

beyond

Dotcom

hongkong.com

hongkong.com Corporation
[incorporated in the Cayman Islands with limited liability]



build **bridges**
that connect our
customers
to greater **opportunities**
and enrich their lives
is what the
future
is about ”

Today's technology is an open system. It's interactive, dynamic and alive. It provides us an environment to be creative and to dare us to dream bigger. It transcends boundaries. It changes the way people communicate and hence, the way they do business. It reinvents our

everyday life. The digital technology has enormous potential to bring communities together in absolutely unheard-of ways.

To us, our Customer is the core of our business. We ask. We listen. We talk. We start with what our Customer needs and providing solutions to those needs. At hongkong.com, our philosophy is to harness the potential of digital technology to deliver a really good end-to-end Customer experience. We believe our achievement today signifies that we have delivered something to our Customer that has become a vital part of their lives - *a gathering place*.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this annual 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 annual report.

This annual 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report, have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



as a result of the

convergence

of old and new **economies,**

internet savvy

will become a

necessary

characteristic **of any**

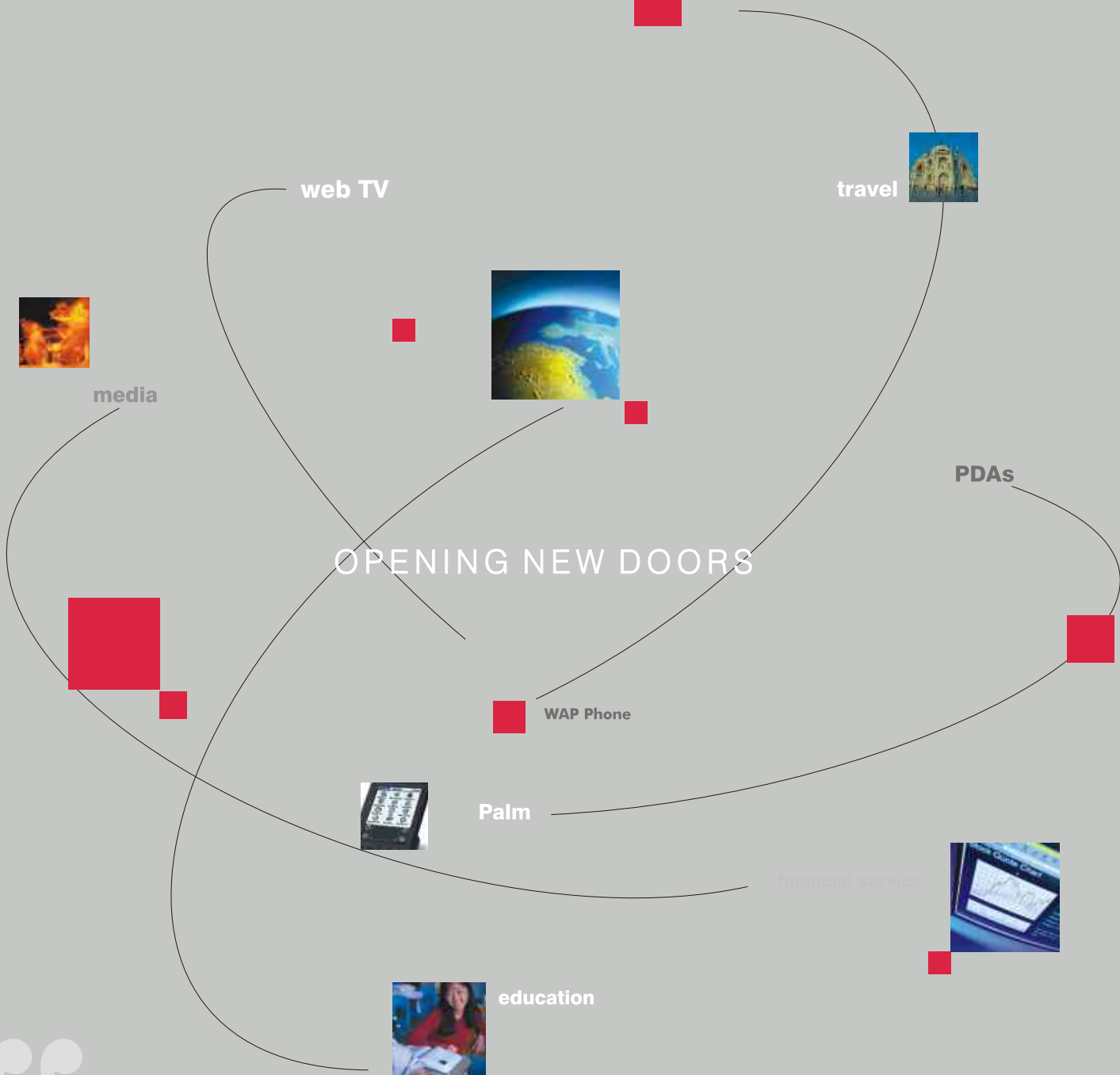
excellent company.

hongkong.com

has internet SAVVY.



