

Third Quarter Report 2000

[www.corp.hongkong.com](http://www.corp.hongkong.com)

**hongk<sup>o</sup>ng.com**

hongkong.com Corporation

(Incorporated in the Cayman Islands with limited liability)

## **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.

“sustaining  
profitability  
requires **creating possibilities** with disciplined,  
yet highly innovative thinking.”

## Message from Mr. Rudy Chan, Chief Executive Officer

The general internet industry climate was turbulent during the third quarter, with cash-constrained start-ups downsizing, some refocusing their business models and others moving out completely.

I believe the current market shake-out is good for *hongkong.com* as it gives us the opportunity to breakout as industry leader. Our financial strength continues to grow as our business model delivers the desired results. We remain diligent however, in managing operating expenses.

Today's market presents us with significant opportunities. We have made substantial progress in expanding our services, products, content and strategic investments.

We made our first foray outside Hong Kong by acquiring Miller Freeman Asia's travel and tourism group and the group's publishing services division based in Singapore. The acquired business organizes various major trade shows and publishes various trade publications in Asia, one of which publications, Travel Trade Gazette Asia, is regarded by the travel trade industry as Asia's best known and most reliable weekly travel magazine. We will also be responsible for managing and developing Chinaholiday, one of China's best rated\* B2B e-travel sites and an affiliate of our parent chinadotcom. Both ventures will lay a solid foundation for our B2B e-travel services strategy.

This quarter, we attained a net profit of approximately HK\$4,539,000, a 101% increase over the second quarter of 2000. Our portal, *hongkong.com* was awarded a Certificate of Excellence for "The Best Use of Sponsorship" by MEDIA.com, which is Asia's first Internet marketing excellence award.

I am also proud to report that *www.hongkong.com* was ranked the second most visited Hong Kong portal after *www.china.com* amongst local portals measured by a global audience (Alexa Research, August 2000) and was rated the stickiest site with almost 38 minutes, being the longest average users spent on any sites. (ACNielsen eRatings September, 2000).

Despite the challenges and unpredictability of the market, I remain positive about our Net future. Our mission is simple - to continuously deliver good value to our shareholders and employees, and to run a profitable operation. On behalf of the Board of Directors, I wish to express our sincere appreciation to our valued shareholders for your strong support. Your continuing support is vital to the further expansion of our business in the region and worldwide.

I shall look forward to announcing more significant achievements at the close of year 2000.



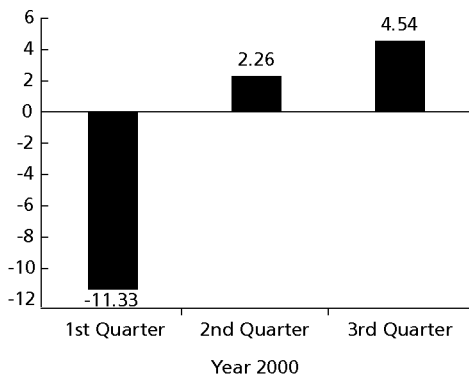
Rudy Chan  
Chief Executive Officer

## HIGHLIGHTS

- Net profit of approximately HK\$4,539,000 in the third quarter of 2000, a 101% increase over the second quarter of 2000
- Over 5.6 million daily page views during the third quarter of 2000 and over 1.35 million registered subscribers at the end of September 2000
- Strong financial position with over HK\$1.2 billion in cash and marketable securities at the end of September 2000

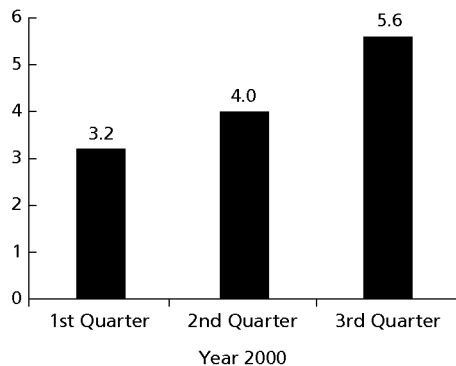
### *Profit Before Taxation*

*HK'\$ Million*



### *Daily Page Views*

*Million*



## 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 (the "Quarterly Period") and the nine months (the "Nine-Month Period") ended 30th September, 2000 together with the comparative unaudited figures for the corresponding periods in 1999 as follows:

