

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 Exchange takes no responsibility for the contents of this quarterly 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 quarterly report.

This quarterly report, for which the directors (the “Directors”) of hongkong.com Corporation (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this quarterly 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 quarterly report misleading; and (3) all opinions expressed in this quarterly report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Highlights

- Turnover of HK\$16.3 million represents a 9,327% increase over the corresponding period in 1999.
- Operating loss of HK\$15.8 million represents a 641% increase over the corresponding period in 1999.
- Pre-tax loss in the first quarter of 2000 increased to HK\$11.3 million from HK\$2.1 million in the first quarter of 1999.
- Reached 3.2 million daily page views during the quarter and 1.1 million registered subscribers as of the end of this quarter.
- 21 major content channels with three launched in the first quarter of 2000.
- Acquired a minority stake in a leading Wireless Application Service Provider in Hong Kong.
- Successful listing on the GEM on 9th March, 2000.
- Strong financial position with over HK\$1.2 billion in cash and marketable securities.

**Message from Mr. Rudy Chan
Chief Executive Officer,
hongkong.com Corporation**



It is with great pleasure that I present to you hongkong.com Corporation's First Quarter 2000 Report.

As of the end of March, our total turnover was HK\$16.3 million. This represents a 9,327 percent increase from total turnover over the same period in 1999. The strong revenue growth can be attributed to a sharp rise in both advertising and sponsorship revenue and revenue from content provisioning. The addition of Shop4U, an e-commerce service that was only launched in December 1999, provided a new source of revenue.

We are proud to present our strong performance results in our first public announcement following our initial public offering on Hong Kong's Growth Enterprise Market in early March 2000. This demonstrates that our fundamental business approach based on the 3C's strategy — Content, Community and Commerce — has proven to work. It has enabled *hongkong.com* to maximize the potential of the Internet to deliver a comprehensive and engaging experience to our *hongkong.com* users.

Our core belief in the 3C's strategy is that by creating in-depth content channels, we are able to attract and retain 'stickiness' within our sites and thereby, foster a loyal group of *hongkong.com* communities in Hong Kong, Asia and worldwide. These valuable communities who share similar interests, will enable us to conduct commerce-related activities effectively and successfully.

We are confident that our efforts focused on 3C's strategy will make *hongkong.com* well-positioned to be Hong Kong's Internet industry leader as we take part in the global Internet revolution.

May I take this opportunity to thank you for your support.

A handwritten signature in black ink, appearing to read 'Rudy Chan'. The signature is stylized and fluid, with a large initial 'R' and 'C'.

Results

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31st March, 2000 (the "Quarterly Period") together with the comparative unaudited figures for the corresponding periods in 1999 as follows:

	Notes	Three months ended 31 March	
		2000 HK\$'000	1999 HK\$'000
Turnover	2	<u>16,310</u>	<u>173</u>
Loss from operations		(15,827)	(2,136)
Share of loss of an associated company		(414)	—
Other income		<u>4,907</u>	<u>—</u>
Loss before taxation		(11,334)	(2,136)
Taxation	3	<u>—</u>	<u>—</u>
Loss attributable to shareholders		<u>(11,334)</u>	<u>(2,136)</u>
Loss per share - basic	4	<u>(0.32 cents)</u>	<u>(0.06 cents)</u>

Notes:

1. Basis of presentation

The Company was incorporated in the Cayman Islands with its shares listed on GEM of the Exchange on 9th March, 2000.

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with accounting principles generally accepted in Hong Kong.

The unaudited consolidated results have been prepared using the merger basis of accounting. Under this basis, the Company has been treated as the holding company of its subsidiary for the periods presented rather than from the date of acquisition on 23rd November, 1999. Accordingly, the consolidated results of the Group for the period ended 31st March, 2000 and 1999 include the results of the Company and its subsidiary as if the current Group structure had been in existence throughout the periods.