Dr. Ch'ien Kuo Fung, Raymond
chairman



OPENING NEW DOORS



the best way to **bridge**
 the digital divide
 is to make information
 available to **everyone.**

The combined power
 of the **internet**
 and digital **media**
 provides the opportunity
to bring knowledge
and tools to everyone,
no matter where they live.



Rudy Chan
 chief executive officer

CONTENTS

4	corporate information
5	financial highlights
6	milestones
7	board of directors & senior management
10	chairman's statement
14	industry overview
15	business progress
28	report of the directors
40	report of the auditors
41	consolidated profit and loss account
42	consolidated statement of recognized gains and losses
43	consolidated balance sheet
44	consolidated cash flow statement
45	balance sheet
46	notes to financial statements
63	notice of annual general meeting

Board of Directors	
Executive Directors	Ch'ien Kuo Fung, Raymond (Chairman) Yip Hak Yung, Peter (Vice-Chairman) Zhou Shun Ao (Vice-Chairman) Chan Kai Yu, Rudy (Chief Executive Officer) Hamilton, Peter John Lin, Jack Hung Shuk Tak, Vicky Henry, Ian Michael Charles*
Non-Executive Directors	Chan Wing Tak, Douglas Edelson, Harry
Independent Non-Executive Directors	Chou Kei Fong, Silas Koh Boon Hwee Wong Sin Just
Company Secretary	Kwan Shin Luen, Susanna, LLB
Qualified Accountant	Chu Siu Yin, Belinda, ACCA, AHKSA
Compliance Officer	Lin, Jack, JD
Audit Committee	Wong Sin Just (Committee Chairman) Yip Hak Yung, Peter Chou Kei Fong, Silas Koh Boon Hwee
Authorized Representatives	Chan Kai Yu, Rudy Kwan Shin Luen, Susanna
Registered Office	Huntlaw Building P.O. Box 2804 George Town Grand Cayman Cayman Islands
Place of Business	24/F, Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Legal Advisers	
As to Hong Kong Law	Simmons & Simmons
As to Cayman Islands Law	Maples and Calder Asia
As to US Law	Clifford Chance
Auditors	Ernst & Young
Joint Sponsors	BNP Paribas Peregrine Capital Limited Lehman Brothers Asia Limited
Principal Share Registrar and Transfer Office	Bank of Bermuda (Cayman) Limited PO Box 513GT, British American Tower Dr. Roy's Drive, George Town Grand Cayman Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Central Registration Hong Kong Limited Shops 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Principal Bankers	The Hongkong & Shanghai Banking Corporation Limited Hang Seng Bank Limited Citibank
Stock Code	8006
Website	www.corp.hongkong.com

results

	Year ended 31st December, 2000 HK\$'000	Year ended 31st December, 1999 HK\$'000
Turnover	79,498	13,113
Net profit/(loss) from ordinary activities attributable to shareholders	4,419	(21,778)

assets and liabilities

	As at 31st December, 2000 HK\$'000	As at 31st December, 1999 HK\$'000
Fixed assets	26,048	13,208
Interests in associates	3,775	-
Net current assets/(liabilities)	1,217,561	(38,433)
Net assets/(liabilities)	1,247,384	(25,225)

key financial data

	Year ended 31st December, 2000 HK cents	Year ended 31st December, 1999 HK cents
Earnings/(loss) per share - basic	0.11	(0.65)
Net assets/(liabilities) per share	31.54	(0.75)



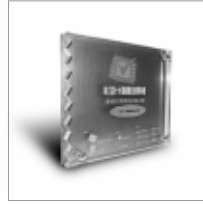
Best Use of Sponsorship Award from MEDIA.com



Best Internet Content Provider Award from Capital Magazine



Top Ten Healthy Website Award from TELA



The Most Popular Commercial Theme Song Award from ATV

- Successfully listed on the GEM on 9th March, 2000.
- Net profit of approximately HK\$4,419,000 for 2000.
- Strong financial position with over HK\$1.2 billion in cash and marketable securities at the end of 2000.
- Acquired 35.5% of InfoisLive.com Limited - a leading wireless applications developer in Asia Pacific and Europe.
- Acquired 100% of Miller Freeman Asia's Travel and Tourism Group (TTG Asia) and its publishing services division, based in Singapore.
- Launched 10 new channels and enhanced 6 established channels during 2000.
- Achieved more than 6.3 million daily pageviews during 2000 based on audit guidelines endorsed by PricewaterhouseCoopers and 1.4 million registered subscribers at the end of 2000.
- Won Outstanding Information Technology & Financial Enterprise Award for Best Internet Content Provider from Capital Magazine.
- Won MEDIA.com's Best Interactive Campaign - Best Use of Sponsorship Award.
- Nielsen//NetRatings inaugural report rated www.hongkong.com the most "sticky" Website.
- Ranked as a Top Ten Healthy Website by Hong Kong's Television and Entertainment Licensing Authority.
- Admitted as a constituent stock of the new Hang Seng IT and IT Portfolio Indices.

