



content



community



commerce

hongkeng.com

hongkong.com Corporation
(incorporated in the Cayman Islands with limited liability)

Interim Report 2000

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 report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the Directors (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 report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- hongkong.com Corporation achieved profitability in the first quarter after listing
- Net profit of approximately HK\$2,262,000 in the second quarter of 2000
- Gross profit margin reached 46% in the second quarter of 2000 compared to 34% in the first quarter of 2000
- Turnover of approximately HK\$36,591,000 in the first half year of 2000 represents a 8,390% increase over the same period in 1999
- Over 4 million daily page views during the first half year of 2000 and over 1.2 million registered subscribers at the end of June 2000
- Five new content channels were launched since listing
- Acquired a 30% stake in infoisLive.com Limited, a leading WAP based 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 at the end of June 2000

Message from Mr. Rudy Chan

I am pleased to present our second quarter results which show hongkong.com Corporation reaching a major milestone.

We are proud to announce that hongkong.com has achieved profitability in the first quarter after listing on the GEM. We recorded a net profit of approximately HK\$2,262,000 for the second quarter as compared to a net loss of approximately HK\$2,147,000 over the same period in 1999 and a net loss of approximately HK\$ 11,334,000 in the first quarter of 2000.

Our net profit is due to increasing business opportunities generated by our unrivalled brand recognition, our continuous efforts in managing costs in all areas of our business and our investment income.

These second quarter financial results demonstrate that hongkong.com's management team is executing its business plan well and continues to strive for further growth and profitability. Since our successful listing on the GEM on 9th March, 2000, our financial position remains strong with over HK\$1.2 billion in cash and marketable securities as at the end of June 2000. We are well-positioned to extend our market leadership as the Internet industry faces consolidation in the months ahead.

Since inception, we have earned a reputation as a top quality Internet Content Provider and an undisputed brand leader in the Hong Kong Internet industry. This leading status was publicly recognized in June 2000 when we received the "Best Internet Content Provider Award" from Capital Magazine, a leading Hong Kong business magazine.

This award and recognition serves as a source of inspiration and encouragement for everyone at hongkong.com in our relentless efforts to mold hongkong.com into the best, most profitable and most popular Internet Content Provider in the region.

On behalf of the Board of Directors, I wish to express our sincere appreciation to the management and staff of the Company for their dedication, commitment and loyalty. This will no doubt enable us to meet the coming challenges and to succeed in the turbulent 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.

I look forward to personally delivering more significant achievements in the third quarter.



Mr. Rudy Chan
Chief Executive Officer,
hongkong.com Corporation

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 six months (the "Half-Yearly Period") and the three months (the "Quarterly Period") ended 30th June, 2000 together with the comparative unaudited figures for the corresponding periods in 1999 as follows:

	Notes	Three months ended 30 June		Six months ended 30 June	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	20,281	258	36,591	431
Cost of services		10,893	688	21,647	1,317
Other income		(20,126)	(2)	(25,033)	(2)
Administrative expenses		25,919	1,719	47,302	3,399
Profit/(Loss) from operations		3,595	(2,147)	(7,325)	(4,283)
Share of loss of an associate		(1,333)	—	(1,747)	—
Profit/(Loss) before taxation		2,262	(2,147)	(9,072)	(4,283)
Taxation	3	—	—	—	—
Profit/(Loss) attributable to shareholders		2,262	(2,147)	(9,072)	(4,283)
Earnings/(Loss) per share - basic	4	0.06 cents	(0.06 cents)	(0.24 cents)	(0.13 cents)

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 registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention.

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 Half-Yearly Period and the Quarterly Period ended 30th June, 2000 and the corresponding periods ended 30th June, 1999 include the results of the Company and its subsidiary as if the current Group structure had been in existence throughout the periods.

2. Turnover

Turnover represents advertising service fees, content and internet service provision fees and e-commerce income.

3. Taxation

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 Half Yearly Period and the corresponding period in 1999.

4. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share for the three months and six months ended 30th June, 2000 is based on the profit/(loss) attributable to shareholders of approximately HK\$2,262,000 and HK\$(9,072,000) respectively (three months and six months ended 30th June, 1999: loss of approximately HK\$2,147,000 and HK\$4,283,000 respectively) and the weighted average number of 4,096,000,000 shares and 3,811,513,549 shares respectively (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 30th June, 2000.

No disclosure of diluted earnings/(loss) per share for the three months and six months ended 30th June, 2000 and 30th June, 1999 is shown as the effect of dilutive potential ordinary shares during the Half-Yearly Period and Quarterly Period is anti-dilutive.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the half year ended 30th June, 2000 (1999: Nil).

BUSINESS REVIEW

HALF-YEARLY PERIOD

For the six months ended 30th June, 2000, the Group's turnover and net loss were approximately HK\$36,591,000 and HK\$9,072,000 respectively. This compares to a turnover of approximately HK\$431,000 and a net loss of approximately HK\$4,283,000 over the same period in 1999. Net loss for the Half-Yearly Period was reduced by the net profit in the Quarterly Period.

The strong revenue growth is attributed to a sharp rise in both advertising and sponsorship revenue and revenue from content services. The addition of Shop4U and The Avenue, e-commerce services that were launched in December 1999 and April 2000 respectively, provided a new source of revenue. The increase in operating loss is primarily due to the significant increase in marketing expenses and personnel costs, together with an increase in administrative expenses.

The primary driver of our advertising and sponsorship revenue growth has been the increased number of advertisers on *hongkong.com*. During the Half Yearly Period, *hongkong.com* attracted over 120 advertisers as compared to 40 advertisers during the fourth quarter of 1999 thus reflecting the growing value of *hongkong.com* as an advertising medium. The Group was able to accomplish this by enhancing the brand awareness of *hongkong.com* through a series of successful advertising and marketing campaigns introduced during the Half Yearly 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 and enhanced community services. During the Half Yearly Period, *hongkong.com* launched seven new content channels - *mycv.hongkong.com*, *gadgets.hongkong.com*, *richie.hongkong.com*, *car.hongkong.com*, *euro2000.hongkong.com*, *shopping.hongkong.com* and *wap4u.hongkong.com*. This enabled the Group to increase the daily page view of *hongkong.com* to over 4 million during the Half Yearly Period and registered subscriber base to over 1.2 million as of the end of the Half Yearly Period.

Other major developments during the Half-Yearly Period

infoisLive.com Limited ("infoisLive")

On 10th March, 2000, the Company acquired 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 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.

QUARTERLY PERIOD

For the second quarter ended 30th June, 2000, the Group's turnover was approximately HK\$20,281,000. This represents a 78 times growth compared to the same period in 1999 and a 24% growth over the first quarter of 2000. The Group achieved a net profit of approximately HK\$2,262,000 for the Quarterly Period as compared to a net loss of approximately HK\$2,147,000 over the same period in 1999 and a net loss of approximately HK\$11,334,000 in the first quarter of 2000.

Advertising and sponsorship revenue as well as content service revenue were the primary driver of revenue growth in the Quarterly Period reflecting the Group's ability to continue to extract value from *hongkong.com's* page views as well as its strong base of community users. Gross profit margin reached 46% in the second quarter of 2000 compared to 34% in the first quarter of 2000.