	Notes	Three months ended 30th September		Nine months ended 30th September	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	2	17,620	9,363	54,211	9,794
Cost of services		12,163	5,810	33,810	7,127
Other loss/(income)		(22,621)	235	(47,654)	233
Administrative expenses		22,238	4,115	69,540	7,514
Profit/(Loss) from operations		5,840	(797)	(1,485)	(5,080)
Share of loss of an associate		(1,301)	—	(3,048)	—
Profit/(Loss) before taxation		4,539	(797)	(4,533)	(5,080)
Taxation	3	—	—	—	—
Profit/(Loss) attributable to shareholders		4,539	(797)	(4,533)	(5,080)
Earnings/(Loss) per share - basic	4	0.11cents	(0.02cents)	(0.12cents)	(0.15cents)

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 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 subsidiaries for the periods presented rather than from the date of acquisition on 23rd November, 1999. Accordingly, the consolidated results of the Group for the Nine-Month Period and the Quarterly Period ended 30th September, 2000 and the corresponding periods ended 30th September, 1999 include the results of the Company and its subsidiaries 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 associate did not generate any assessable profits during the Nine-Month 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 nine months ended 30th September, 2000 is based on the profit/(loss) attributable to shareholders of approximately HK\$4,539,000 and HK\$(4,533,000) respectively (three months and nine months ended 30th September, 1999: loss of approximately HK\$797,000 and HK\$5,080,000 respectively) and the weighted average number of 4,096,000,000 shares and 3,907,034,547 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 September, 2000.

No disclosure of diluted earnings/(loss) per share for the three months and nine months ended 30th September, 2000 is shown as the effect of dilutive potential ordinary shares during the Quarterly Period and Nine-month Period is anti-dilutive.

#### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30th September, 2000 (1999: Nil).

#### BUSINESS REVIEW

For the three months ended 30th September, 2000, the Group's turnover was approximately HK\$17,620,000. This represents a 88% growth compared to the same period in 1999. The Group achieved a net profit of approximately HK\$4,539,000 for the Quarterly Period as compared to a net loss of approximately HK\$797,000 over the same period in 1999 and a net profit of approximately HK\$2,262,000 in the second quarter of 2000.

The strong revenue growth can be attributed to continued rise in both advertising and sponsorship revenue and revenue from content services. The addition of several e-commerce products and services channels also provided a new source of revenue.

However, during the Quarterly Period, the Group's turnover has reduced by a margin of approximately 13% as compared to the previous quarter. Such reduction is attributable to numerous factors amidst the new economy market consolidation and one of which being seasonality. Notwithstanding, the Group remains positive about the future prospects.

The primary driver of our advertising and sponsorship revenue growth has been the increased number of advertisers on *www.hongkong.com*. During the Nine-Month Period, *www.hongkong.com* attracted over 150 advertisers as compared to 40 advertisers during the fourth quarter of 1999 thus reflecting that *www.hongkong.com* has increased its profile and credentials as an advertising medium on the Internet. *www.hongkong.com's* increasing credentials are clearly demonstrated by the successful campaigns which it conducted for advertisers such as Heineken and 7-Eleven, the latter of which has recently won the Media.com Certificate of Excellence Award in "Best Interactive Campaign - Best Use of Sponsorship". The Group's aforesaid accomplishment was especially enhanced by the increased brand awareness of *www.hongkong.com* through a series of successful advertising and marketing campaigns through the television commercial featuring popular Taiwanese singer Richie Jen in particular, and through our creative approach to online advertising. In addition, the Group has also driven page view growth and expanded its strong community of users through new content channels and enhanced community services. During the Quarterly Period, *www.hongkong.com* has launched one further content channel, *www.women.hongkong.com* and relaunched several content channels and

community products - [www.mystic.hongkong.com](http://www.mystic.hongkong.com), [www.chat.hongkong.com](http://www.chat.hongkong.com), [www.community.hongkong.com](http://www.community.hongkong.com), and [www.cityguide.hongkong.com](http://www.cityguide.hongkong.com). This enabled the Group to increase the daily page view of [www.hongkong.com](http://www.hongkong.com) to over 5.6 million during the Quarterly Period and to increase the registered subscriber base of [www.hongkong.com](http://www.hongkong.com) to over 1.35 million by the end of the Quarterly Period.

The Group continued to focus on building the community by deploying innovative products and services, such as the Feng Shui Detective, an interactive novel by renowned writer, Nury Vittachi, Call2Speak from CallNow.com Inc., a confidential telephone voice chat service, online university courses, online paid horoscope, and online second hand cars and books buy and sell services. Through Club4U and Home4U programs, the Group continues to interact closely with the user community.