EXECUTIVE DIRECTORS

Dr. Ch'ien Kuo Fung, Raymond

- age 49 - Chairman

Dr. Ch'ien was appointed to the Board on 25th November, 1999. He is Chairman of chinadotcom corporation, Inchcape Greater China Limited, and HSBC Private Equity (Asia) Limited. Dr. Ch'ien is also a director of Inchcape plc, a leading global automotive distribution and logistics company, HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited and the MTR Corporation Limited. He is a Member of the Executive Council of Hong Kong SAR, Chairman of the Hong Kong Industrial Technology Centre Corporation and the Hong Kong/Japan Business Co-operation Committee. Dr. Ch'ien received a doctorate in Economics from University of Pennsylvania. He was appointed Justice of Peace in 1993 and Commander in the Most Excellent Order of the British Empire in 1994, and was awarded the Gold Bauhinia Star medal in 1999.

Yip Hak Yung, Peter

- age 48 - Vice-Chairman

Mr. Yip was appointed to the Board on 15th October, 1999. He is also director and Chief Executive Officer of chinadotcom corporation and chief visionary responsible for chinadotcom group's strategy. Mr. Yip has international experience as an entrepreneur in the media and telecommunications industries and was the main force in listing chinadotcom corporation, Asia's first Internet on NASDAQ (NASDAQ : CHINA). He received his MBA from Wharton School and M.S.E.E. and B.S.E.E. from University of Pennsylvania.

Zhou Shun Ao

- age 52 - Vice-Chairman

Mr. Zhou was appointed to the Board on 7th December, 1999. He is also director of chinadotcom corporation and China Internet Corporation (CIC). He has extensive media experience across China and has spent more than 30 years with Xinhua News Agency, rising to Deputy Director Xinhua Development and Planning Bureau and General Manager of China Media Development Corporation, President of China Global Public Relations Co. as well as Executive Deputy General Manager of Xinhua News Agency.

Raymond Ch'ien

Peter Yip

Zhou Shun Ao

Rudy Chan

Peter Hamilton

Jack Lin

Vicky Hung



board of directors & senior management

Chan Kai Yu, Rudy

- age 39 - Chief Executive Officer

Mr. Chan was appointed to the Board on 3rd February, 2000. He is responsible for overall management and operations of the Group. He has extensive experience in the media industry having spent 8 years in Time Inc., Asia and rising to Managing Director for Asia. He was the first Chinese and the youngest ever to achieve that post. As an entrepreneur, Mr. Chan co-founded Hong Kong operations of a global computerized barter trade exchange network. He is a Certified Public Accountant registered with the State of New York and has an MBA from Wharton School, University of Pennsylvania.

Hamilton, Peter John

- age 41

Mr. Hamilton was appointed to the Board on 25th November, 1999. He is also director and Chief Operating Officer of chinadotcom corporation and his primary role is to oversee day-to-day operations of chinadotcom group. He co-founded Hong Kong's first Internet solutions company in 1995 - The Web Connection - and received "Young Entrepreneur of the Year Award" in 1999 from DHL/South China Morning Post. Mr. Hamilton has extensive experience in the multi-media industry and has held senior management positions at Hongkong Telecom. He also oversaw Hongkong Telecom's listing on the New York Stock Exchange.

Lin, Jack

- age 34

Mr. Lin was appointed to the Board on 12th December, 2000. He is also Chief Investment Officer and Senior Vice President, Strategy of chinadotcom corporation. He is responsible for chinadotcom group's strategic investment activities and its subsidiary's venture operations. He has extensive experience as an international attorney and venture capitalist. He was previously Senior Vice President of Templeton's Emerging Markets group, overseeing its global private equity investments, and a principal of several Asian venture capital funds, including the ones organized by China Development Corp (Taiwan) and Standard Chartered Bank (UK). He has an MBA and Juris Doctorate from the University of California, Los Angeles. He is also licensed to practice International Corporate Law in the State of California, USA.

Hung Shuk Tak, Vicky

- age 40

Ms. Hung was appointed to the Board on 25th November, 1999. She is also Senior Vice-President, Portals of Hong Kong and Taiwan, of chinadotcom corporation. She was a key member in planning the listing of chinadotcom on NASDAQ in 1999 and hongkong.com on GEM in 2000. Other than being the founder of hongkong.com, Ms. Hung has been instrumental in expanding the community and e-commerce capabilities of the portal networks. Ms. Hung spent more than 11 years with Reuters, rising to Business Development Manager for East Asia, focused on developing new information delivery strategies for the emerging regional Internet and wireless markets.

NON-EXECUTIVE DIRECTORS

Chan Wing Tak, Douglas

- age 51

Mr. Chan was appointed to the Board on 25th November, 1999. He is a veteran industrialist and Managing Director of New World Infrastructure, the first infrastructure company listed on the Hong Kong Stock Exchange; Executive Director of New World China Land, one of the mainland's largest property developers; and Deputy Chairman of Pacific Ports Company Limited, a major PRC port operator. All are listed on Hong Kong's Main Board.