- Turnover represents advertising service fees, content and internet service provision fees and e-commerce income.
- No provision for Hong Kong profits tax has been made as the Group and the associated company did not generate any assessable profits during the Quarterly Period and the corresponding period in 1999.

4. Loss per share

The calculation of basic loss per share for the three months ended 31st March, 2000 is based on the loss attributable to shareholders of approximately HK\$11,334,000 (1999: loss of approximately HK\$2,136,000) and the weighted average number of

3,527,027,099 shares (1999: 3,359,989,923 shares after adjusting for the capitalisation issue in 2000 as described in detail in the section headed "Further Information about the Company" in Appendix V to the Company's prospectus dated 28th February, 2000) in issue as at 31st March, 2000.

No disclosure of diluted loss per share for the three months ended 31st March, 2000 is shown as the effect of dilutive potential ordinary shares during the Quarterly Period is anti-dilutive.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the quarter ended 31st March, 2000 (1999: Nil).

Business Review

General

For the three months ended 31st March, 2000, the Group's turnover and net loss were HK\$16.3 million and HK\$11.3 million respectively. Compared to the same period in 1999, turnover increased by 93 times while net loss increased by 4 times. The strong revenue growth can be attributed to a sharp rise in both advertising and sponsorship revenue and revenue from content provisioning. The addition of Shop4U, an e-commerce service that was only launched in December 1999, provided a new source of revenue. The increase in net loss was mainly due to the significant increase in marketing expenses and personnel costs, together with an increase in other operating expenses. However, this increase was partially offset by the increase in turnover in the Quarterly Period.

The primary driver of the advertising and sponsorship revenue growth has been the increased number of advertisers on *hongkong.com*. At the end of the Quarterly Period, *hongkong.com* had over 70 advertisers as compared to 40 advertisers in the fourth quarter of 1999. The Group was able to accomplish this by growing the brand awareness of *hongkong.com* through a series of successful advertising and marketing campaigns introduced during the Quarterly Period particularly through the television commercial featuring popular Taiwanese singer Richie Jen. In addition, the Group was able to drive page view growth and expand its strong community of users through new content channels. During the Quarterly Period, *hongkong.com* launched three new content channels — *MyCV.hongkong.com*, *gadget.hongkong.com*, *richie.hongkong.com* - bringing the total number of major channels to 21. This enabled the Group to increase the daily page view of *hongkong.com* to 3.2 million during the Quarterly Period and registered subscriber base to 1.1 million as of the end of the Quarterly Period.

Other developments during the Quarterly Period:

infoisLive.com Limited ("infoisLive")

On 10th March, 2000, the Company acquired a 30% stake in infoisLive, a leading Wireless Application Service Provider in Hong Kong. This investment gives the Group the capability to provide leading-edge Wireless Application Protocol ("WAP") services through different media, both mobile and non-mobile.

These media include WAP phones, Personal Digital Assistants ("PDAs") and WebTV. Content of different nature, format and interactivity can be delivered to users. Potential applications can be based on communication modes such as mobile ICQ and email; entertainment such as horoscopes; and commerce such as mobile shopping. infoisLive's WAP services are currently available through five of the six mobile operators in Hong Kong and the *hongkong.com* portal-enabled WAP services for mobile users are expected to go online later this year.

The Bigstore.com Asia Limited ("Bigstore.com Asia")

The Company and Bigstore.com Asia entered into an agreement (the "Agreement") on 28th March 2000 pursuant to which the Company conditionally agreed to subscribe for shares in Bigstore.com Asia, representing 51% of the entire issued share capital of Bigstore.com Asia, for a consideration of US\$100 million (approximately HK\$780 million), and part of the consideration shall be satisfied by issue and allotment of new shares by the Company to Bigstore.com Asia.

