e-tailing second hand cars) · Roll out further intermediary services on the Consumer portal 	<ul style="list-style-type: none"> · The Group has revised the vertical portals several times during the period to increase the depth of content and variety of features · The Group has built many e-tailing partnerships during the period. One example is an online partnership with Citicall on audio visual product. · The Group has launched an intermediary service to help Public Service Entities (e.g., Hospital) organize events
North America	
<ul style="list-style-type: none"> · Continue to increase the depth of content and variety of features on each of the Group's localized vertical portals to encourage a rapid rate of growth in traffic to the portals and in the number of new registered users · Launch localized Entertainment portal 	<ul style="list-style-type: none"> · The Group has no current plan to expand its vertical portals in North America in light of the changes in market conditions. · The Group has no current plan to launch localized Entertainment portal in North America in light of the changes in market conditions.
PRC	
<ul style="list-style-type: none"> · Continue to increase the depth of content and variety of features on each of the Group's localized vertical portals to encourage a rapid rate of growth in traffic to the portals and in the number of new registered users · Launch localized Finance portal · Launch localized Entertainment portal 	<ul style="list-style-type: none"> · The Group has no current plan to expand its vertical portals in PRC in light of the changes in market conditions. · The Group has no current plan to launch localized Finance or Entertainment portals in PRC in light of the changes in market conditions.
Asia / Australasia	
<ul style="list-style-type: none"> · Launch localized Entertainment portals targeted at the Chinese communities in Thailand, Taiwan and Australasia · Launch localized Consumer portals targeted at the Chinese communities in Thailand, Taiwan, and Australasia · Develop distribution of the Group's Chinese language vertical portals / content through other third parties networks 	<ul style="list-style-type: none"> · The Group has no current plan to launch localized Entertainment or Consumer portals in other part of Asia / Australasia in light of the changes in market conditions. · The Group has no current plan to distribute its Chinese language vertical portals through other third parties networks in Asia / Australasia in light of the changes in market conditions.