Edelson, Harry

- age 67

Mr. Edelson was appointed to the Board on 25th November, 1999. He is a Founding Partner of Edelson Technology Partners, a reputable venture capital firm providing Internet, information technology and telecommunications investment assistance to multinational corporations. Strategic investors include Asea Brown Boveri, AT&T, Cincinnati Bell, Colgate-Palmolive, Ford Motor Company, Minnesota Mining and Manufacturing, Reed Elsevier, Viacom, UPS and Imation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chou Kei Fong, Silas

- age 54

Mr. Chou was appointed to the Board on 25th November, 1999. He is the President and Chief Executive Officer of Novel Holdings (BVI) Limited and

Douglas Chan

Harry Edelson

Silas Chou

Koh Boon Hwee

SJ Wong



the Managing Director of Novel Enterprises Limited, a vertically integrated textile and apparel manufacturer. Mr. Chou is the Co-Chairman of Tommy Hilfiger Corporation, a leading sportswear design and marketing company listed on the New York Stock Exchange in the US and the Chairman of Novel Denim Holdings Limited, a manufacturer of denim and chino garments and fabric, listed on the US NASDAQ National Market. Besides, Mr. Chou served as the Joint Chairman of Asprey & Garrard Limited, a designer and manufacturer of luxury goods in London and the British Crown Jeweller, since 2000. In addition, Mr. Chou is the Co-Chairman of Pepe Holdings Limited.

Koh Boon Hwee

- age 50

Mr. Koh was appointed to the Board on 3rd February, 2000. He is Chairman of several major Asian concerns, namely Internet Technology Group, Omni Industries, an electronics manufacturer on the Singapore Exchange, Singapore Telecommunications and Singapore Post. He is also Chairman of the Council of Nanyang Technological University. Mr. Koh was Executive Chairman of Wuthelam Group for 10 years, and before that was with Hewlett-Packard Singapore for 14 years, where his last appointments were as Managing Director of Singapore and Asia Pacific Director of Manufacturing and Business Development.

Wong Sin Just

- age 35

Mr. Wong was appointed to the Board on 25th November, 1999. An expert in Asian investor markets, he is President and Chief Executive Officer of e2-Capital (Holdings) Limited, an investment banking company listed on the Stock Exchange of Hong Kong. He was Managing Director and Head of Asian Equity Capital Markets of BNP Prime Peregrine Securities. Mr. Wong has over 10 years of experience in investment banking and finance industries.

SENIOR MANAGEMENT

Chen Szu Ping, Zeus

- age 33 - Chief Financial Officer

Mr. Chen is responsible for the overall financial planning and management of the Company. He has extensive experience in the finance industry and has held senior positions with some of the world's leading names in fund management and investment services. He is a specialist in the Asian telecommunications and technology sectors and has been a regularly cited

equity research analyst. He has a degree in Electrical Engineering from Santa Clara University.

Li Che Ting, Danny

- age 31 - Vice President, Portal Operations

Mr. Li is responsible for day-to-day portal operations of the Company. He has extensive experience in the IT industry across a broad spectrum of technologies, both locally and abroad. He founded eGlobal Technology, a pioneering e-business software and services consultancy and was technology advisor to numerous Fortune 500 companies. One of his notable achievements was creating Asia's first Web-based EDI solution with IBM, and the first Windows application to integrate Government with commercial electronic messaging systems. He has a Bachelor of Applied Science degree, majoring in Information Technology, from Sydney's University of Technology.

Lee Ooi Ping, Vivien

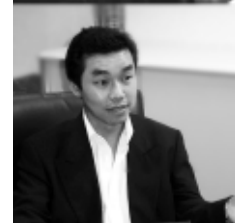
- age 40 - Vice President, Marketing

Ms. Lee is responsible for the overall Marketing for the Company including Public Relations and Customer Care Division. She spent 16 years with a number of multi-national agencies in Asia and UK and has gained extensive experience in managing multinational brands. Ms. Lee is one of the very few advertising executives in the region to have been trained in integrated communications and had successfully led a team to pitch region-wide projects such as Visit Asean Year 1992, and the 15th South-East Asian Games 1989 for Fujifilm. Ms. Lee has a Bachelor of Social Science degree in Social Psychology from The National University of Malaysia and an MBA in International Business from RMIT University, Australia.

Mak Tak Cheong, Edmund

- age 36 - Financial Controller

Mr. Mak is responsible for the financial management of the Company. He began his career in Canada with Coopers & Lybrand (now known as PricewaterhouseCoopers) before his return to Hong Kong. Mr. Mak is a member of the Illinois Certified Public Accountants Society in US and brings with him more than 10 years experience in finance, operations, information technology and investments activities in China. Prior to joining the Company, Mr. Mak was the Financial Controller for chinadotcom group and was a key member in planning and listing hongkong.com on GEM. He has a Bachelor of Computer Science degree and a Bachelor of Commerce majoring in Financial Accounting from the University of Windsor.



Rudy Chan

Zeus Chen

Danny Li

Vivien Lee

Edmund Mak

DR. CH'EN KUO FUNG, RAYMOND

hongkong.com's first year as a public company was good business-wise but a disappointment for shareholders who experienced our mid-year share price meltdown. That most "tech" stocks globally did the same offers scant solace.