Under the GEM Listing Rules, the Company is not permitted to issue any new shares within six months of the date on which dealing in its shares first commenced on GEM. The Company sought a waiver from the Exchange from this requirement in order to allot and issue new shares to Bigstore.com Asia pursuant to the Agreement prior to the expiry of that six-month period. However, the Company has been informed by the Exchange that such waiver will not be granted. The Agreement was conditional upon, inter alia, obtaining the waiver from the Exchange in relation to the issue and allotment of new shares by the Company within that six-month period, and the Agreement will lapse if such waiver cannot be obtained. Accordingly, the Agreement has lapsed. However, the Company continues to discuss other means of cooperation with Bigstore.com Asia.

Outlook

The outlook remains healthy for the Group as Internet development in Hong Kong and Asia continues to show rapid growth and regional economies continue to improve. Despite the recent fluctuations in global stock markets, the Company is extremely well positioned financially with over HK\$1.2 billion in cash and marketable securities as a result of a successful listing on the GEM.

The solid foundation that has been laid coupled with a strong financial position will allow the Group to continue to execute its business plan and to develop its strategy along the lines of content, community, and commerce. The Group will continue to work closely with China.com Corporation, its subsidiaries, associated companies and other third parties to increase the depth of its current 21 major content channels as well as introduce new content channels that are relevant to its users. Furthermore, the Group will examine ways to further expand the reach of its content and services through other distribution channels and devices.

The number of community products will also be expanded to maintain the strength and growth momentum of its registered user base. This should continue to drive both page view and advertising revenue as the attraction of *hongkong.com* as an online advertising medium grows. In addition, the Group will continue to work with merchants and partners to develop and introduce several e-commerce initiatives that will help drive long term revenue growth.

The Company will also be seeking opportunities to make strategic acquisitions and investments that will enhance the long term value of the Group. In the view of the Board, the recent fluctuations in global stock markets should allow the Group to make acquisitions and investments at much more attractive prices. In addition, the tightening of the capital markets should limit the competitive environment in the near term.

The Group will strive to maintain its market leadership and its strong brand recognition with continued marketing and advertising campaigns. However, through innovative marketing and advertising initiatives, the Group aims to reduce its total marketing and advertising expenditure as a percentage of revenue throughout the year. Accordingly, this fits with the overall objective of the Group of driving profitability by creating scaleable revenue growth and maintaining tight financial control.

Directors' and Chief Executive's Interests in Securities

At 31st March, 2000, according to the register required to be kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's Directors, chief executive and their associates were as follows:

(a) Shares in the Company:

Name	Personal interests
Ch'ien, Raymond K. F.	2,000,000 shares
Chan, Rudy	3,416,000 shares
Chan Wing Tak, Douglas	3,416,000 shares
Chou Kei Fong, Silas	6,088,000 shares
Edelson, Harry	3,416,000 shares
Hamilton, Peter John	2,000,000 shares
Henry, Ian Michael Charles	3,416,000 shares
Hung Shuk Tak, Vicky	3,416,000 shares
Hwee, Koh Boon	3,416,000 shares
Wong Sin Just	1,000,000 shares
Yip Hak Yung, Peter	3,416,000 shares
Zhou Shun Ao	5,000,000 shares

Saved as disclosed above, as at 31st March 2000, none of the Directors, chief executive and their associates had any family, corporate or other interests in the share capital of the Company.

(b) Options to subscribe for shares in the Company:

Name of Director	Number of underlying shares <i>(Note)</i>
Ch'ien, Raymond K. F.	10,000,000
Chan, Rudy	60,000,000
Chan Wing Tak, Douglas	1,000,000
Chou Kei Fong, Silas	1,000,000
Edelson, Harry	1,000,000
Hamilton, Peter John	5,000,000
Henry, Ian Michael Charles	5,000,000
Hung Shuk Tak, Vicky	5,000,000
Hwee, Koh Boon	1,000,000
Wong Sin Just	1,000,000
Yip Hak Yung, Peter	6,000,000
Zhou Shun Ao	6,000,000

Note: The options were granted on 25th February, 2000 and are exercisable at the issue price in accordance with the terms of the pre-IPO share option scheme.

All the above pre-IPO share options have not been exercised during the Quarterly Period.