During the Quarterly Period, the Group continued to advance regional expansion strategy through several key initiatives. The most prominent of which being e-travel services, rated by industry analysts as one of the key e-commerce growth areas, representing a significant part of the Group's strategic plans. The Group will take on the development and management of e-travel services for the chinadotcom group since chinadotcom group's recent investment in Chinaholiday, a China-based B2B travel platform, which serves over 800 registered travel agents and 2000 hotels, and has been rated as one of the best e-travel sites by the China Internet Network Information Center.

In September 2000, the Group entered into an agreement to acquire Miller Freeman Asia's travel and tourism group and the group's publishing services division, recognised as Asia's leading travel trade publisher, publishing eight regular publications including Travel Trade Gazette Asia, Incentive & Meetings Asia and Business Travel News Asia Pacific. This reflects the Group's commitment in expanding the Group's business internationally.

Other major developments during the Quarterly Period was the streamlining of the operations resulting in substantial savings, allowing the Group to reduce the operating cost base by approximately HK\$3.7 million as compared with the second quarter of 2000, which in turn will enhance the Group's ability to reach profitability.

## **Outlook**

Internet development in Hong Kong and across Asia continues to show signs of growth amidst market volatility. For the Group, the outlook remains healthy, encouraged by the strong business prospects despite continued global correction and consolidation in the technology sector. The Board believes that the Group is extremely well positioned for opportunities that will arise given the strength of the financial position with over HK\$1.2 billion in cash and marketable securities.

Given the combination of solid foundations, strong financial position and encouraging third quarter results, the Group will be able to extend its market leadership and continue to execute its business plan along the lines of content, community and commerce. The Group will continue to work with the chinadotcom group and other third parties to increase the depth of its content channels by building stronger cross portal strategies for the region as well as introduce new content channels, community products and e-commerce services that are of interest to our users. The Group will continue to further expand the reach of its content and services through other distribution channels and devices. Continued emphasis will be placed on developing the Group's wireless strategy in conjunction with the chinadotcom group as well as business partners.



The number of community products will also be expanded with services enhanced to maintain the strength and growth momentum of the Group's user base which should continue to drive both page views and advertising revenue as the attraction of *www.hongkong.com* as an online advertising medium continues to expand.

The Group will continue to seek opportunities to make strategic acquisitions and investments that will advance its regional expansion strategy thereby enhancing its long term value. The Group's management and development of e-travel services for chinadotcom corporation and the subsequent investments demonstrates the Group's latest efforts in this area. The combination of Chinaholiday's B2B travel platform and TTG Asia's unrivalled publishing expertise in the Asian travel industry will definitely lay a solid foundation for the Group in these areas. The Board is of view that the general correction in technology stock valuations should enhance the Group the fine opportunity to make acquisitions and investments at much more attractive terms. In addition, the continued tightening of the capital markets should remove much competition which would otherwise be faced by the Group.

The Group will strive to extend its market leadership and strong brand recognition through innovative and focused marketing and advertising initiatives notwithstanding that the Group will always focus to increase cost effectiveness in these tactical campaigns in any event. Accordingly, the overall objective of the Group of driving towards profitability by creating scaleable revenue growth and maintaining financial discipline will be maintained. The Group continues to demonstrate its ability to leverage all resources to further cement *www.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 September, 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)	Total interests (number of shares)
Ch'ien Kuo Fung, Raymond	2,274,000	—	2,274,000
Chan Kai Yu, Rudy	3,416,000	—	3,416,000
Chan Wing Tak, Douglas	3,416,000	—	3,416,000
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
		(Note)	
Zhou Shun Ao	5,000,000	—	5,000,000

Note: The shares were beneficially owned by Asia Internet Holdings Limited in which Mr. Yip Hak Yung, Peter 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.

Saved as disclosed above, as at 30th September 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 Kuo Fung, Raymond	10,000,000
Chan Kai Yu, 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 Nine-Month Period.

The Company also has a post-IPO share option scheme (as amended by an addendum dated 1st October, 2000) 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 any options. No options had been granted to Directors under the post-IPO share option scheme during the period from 9th March, 2000 (date of listing) to 30th September, 2000.