A company exists to create shareholders' value. The only way to do that consistently is to operate on solid foundations. In this respect, hongkong.com's many achievements in 2000 bode well for the future value of the company.



it is **OUR** intention
to keep this new

"networked" business

on a high profit growth path,
and we have **gained**
early traction.

We are pleased to report a net profit of HK\$4,419,000, based on HK\$79,498,000 of revenue. We have net current assets of HK\$1.2 billion and no long term liabilities, which position us advantageously to pursue our growth strategy and new business opportunities.

We aim to be a leader in the new business sector that is emerging from the convergence of media, telecommunication and Internet industries. Eyeballs do matter in this sector. By 2000 year end, we had 1.4 million registered subscribers and 6.3 million pageviews per day representing growths of 84% and 152% respectively over 1999.



We were judged Best Internet Content Provider by Capital Magazine, Nielsen//NetRatings rated us the most "sticky" website among Hong Kong users and Alexa Research ranked us the most-visited Hong Kong website.

Furthermore, our efforts have been recognized by the local Television and Entertainment Licensing Authority when they selected us as one of Hong Kong's Top Ten Healthy Websites.

We became a constituent stock of the new Hang Seng IT and IT Portfolio indices. We are confident that these indices will, in time, earn a wide market following with hongkong.com commanding a fair weighting.

The Hong Kong business landscape is going through radical transformation. Traditional "offline" companies are embracing Internet technologies in earnest as vital competitive tools. In parallel, we are witnessing the passing of "pure" Internet companies. As a result of the convergence of old and new, Internet savvy will become a necessary characteristic of any excellent company.

hongkong.com has Internet savvy. Our principal task for 2001 is to channel our skill and resources to synergistic businesses and places to achieve high financial returns. Last year, we purchased Miller Freeman Asia's Travel and Tourism Group and its publishing services division based in Singapore. We are now adding Internet applications, including interactivity and cross-media marketing, to their core competencies. We are also integrating them with our parent chinadotcom's China based travel business, through its investment in Chinaholiday.

It is our intention to keep this new "networked" business on a high profit growth path, and we have gained early traction. Going forward, we seek to replicate the above-mentioned development model, by acquiring, assimilating and turbo-charging other profitable businesses or hatching our own.

We are at the threshold of a new paradigm underpinned by bandwidth abundance, wireless mobile connectivity and convergence. To be a successful rent seeker in this quick change economy, where entry barriers can be ephemeral, requires general adaptability. High degree of specialization is a vulnerability but lack of skill is also hazardous to company health. As a member of the chinadotcom group of companies, we are part of a reservoir that runs both deep and wide, with many channels running into it.

As with previous epochs of quantum technological shifts, much flotsam will be left by the Internet revolution, in the wake of a few swift and new juggernauts. hongkong.com is in no danger of becoming history. We can in fact make big waves.

It feels like the scarlet letter "d" at times, but the board and management at hongkong.com wear the dotcom badge with a sense of pride and purposeful confidence in these challenging and critical times. I look forward to reporting more good news to you in the coming year.



Dr. Ch'ien Kuo Fung, Raymond
chairman

Hong Kong, 12th February, 2001



beyond dotcom
Hong Kong

The next generation of Internet experience is delivered through Wireless technologies.

It will transform every aspect of how we live, work, learn, and play.

We want to be able to play a leading role in making it happen for our communities

16:05

23:56

00:25

08:15

12:41

“ an intrinsic
part of **internet**
is about people
where there are people
there is always
need for community.”



“ we aim to be a **leader**
in the new business
sector that is **emerging**
from the **convergence**
of media,
telecommunications
and **internet**
industries. ”

It is perhaps a cliché to say that the Internet is going through a hyper phase of growth but what is more interesting is how the Internet continues to evolve as a multi-media platform rapidly, driving convergence of different media and globalization.

The emerging new convergence-related technologies – widespread introduction of new wireless technologies, handheld devices, broadband, digital TV and new wireless standards – offer an unprecedented opportunity for Asian countries to “leapfrog” intermediate stages of development. The resulting environment is one where as much as possible must be done to maximize peoples’ access to new information networks.

This phenomenon of growth and convergence is shaping the Asian dotcom industry into hybrid multi-media platforms and in essence, will create nothing less than a new medium of human communications – with the Internet at its heart, a trend that hongkong.com is well ahead of.

At year end 2000, according to the Computer Industry Almanac, an estimated 375 million persons worldwide were users of the Internet. The user growth rate was roughly 150,000 persons per day, with 220 million devices accessing the worldwide web and almost 200,000 devices being added daily. Web pages totaled 1.5 billion, while almost 2 million pages were added each day. E-commerce, or business conducted over the Internet, totaled US\$40 billion in year 2000. e-Marketer’s report in February 2001 projected it could explode to over US\$338 billion by the end of 2004.

Various sources put the number of Asians (ex-Japan) online anywhere between 55 and 70 million, and according to Jardine Fleming this is growing at a compound annual rate of 45 percent. In China, estimates are that between 15 to 22.5 million people are already online. This still represents a national penetration rate of only 1 to 2 percent. Considering that more than half the country’s Internet community only came online in the last eighteen months and that estimates add one million new users every month, it would appear that China is only now entering the hyper growth phase.