The Company also has a post-IPO share option scheme under which the Directors may take up options to subscribe for shares in the Company subject to the terms and conditions stipulated in the post-IPO share option scheme. The maximum number of shares which can be granted under the pre-IPO share option scheme and the post-IPO share option scheme may not exceed 50% of the issued share capital of the Company at the time of granting of the option. No option had been granted under the post-IPO share option scheme during the period from 9th March, 2000 (date of listing) to 31st March, 2000 or were outstanding as at 31st March, 2000.

(c) Class A common shares in China.com Corporation which is, according to the SDI Ordinance, an associated corporation of the Company:

Name of Director	Personal interests (number of shares)	Family interests (number of shares)	Corporate interests (number of shares) <i>(Note)</i>	Total number of shares
Ch'ien, Raymond K.F.	369,220	—	—	369,220
Chan, Rudy	—	—	—	—
Chan Wing Tak, Douglas	17,794	—	—	17,794
Chou Kei Fong, Silas	—	—	—	—
Edelson, Harry	253,238	—	33,435	286,673
Hamilton, Peter John	—	—	434,137	434,137
Henry, Ian Michael Charles	—	—	434,137	434,137
Hung Shuk Tak, Vicky	26,006	—	—	26,006
Hwee, Koh Boon	—	—	—	—
Wong Sin Just	—	—	—	—
Yip Hak Yung, Peter	—	26,691	5,967,843	5,994,534
Zhou Shun Ao	8,897	—	—	8,897

Note: In each of these cases, the shares were beneficially owned by a company in which the relevant Director is deemed to be entitled to exercise or control the exercise of one third or more of the voting power at general meetings under the SDI Ordinance. Peter Yip holds the shares through Asia Pacific Online Limited. Ian Henry and Peter Hamilton hold the shares through TDB Services Limited. Harry Edelson holds the shares through Edelson Technology Partners.

(d) Options to subscribe for Class A common shares in China.com Corporation:

Name of Director	Number of share options outstanding and exercise price per share		other exercise price
	US\$6.75 (Note 1)	US\$10.00 (Note 2)	
Ch'ien, Raymond K.F.	50,000	—	—
Chan, Rudy	—	—	19,000 (Note 4)
Chan Wing Tak, Douglas	30,000	—	—
Chou Kei Fong, Silas	—	—	—
Edelson, Harry	30,000 (Note 6)	—	—
Hamilton, Peter John	340,000	—	—
Henry, Ian Michael Charles	340,000	—	—
Hung Shuk Tak, Vicky	340,000	—	—
Hwee, Koh Boon	—	—	—
Wong Sin Just	—	—	24,000 (Note 5)
Yip Hak Yung, Peter	30,000	1,090,721 (Note 3)	—
Zhou Shun Ao	60,000 (Note 3)	—	—

Notes

1. The options were granted on 22nd June, 1999 and are exercisable from 22nd June, 2000 to 22nd June, 2010.
2. The options were granted on 12th July, 1999 and are exercisable from 16th July, 2000 to 16th July, 2009.
3. These options were granted to companies in which the relevant Directors are deemed to be entitled to exercise or control the exercise of one third or more of the voting power at general meetings under the SDI Ordinance. Peter Yip holds the share options through Asia Pacific Online Limited, and Zhou Shun Ao holds the share options through Golden Tripod Technology Limited. Due to a clerical error, the number of options held by Zhou Shun Ao disclosed in the Company's prospectus dated 28th February, 2000 was 30,000 instead of 60,000. The Directors believe that such error is not of a material nature.
4. The options were granted on 25th November, 1999 and are exercisable from 25th November, 2000 to 25th November, 2010 at an exercise price of US\$29.00 per share.

5. The options were granted on 12th October, 1999 and are exercisable from 12th October, 2001 to 12th October, 2011 at an exercise price of US\$28.50 per share.
6. Due to a clerical error, the options held by Harry Edelson was omitted in the Company's prospectus dated 28th February, 2000. The Directors believe that such omission is not of a material nature.