The net profit in the Quarterly Period are mainly attributed to significant interest and investment income as a result of the Group's cash and marketable securities position, and the Group's financial discipline and tight control on overall spending. The Group's marketing and advertising expenses declined sharply as a percentage of total revenue to 66% in the Quarterly Period as compared to 81% in the first quarter of 2000.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the prospectus dated 28th February, 2000	Actual business progress
<p>1. Launch new or enhanced content, online features, and community products on <i>hongkong.com</i>, such as the following:</p> <ul style="list-style-type: none">— music channel— women's/beauty channel— automobile channel— fitness/workout channel— "English4U" channel, for those wishing to learn English	<p>For the period commencing from the Latest Practicable Date of the Company's prospectus dated 28th February, 2000 to the end of June, 2000, 5 new channels were launched. The new channels include <i>mycv.hongkong.com</i> (providing job information and job matching), <i>car.hongkong.com</i> (providing automobile information), <i>euro2000.hongkong.com</i> (providing information related to the soccer event "Euro 2000"), <i>shopping.hongkong.com</i> (providing promotion product information for The Avenue), and <i>wap4u.hongkong.com</i> (providing information related to WAP services).</p> <p>In addition, <i>hongkong.com</i> was able to enhance its car related content through a partnership with <i>CarNet.com</i>, a vertical portal owned by the CITIC Pacific group.</p>
<p>2. Enhance the sports content on <i>hongkong.com</i> through the strategic alliance between the chinadotcom group and Agence France-Presse</p>	<p><i>hongkong.com's</i> community services were improved through the re-launch of a new e-mail system, a new chat room, and an e-match service - an online love-matching platform.</p> <p>On the back of the launch of <i>sportasia.com</i>, a joint venture between the chinadotcom group and Agence France-Presse, the Group has been able to further enhance the sports content on <i>hongkong.com</i> through a content sharing arrangement with <i>sportasia.com</i> made during the Half-Yearly Period.</p>
<p>3. Launch e-commerce websites for Hong Kong and possibly two other countries in Asia</p>	<p>The Group launched Shop4U on <i>hongkong.com</i> in December 1999 and subsequently soft launched The Avenue in April 2000. Whereas the main business of Shop4U is the hosting of third-party merchants, The Avenue is the Group's online store selling products and goods sourced by the Group.</p> <p>Given the early development of the e-commerce market in Asia, the Group has not launched e-commerce websites in other Asian countries and believe that further assessment is necessary before entry into other Asian countries.</p>

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|---|--|
| 4. Offer at least 15 product lines on the website | As at the end of June 2000, The Avenue featured over 50 product lines. |
| 5. Roll out e-commerce advertising and marketing campaigns in selected Asian cities | The Group has been carrying out local advertising and marketing campaigns to promote Shop4U and The Avenue since their launch.

Advertising and marketing campaigns in other Asian cities (other than Hong Kong) will be carried out when e-commerce websites are launched in those cities. |
| 6. Offer customer service in Hong Kong | In order to support The Avenue, the Group simultaneously launched its customer service support capability along with logistics and distribution capabilities through arrangements with third parties. |
| 7. Explore and capitalise on strategic opportunities for the Group's portal and e-commerce business | <i>hongkong.com's</i> position as the leading portal in Hong Kong has allowed the Group to explore and capitalize on strategic opportunities for the Group's portal and e-commerce business. Deals were closed with <i>registrar.com</i> and <i>deltathree.com</i> during the Half-Yearly Period to broaden the Group's portal services by providing domain name registration and IP telephony services respectively to our users. The other content, marketing and e-commerce partners which the Group works closely include New World PCS, KLM, Red Earth, Compaq, Cathay Pacific, Mandarin Oriental, 7-eleven, G2000, NetSanity and Stockhouse. |
| 8. Continue to provide services relating to the AOL Hong Kong service and the Netscape service to the CIC group according to its requirements | The Group continued to provide services relating to the AOL Hong Kong service and the Netscape service to the CIC group according to its requirements. |

The Group raised approximately HK\$1,384 million through the placing of shares upon the listing of the Company. After deducting related expenses, net proceeds were approximately HK\$1,314 million.

During the period from 9th March, 2000 (date of listing) to 30th June, 2000, the Group has incurred approximately HK\$138 million to achieve the business objectives as set out in the Company's prospectus dated 28th February, 2000. The remaining net proceeds have been placed with licensed banks in Hong Kong and invested in interest-bearing marketable securities.

As at 30th June, 2000, the Group has over HK\$1.2 billion cash and marketable securities. The Board of Directors believes that the Group has sufficient funds to satisfy the future business objectives as set out in the Company's prospectus dated 28th February, 2000.

OUTLOOK

Despite continued global volatility among technology stocks, the Board remains encouraged by the strong business prospects of the Group as Internet development in Hong Kong and Asia continues to show healthy growth. The Board believes that the Group is extremely well positioned for opportunities that may arise given its strong financial position with over HK\$1.2 billion in cash and marketable securities as a result of a successful listing on the GEM.