**(c) Class A common shares in chinadotcom 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) (Note)	Total interests (number of shares)
Ch'ien Kuo Fung, Raymond	721,773	—	—	721,773
Edelson, Harry	481,348	—	166,870	648,218
Hamilton, Peter John	—	—	1,428,314	1,428,314
Henry, Ian Michael Charles	—	—	1,428,314	1,428,314
Hung Shuk Tak, Vicky	52,012	—	—	52,012
Yip Hak Yung, Peter	—	53,382	11,935,686	11,989,068
Zhou Shun Ao	17,794	—	—	17,794

*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. 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.

Save as disclosed above, as at 30th September, 2000, none of the Directors, chief executive and their associates had any family, corporate or other interests in the share capital of chinadotcom corporation.

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

Name of Director	Number of share options outstanding and exercise price per share		
	US\$3.375 (Note 1)	US\$5.00 (Note 2)	other exercise price
Ch'ien Kuo Fung, Raymond	66,667	—	—
Chan Kai Yu, Rudy	—	—	47,000 (Note 6)
Chan Wing Tak, Douglas	40,000 (Note 3)	—	—
Edelson, Harry	60,000	—	—
Hamilton, Peter John	680,000	—	60,000 (Note 7)
Hung Shuk Tak, Vicky	640,000 (Note 4)	—	—
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)	—	18,000 (Note 9)

*Notes*

- The options were granted on 22nd June, 1999 and are exercisable from 22nd June, 2000 to 22nd June, 2010.
- The options were granted on 12th July, 1999 and are exercisable from 16th July, 2000 to 16th July, 2009.
- Mr. Chan Wing Tak, Douglas has exercised his option to subscribe for 20,000 Class A common shares in chinadotcom corporation at an exercise price of US\$3.375 per share on 21st August, 2000 for a total consideration of US\$67,500 and has sold them all on the same day.

4. Ms. Hung Shuk Tak, Vicky has exercised her option to subscribe for 20,000 Class A common shares in chinadotcom corporation at an exercise price of US\$3.375 per share on 18th August, 2000 for a total consideration of US\$67,500 and has sold them all on the same day. On 1st September, 2000, Ms. Hung further exercised her option to subscribe for another 20,000 Class A common shares in chinadotcom corporation at an exercise price of US\$3.375 per share for a total consideration of US\$67,500 and has sold them all on the same day.
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. Further 4,500 options were granted on 29th July, 2000 which are exercisable from 29th July, 2001 to 28th July 2011 at an exercise price of US\$15.75 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. 9,000 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. Further 9,000 options were granted on 29th July, 2000 and are exercisable from 29th July, 2001 to 28th July, 2011 at an exercise price of US\$15.75.
10. Mr. Henry, Ian Michael Charles resigned from chinadotcom corporation on 30th September, 2000 upon which his outstanding options were forfeited.

Save as disclosed above, at 30th September, 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 Nine-Month 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 executives and their associates, as at 30th September, 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	3,361,828,000	82.08%

## 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 sub-section (b) headed "Directors and Chief Executive's Interests in Securities - Options to subscribe for shares in the Company" in this report.

Details of grant/lapse of pre-IPO share options to participants 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 September, 2000	136,770,060 (Note)

*Note:* The underlying shares of the outstanding pre-IPO share options as at 30th September, 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):

<b>Period since date of grant</b>	<b>Percentage of shares comprised in options which become exercisable</b>
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 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
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
3rd July, 2000	1.110	471,580
14th August, 2000	0.876	955,820
18th August, 2000	0.870	4,644,132
25th August, 2000	0.850	813,740
1st September, 2000	0.828	77,500
Total granted options		13,534,870
Less: Lapsed options		464,680
As at 30th September, 2000		13,070,190 (Note)

Note: The underlying shares of the outstanding post-IPO shares as at 30th September, 2000 represent 0.32% 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 104 participants during the second and third quarter of 2000. The highest number of shares underlying the outstanding options granted to a participant under the post-IPO share option scheme as at 30th September, 2000 is 1,000,000. 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 September, 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 associate, a director and an employee of BNP Paribas Peregrine Capital Limited held 4,000 shares, 70,000 shares and 2,000 shares in the Company as at 30th September, 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 September, 2000, did not have any interest in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any 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, was up till 22nd September, 2000 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 Skynet (International Group) Holdings Limited (formerly known as Companion Dynamic (Holdings) Limited), which two said companies are 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 Skynet (International Group) 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 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 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. As at 30th September, 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  
**Ch'ien Kuo Fung, Raymond**  
*Chairman*

Hong Kong, 7th November, 2000