Closer to home, Hong Kong has one of the highest penetration rates of Internet usage at 34 percent with 1.85 million users, roughly a third being business users, according to iamasia’s NetKnowledge reports. Additionally, some 15 percent of Hong Kong Internet users have already purchased products and services online – mainly books, groceries, computing hardware and software.

While the Internet has transformed positively, for those online, the way people work, play, relate and relax, its benefits will spread farther and wider as traditional media such as Television joins the Internet platform. For instance, China, with the world’s largest population at 1.3 billion people, already enjoys a high television penetration rate of 89% of its urban population. China’s efforts to make the Internet accessible through Television to her citizens will soon bear fruit in a substantially larger online population.

Additionally, mobile Internet access is considered by industry experts to be a critical development for increased penetration of the Internet in Asia. The Gartner Group projects that by 2003, Asia will be the world’s largest mobile phone market, capturing 32.7% of the worldwide total of 901.4 million units. Due to low PC penetration and poor communications infrastructure, wireless communications give Asians a more reliable means of communicating and cheaper access to the Internet.

The traditional use of Internet has built a netizen culture, with ever increasing demands for easily accessible information. This demand is driving the convergence of all media into Internet enabled platform. The new and expanded digital landscape will offer hongkong.com immense opportunities to leverage its expertise and expand its target market beyond the PC platform.

hongkong.com has already begun the process of incorporating the convergence trend by integrating wireless technology and offline print media into its Internet platform and core business strategy. In the coming months hongkong.com will continue to expand aggressively from its historical base as a “pure Internet play” into an exciting, unprecedented “multi-media” platform. Soon, we expect that hongkong.com will be a presence not only on your PC screen but also on web-enabled television, broadband cable TV, mobile phone screens and other Internet-enabled devices to come.

As the focus of growing Internet usage in Asia shifts from the PC to mobile devices, hongkong.com is well poised to offer its innovative products and services to the fastest growing and potentially largest Internet market in the world, through a continually expanding Internet platform that will be truly accessible anytime, anywhere and from any media.



“ together with
our partners
 we've achieved
 history-making **SUCCESS**
 in the marketplace
 - building **brands**
 and new **customers** -
 and **gained competitive**
 advantage. ”

Testimonials

Tell the world how special they are, a strategic extension to the personal eCard service from desktop to Giant billboards. Subscribers simply input their messages, choose their templates, location and preferred times, and click-the-mouse. 17 scheduled times at HK\$300 per package per day per location. Working with our partner AdProcess, messages are broadcast through Intermarket Giant electronic outdoor billboards located in high traffic Causeway Bay, Jordan and Mongkok. This is Hong Kong's first and a breakthrough in personal e-messaging service into the physical world via a single e-commerce platform.



The Customer Speaks - dedicated to providing Customers best in quality and service. Two customer focused initiatives - 7-Eleven.hongkong.com message board and hongkong.com e-fulfillment center. The first message board campaign providing a direct and powerful tool to be-in-touch with their everyday customer was highly successful, gaining recognition with Asia's first Internet marketing award from MEDIA.com for The Best Interactive Campaign - Best Use of Sponsorship Award. The second initiative continues to bridge the gap between traditional and online retailing by offering a network of more than 400 stores as a convenient pick-up service for all shop4U.hongkong.com customers.

Beautiful Moments In Print by-a-Click - Club4U became host to one of the most innovative online photofinishing and souvenir services provided by URphoto.com. It stays ahead of service demands by catering to the increasingly popular digital photo market with e-commerce revenue potential. Club4U members are given a free 30 Mb Web-based album, online editing facilities and e-ordering of photos into normal prints or souvenirs such as T-Shirts, mugs, stickers etc. Orders can be picked up from conveniently located URphoto.com's iOutlets. These valuable community-focused content and services are set to enhance members' Internet experience and at the same time, create clicks-and-mortar businesses.



Brewing A Brand For Future Customers - Connecting customers and building brand loyalty gave birth to www.heineken.hongkong.com - a platform to serve as an extension of Heineken's brand marketing initiatives through integrating their offline activities with www.heineken.hongkong.com communities. Just as bars in the physical world provide a place to socialize, the www.heineken.hongkong.com site serve as a focal for online Heineken fans and is supported by latest news, event calendars, special offers to chat-rooms and message boards for meeting new friends. One highly successful and innovative sales driven campaign, "All Star Auction" enabled Heineken fans to bid for their desired souvenirs online with Heineken bottle caps and stay-on-tabs, a first-to-market cross media campaign in Hong Kong and possibly, Asia.

“ our **customers** see
themselves
in our company,
our brand,
we want to be able to
simplify and **provide service**
that **connects**
to our customers' way of life. ”

year 2000 review

Year 2000 was a significant milestone for hongkong.com Corporation during which it laid a solid foundation for its future development. Against turbulent market conditions and consolidation within the Internet sector, the Group takes pride in having emerged as a sector leader, with an enterprising, market-driven business under its prudent financial management.