As demonstrated by the Group's second quarter revenue growth, a solid foundation has been laid. Coupled with a strong financial position, the Group will be able to extend its market leadership position and continue to execute its business plan along the lines of content, community, and commerce. The Group will continue to work closely with chinadotcom corporation (formerly known as "China.com Corporation"), its subsidiaries, associated companies and other third parties to increase the depth of its content channels as well as introduce new content channels, community products and e-commerce services that are of interest to our users. For instance, the Group is considering to further enhance its travel related content services. Furthermore, the Group will examine ways to further expand the reach of its content and services through other distribution channels and devices. Particular emphasis will be placed on developing the Group's wireless strategy in conjunction with the chinadotcom group of companies as well as our business partners.

The number of community products will also be expanded to maintain the strength and growth momentum of the Group's user base. This should continue to drive both page view and advertising revenue to the attraction of *hongkong.com* as an online advertising medium grows.

The Group will also be seeking opportunities to make strategic acquisitions and investments that will enhance the long term value of the Group. In the opinion of the Board, the general correction in technology stock valuations 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 extend its market leadership and its strong brand recognition with continued marketing and advertising campaigns. However, through more innovative and focussed 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 towards profitability by creating scaleable revenue growth and maintaining financial discipline. The Group looks to continue to demonstrate its ability to leverage all resources to maintain *hongkong.com's* position as one of the leading Internet companies in Hong Kong and Asia.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 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 of Director	Personal interests (number of shares)	Corporate interests (number of shares) (Note)	Total interests (number of shares)
Ch'ien, Raymond K.F.	2,274,000	—	2,274,000
Chan, Rudy	3,416,000	—	3,416,000
Chan Wing Tak, Douglas	3,416,000	—	3,416,000
Chou Kei Fong, Silas	—	6,088,000	6,088,000
Edelson, Harry	3,416,000	—	3,416,000
Hamilton, Peter John	3,000,000	—	3,000,000
Henry, Ian Michael Charles	3,416,000	—	3,416,000
Hung Shuk Tak, Vicky	3,416,000	—	3,416,000
Koh Boon Hwee	3,416,000	—	3,416,000
Wong Sin Just	1,000,000	—	1,000,000
Yip Hak Yung, Peter	—	3,416,000	3,416,000
Zhou Shun Ao	5,000,000	—	5,000,000

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. Mr. Chou Kei Fong, Silas holds the shares through Delight Securities Limited. Mr. Yip Hak Yung, Peter holds the shares through Asia Internet Holdings Limited.

Saved as disclosed above, as at 30th June 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 (Note)
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
Koh Boon Hwee	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 Half-Yearly 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 to Directors under the post-IPO share option scheme during the period from 9th March, 2000 (date of listing) to 30th June, 2000.

(c) **Class A common shares in chinadotcom corporation (Note 1) 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) (Note 2)	Total interests (number of shares)
Ch'ien, Raymond K.F.	721,773	—	—	721,773
Chan, Rudy	—	—	—	—
Chan Wing Tak, Douglas	35,588	—	—	35,588
Chou Kei Fong, Silas	—	—	—	—
Edelson, Harry	481,348	—	166,870	648,218
Hamilton, Peter John	—	—	1,166,982	1,166,982
Henry, Ian Michael Charles	—	—	1,166,982	1,166,982
Hung Shuk Tak, Vicky	52,012	—	—	52,012
Koh Boon Hwee	—	—	—	—
Wong Sin Just	—	—	—	—
Yip Hak Yung, Peter	—	53,382	11,935,686	11,989,068
Zhou Shun Ao	17,794	—	—	17,794

Notes:

1. A two-for-one share split was approved by the shareholders of chinadotcom corporation on 28th April, 2000 and effective as of 8th May, 2000.
2. 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. Mr. Yip Hak Yung, Peter holds the shares through Asia Pacific Online Limited. Mr. Ian Michael Charles Henry and Mr. Peter John Hamilton hold the shares through TDB Services Limited. Mr. Harry Edelson holds the shares through Edelson Technology Partners.