All the above options have not been exercised during the Quarterly Period.

Save as disclosed above, as at 31st March, 2000, none of the Directors, chief executive or their associates had any interests in or rights to subscribe for any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Save as disclosed above, at no time during the Quarterly Period was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

Other than the interest disclosed above in respect of Directors, chief executive and their associates, at 31st March, 2000, according to the register required to be kept by the Company under Section 16(1) of the SDI Ordinance, the only person interested in 10 per cent or more of the issued share capital of the Company was as follows:

Name	Number of shares	Percentage of issued share capital
China.com Corporation	3,360,000,000	82.03%

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from 9th March, 2000 (date of listing) to 31st March, 2000, there were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

Interest of Sponsors

An employee of BNP Prime Peregrine Capital Limited held 2,000 shares in the Company as at 31st March, 2000. Save as disclosed herein, the Joint Sponsors of the Company, BNP Prime Peregrine Capital Limited and Lehman Brothers Asia Limited, their respective directors, employees and associates, at 31st March, 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.

The Company has engaged BNP Prime Peregrine Capital Limited and Lehman Brothers Asia Limited as its continuing joint sponsors for the period from 9th March, 2000 to 31st December, 2002.

Year 2000 Compliance Results

The Board is pleased to announce that all accounting, financial, functional and operational applications in the Group were fully Year 2000 compliant and therefore, the Year 2000 compliance issue did not create any material adverse impact on the business operations in all functional areas.

Competing Interests

Peter Yip, an executive Director and the Vice-Chairman, is a non-executive director of New World CyberBase Limited, which is a company listed on the Main Board engaged in operating, researching and developing new international technology businesses in the areas of connectivity services, e-commerce and software development. The Directors believe that the business of New World CyberBase Limited may compete with the Group's business. Furthermore, New World CyberBase Limited has acquired a majority interest in *ehongkong.com*, an internet portal, which may also be a potential competitor with the Group's business. However, Mr. Yip's directorship in New World CyberBase Limited was omitted from the Company's prospectus dated 28th February, 2000. The Directors believe that such omission was due to a clerical error and is not of a material nature.

Douglas Wing Tak Chan, a non-executive Director, is also a director of New World CyberBase Limited and a director of Companion Dynamic (Holdings) Limited, a company listed on the Main Board engaged in operating websites (under the domain names *www.HKCyber.com*, *www.HKStock.com* and *www.Gameplayers.com*) which provide local and foreign news, financial information and commentaries as well as entertainment and computer games. The Directors believe that the business of Companion Dynamic (Holdings) Limited may also compete with the Group's business.

Koh Boon Hwee, a non-executive Director, is a director of *SinoHome.com* which is a company engaged in developing co-branded internet portals with government entities and Chinese internet service providers. The Directors believe that the business of *SinoHome.com* may compete with the Group's business. In addition Mr. Koh is a director of MediaRing.com Limited, AceFusion.com Pte Limited (formerly known as Ace-Info Solution Pte Limited), Ezyhealth Asia-Pacific Pte Limited and Inquisitive Mind Pte Limited, all of which are portal companies. The Directors believe that the businesses of these companies may also compete with the Group's business. As of 4th May, 2000, Mr. Koh was also appointed as a director of SPH AsiaOne Limited which manages and operates an internet portal (*asiaone.com*) offering the following services: provision of news, auction services, e-commerce and career services. The Directors believe that the business of SPH AsiaOne Limited may compete with the Group's business.

Save as disclosed above, none of the Directors, chief executive or their associates had any interests in any companies which may compete with the Group's business.

Audit Committee

The Company established an audit committee on 25th February, 2000 with terms of reference in compliance with the GEM Listing Rules. The audit committee has two members comprising of two independent non-executive Directors, Mr. Wong Sin Just and Mr. Chou Kei Fong, Silas.

By Order of the Board
Raymond K.F. Ch'ien
Chairman

Hong Kong, 12th May, 2000