The Company's highly successful GEM listing on, 9th March, 2000, raised net funds of approximately HK\$1.3 billion. With prudent management and cost control, we have secured a strong position of liquidity, allowing the Group to pursue its stated objectives with readily accessible working capital.

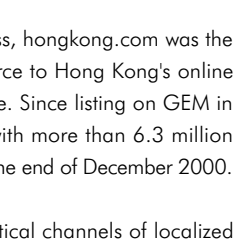
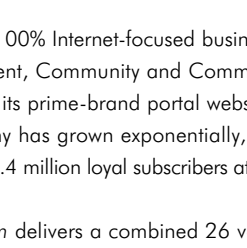
Being one of the first movers in the GEM has also enhanced

hongkong.com's corporate and brand profile throughout the world in both the Internet-user and business communities.

The Group moved into profit during the second quarter of 2000 - the first quarter after listing. Based on the consolidated accounts for the year ended 31st December, 2000, our total net profit for Year 2000 amounted to approximately HK\$4,419,000, compared to a net loss of HK\$21,778,000 in 1999. Turnover also increased significantly by a factor of 6, from approximately HK\$13,113,000 in 1999 to HK\$79,498,000 in 2000.

While a major source of the Group's income comes from deposited cash and marketable securities held, substantial revenue growth can be attributed across our range of business and community-focused services. Advertising and sponsorship revenue has increased 219% over the year to HK\$40,400,000, and revenue from content services has risen from HK\$457,000 in 1999 to HK\$31,842,000 this year - an increase of 6,868%.

The strategic acquisition of TTG Asia - Miller Freeman's Travel and Tourism Group - and its publishing services division, in October 2000, has also provided a new revenue stream, a growth platform and a substantially enhanced travel related source of contents for the Group which will lead the way for mixed media convergence and facilitate the Group's user loyalty worldwide. Recognized as Asia's leading travel trade publisher with seven major titles, including *Travel Trade Gazette Asia*, *Incentive* and *Meetings Asia* and *Business Travel News Asia Pacific*, TTG Asia reflects our commitment to expanding the Group's advertising clients' access, the Group's revenue generation capacity and the Group's e-commerce product and service channel businesses internationally to new communities - online and offline.



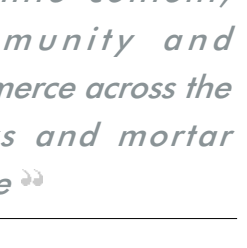
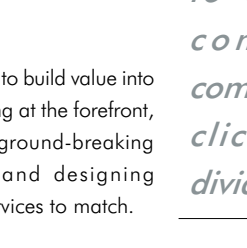
Established in 1995 as a 100% Internet-focused business, hongkong.com was the first true provider of Content, Community and Commerce to Hong Kong's online subscribers and visitors to its prime-brand portal website. Since listing on GEM in March 2000, the company has grown exponentially, with more than 6.3 million daily pageviews and over 1.4 million loyal subscribers at the end of December 2000.

Today, www.hongkong.com delivers a combined 26 vertical channels of localized content, 10 value-added community services and a fully integrated e-commerce platform providing a comprehensive and engaging Internet experience to its users.

The portal is one of the most awarded Hong Kong portal and appraised by many respected Internet measurement companies as the most visited and most "sticky" website. It has also become one of the most preferred destination site for advertisers such as Heineken, 7-Eleven and HSBC to build its online communities and achieve effective and measurable advertising campaigns.

The Company will continue to build value into its business model by staying at the forefront, adopting and deploying ground-breaking Internet technologies and designing interesting cross-media services to match.

“we will continue to unite content, community and commerce across the clicks and mortar divide”



new and enhanced channels and content

Focusing on providing a prime advertising medium for customers, the Group has created, launched and re-launched many interactive subscriber channels to drive pageview growth, and attract new users.

In December 1999, Shop4U and The Avenue were brought online, creating new e-commerce revenue streams for the period under review. During Year 2000, we delivered ten new content channels, as well as enhancing six established channels, to extend and enrich our subscribers' Internet experience.

New channels were:

<i>mycv.hongkong.com</i>	careers information, CV creation and job matching
<i>gadgets.hongkong.com</i>	latest IT products review and information
<i>richie.hongkong.com</i>	Richie Jen's fan feature site
<i>car.hongkong.com</i>	automobile and accessory information
<i>euro2000.hongkong.com</i>	Euro 2000 soccer tournament feature site
<i>shopping.hongkong.com</i>	promoting products for The Avenue shopping site
<i>wap4u.hongkong.com</i>	information on new WAP mobile services
<i>olympics.hongkong.com</i>	Sydney 2000 Olympics feature site
<i>women.hongkong.com</i>	a women's lifestyle, health and beauty site
<i>games.hongkong.com</i>	online gaming and reviews

Relaunches and enhancements included:

<i>mystic.hongkong.com</i>	comprehensive fortune-telling services
<i>chat.hongkong.com</i>	new, improved chat-rooms
<i>community.hongkong.com</i>	a message and meeting forum
<i>cityguide.hongkong.com</i>	latest information to "What's On" in Hong Kong
<i>love.hongkong.com</i>	a romance and personal message site
<i>ematch.hongkong.com</i>	a meeting point for fostering friendship site