(d) Options to subscribe for Class A common shares in chinadotcom corporation (Note 1):

Name of Director	Number of share options outstanding and exercise price per share		
	US\$3.375 (Note 2)	US\$5.00 (Note 3)	other exercise price
Ch'ien, Raymond K.F.	66,667 (Note 4)	—	—
Chan, Rudy	—	—	42,500 (Note 6)
Chan Wing Tak, Douglas	60,000	—	—
Chou Kei Fong, Silas	—	—	—
Edelson, Harry	60,000	—	—
Hamilton, Peter John	680,000	—	60,000 (Note 7)
Henry, Ian Michael Charles	680,000	—	—
Hung Shuk Tak, Vicky	680,000	—	—
Koh Boon Hwee	—	—	—
Wong Sin Just	—	—	48,000 (Note 8)
Yip Hak Yung, Peter	60,000	2,181,442 (Note 5)	—
Zhou Shun Ao	120,000 (Note 5)	—	9,000 (Note 9)

Notes

1. A two-for-one share split was approved by the shareholders of chinadotcom corporation on 28th April, 2000 and effective as of 8th May, 2000. The number of share options has become double and the exercise price per share has reduced by half since the two-for-one share split.
2. The options were granted on 22nd June, 1999 and are exercisable from 22nd June, 2000 to 22nd June, 2010.
3. The options were granted on 12th July, 1999 and are exercisable from 16th July, 2000 to 16th July, 2009.
4. Dr. Raymond K. F. Ch'ien has on 22nd June, 2000 exercised his option to subscribe for 33,333 Class A common shares in chinadotcom corporation at an exercise price of US\$3.375 per share for a total consideration of US\$112,498.875. The said shares were registered in his name upon exercise.
5. 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. Mr. Yip Hak Yung, Peter holds the share options through Asia Pacific Online Limited, and Mr. Zhou Shun Ao holds the share options through Golden Tripod Technology Limited.
6. 38,000 options were granted on 15th November, 1999 and are exercisable from 25th November, 2000 to 25th November, 2010 at an exercise price of US\$14.50 per share. 4,500 options were granted on 15th April, 2000 and are exercisable from 20th June, 2001 to 14th April, 2005 at an exercise price of US\$14.2375 per share.

7. The options were granted on 15th April, 2000 and are exercisable from 15th April, 2001 to 15th April, 2010 at an exercise price of US\$16.75 per share.
8. 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\$14.25 per share.
9. The options were granted on 15th April, 2000 and are exercisable from 20th June, 2001 to 14th April, 2005 at an exercise price of US\$14.2375 per share.

Save as disclosed above, at 30th June, 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 Half-Yearly 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, as at 30th June, 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
chinadotcom corporation	3,360,870,000	82.05%

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Options to subscribe for shares in the Company at an exercise price of HK\$1.88 for each share were granted on 9th March, 2000 under the pre-IPO share option scheme of the Company. Details of grants of pre-IPO share options to the Directors are set out in the previous section headed "Directors and Chief Executive's Interests in Securities — (b) Options to subscribe for shares in the Company" in this report.

Details of grant / lapse of pre-IPO share options to persons other than the Directors and Chief Executive are set out below:

	Number of underlying shares
Options granted on 9th March, 2000	138,940,280
Less: Lapsed options	<u>2,170,220</u>
As at 30th June, 2000	136,770,060 (Note)

Note: The underlying shares of the outstanding pre-IPO share options as at 30th June, 2000 represent 3.34% of the issued share capital of the Company.

All the above outstanding options may be exercised in accordance with the terms of the pre-IPO share option scheme at any time during the period commencing one year

after the date of grant of the options which is 9th March, 2001 and ending 10 years after the date of grant of the options which is 9th March, 2010 in accordance with the following schedule (each anniversary below refers to the anniversary of the date of grant of the options):

Period since date of grant	Percentage of shares comprised in options which become exercisable
Date of grant — first anniversary	Zero
First anniversary — second anniversary	Up to 25 per cent
Second anniversary — third anniversary	Up to 50 per cent (less the percentage of shares which arose upon the exercise of options between the first anniversary and the second anniversary)
Third anniversary — fourth anniversary	Up to 75 per cent (less the percentage of shares which arose upon the exercise of options between the first anniversary and the third anniversary)
Fourth anniversary and thereafter	All shares in respect of which the option has not been previously exercised

The principal terms of the pre-IPO share option scheme are set out in the Company's prospectus dated 28th February, 2000.

Post-IPO Share Option Scheme

Details of options to subscribe for shares in the Company granted to participants (other than Directors and Chief Executive) under the post-IPO share option scheme of the Company are set out below:

Date of grant / lapse	Exercise price HK\$	Number of underlying shares
Granted options		
3rd April, 2000	2.500	167,920
5th April, 2000	2.310	180,840
6th April, 2000	2.106	103,340
7th April, 2000	1.977	1,229,654
10th April, 2000	1.896	335,840
13th April, 2000	1.834	51,660
14th April, 2000	1.812	167,920
17th April, 2000	1.748	351,660
19th April, 2000	1.582	200,000
25th April, 2000	1.386	129,160
2nd May, 2000	1.780	129,160
4th May, 2000	1.850	129,160
8th May, 2000	1.762	632,916
15th May, 2000	1.626	142,080
17th May, 2000	1.548	120,000
22nd May, 2000	1.550	77,500
24th May, 2000	1.462	232,500
26th May, 2000	1.402	90,420
29th May, 2000	1.370	64,580
1st June, 2000	1.330	619,588
5th June, 2000	1.400	77,500
8th June, 2000	1.352	103,300

Date of grant / lapse	Exercise price HK\$	Number of underlying shares
9th June, 2000	1.362	51,660
15th June, 2000	1.330	64,580
19th June, 2000	1.310	667,920
22nd June, 2000	1.274	142,080
29th June, 2000	1.176	309,160
		<hr/>
Total granted options		6,572,098
Less: Lapsed options		464,680
		<hr/>
As at 30th June, 2000		6,107,418 (Note)

Note: The underlying shares of the outstanding post-IPO share options as at 30th June, 2000 represent 0.15% of the issued share capital of the Company.

The above options may be exercised in accordance with the terms of the post-IPO share option scheme at any time during the period commencing one year after the date of grant of the option and ending 10 years after the date of grant of the option in accordance with the same schedule as set out in the pre-IPO share option scheme above. The principal terms of the post-IPO share option scheme are also set out in the Company's prospectus dated 28th February, 2000.

The above post-IPO share options were granted to 52 participants as at 30th June, 2000. The highest number of shares underlying the outstanding options granted to a participant under the post-IPO share option scheme as at 30th June, 2000 is 500,000. None of such post-IPO share options were granted to connected persons of the Company as defined in the GEM Listing Rules.

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

During the period from 9th March, 2000 (date of listing) to 30th June, 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 associated company and two employees of BNP Paribas Peregrine Capital Limited (formerly known as "BNP Prime Peregrine Capital Limited") held 4,000 shares and a total of 72,000 shares in the Company as at 30th June, 2000 respectively. Save as disclosed herein, the Joint Sponsors of the Company, BNP Paribas Peregrine Capital Limited and Lehman Brothers Asia Limited, their respective directors, employees and associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rule), as at 30th June, 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 members of the Group.

The Company has engaged BNP Paribas 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

Mr. Yip Hak Yung, Peter, 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 of the Exchange 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.

Mr. Chan Wing Tak, Douglas, 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 of the Exchange 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.

Mr. 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-Inflo 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. On 29th April, 2000, Mr. Koh was appointed as an executive director of the Internet Technology Group (ITG) which invests in Internet companies, some of whom may compete with the Group's business. On 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 executives 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. As at 30th June, 2000, the audit committee has four members comprising of three independent non-executive Directors, Mr. Wong Sin Just, Mr. Chou Kei Fong, Silas, Mr. Koh Boon Hwee, and one executive Director, Mr. Yip Hak Yung, Peter.

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

Hong Kong, 7th August, 2000