The above initiatives have also benefited from an aggressive roll-out of new interfaces and communications systems. New servers, enhanced storage, a new email application, new chat-rooms, as well as online ordering and payment gateways, have been upgraded to improve access, performance, ease-of-use and security.

advertising and sponsorship revenue

The growth in advertising and sponsorship revenue is mainly due to the increased number of advertisers we have attracted to our portal and new media services. The distinct and recognizable hongkong.com brand, and our ability to leverage both online and offline media, enable us to provide successful and cost-effective promotional campaigns to a growing range of click and mortar enterprises. By 31st December, 2000, we had over 300 advertising clients, up from 40 at the end of 1999, reflecting hongkong.com's growing stature as a preferred advertising platform.

Our strategic focus on integrating online and offline businesses with customer communities has been extremely successful in pioneering cross-media campaigns for advertisers, including Heineken and 7-Eleven. The latter is a strategic anchor-client and e-fulfillment partner for the Group's e-commerce initiatives, and the campaign won MEDIA.com's Certificate of Excellence Award for "Best Interactive Campaign - Best Use of Sponsorship".

Such campaigns have gone hand-in-hand with hongkong.com brand awareness programs, such as the television commercials featuring popular Taiwanese singer, Richie Jen, tied in with creative online media initiatives and the launch of new channels and content.

e-commerce strategic partnerships and alliances

Partnerships have played a significant role in adding value to the depth of services we deliver to our communities, as the Internet becomes an increasingly significant part of their daily lives.

Our partnership with CarNet.com, a vertical portal owned by Neticom (Hong Kong) Limited, a CITIC Pacific Group Company, complements and adds to the *car.hongkong.com* channel to provide the latest updates on new models in the market, as well as online buying and selling of secondhand cars, accessories and beautification programs.

Similarly, we have integrated Sportasia.com, a joint-venture between the chinadotcom group and Agence-France Presse, to add up-to-the-minute sports news and information to our regular news and current affairs offerings. The Group also became the first horizontal portal to adopt Palm Inc's Web-clipping technology to provide wireless content to Palm users throughout Asia-Pacific.

We have also partnered URphoto.com to provide subscribers with an innovative online photo album and a one-stop photofinishing service. Subscribers can order souvenir items to be imprinted with their favorite pictures, which can then be conveniently picked up at any URphoto iOutlets.

7-Eleven continues to work closely with us as both an advertiser and e-fulfillment service centre. Via its network of 400-plus convenience stores, products offered online can be delivered throughout Hong Kong and the New Territories, at any time of day.

During the year, we have introduced a suite of three personal communications services; PC-to-Phone with deltathree.com; PC-to-PC with Visitalk.com using Microsoft's Netmeeting; and a confidential voice-chat service provided by Call2Speak, with CallNow.com, Inc. Covering a range of personal communications devices we have enabled both our business users and customers with the means to stay in-touch, in real-time, over the Internet.



top :	bottom:
<i>mycv.hongkong.com</i>	<i>mystic.hongkong.com</i>
<i>ematch.hongkong.com</i>	<i>wap4u.hongkong.com</i>
<i>car.hongkong.com</i>	<i>finance.hongkong.com</i>
<i>post4u.hongkong.com</i>	<i>games.hongkong.com</i>
<i>shop4u.hongkong.com</i>	<i>edu.hongkong.com</i>
<i>chat.hongkong.com</i>	<i>travel.hongkong.com</i>
<i>gadgets.hongkong.com</i>	<i>love.hongkong.com</i>
<i>women.hongkong.com</i>	<i>sports.hongkong.com</i>

Consequently, with such value-add services populating our portal and channels, daily pageviews have risen from 2.5 million to 6.3 million over the 12-months of the Year 2000, and our numbers of registered subscribers have jumped from 0.76 million to 1.4 million over the same period. The latter represents a significant proportion of all Hong Kong Internet users.

We are gratified that our efforts attracted public recognition through Capital Magazine, a reputable Hong Kong business publication, which presented hongkong.com Corporation "The Best Internet Content Provider" award in July 2000.

In September 2000, industry research experts, Nielsen//NetRatings rated us the most "sticky" website with users spending an average of 38 minutes surfing www.hongkong.com. Similarly, in October 2000, Alexa Research ranked us the most-visited Hong Kong portal by a global audience, giving third-party confirmation that our services are relevant and valuable to our users.

Closer to home, the Television and Entertainment Licensing Authority awarded hongkong.com as one of Hong Kong's Top Ten Healthy Websites, with www.hongkong.com serving as an exemplary website for other portal enterprises to model themselves on. hongkong.com is the first and only home-grown horizontal portal to receive such industry recognition.

community services

With a channel framework in place and growing, the Company has put great effort into designing and marketing new products and services to provide topical content, and encourage the interactive participation of subscribers.

The eMatch "Say Hi & Win" program and live Star Chat featuring local celebrities, proved very popular in providing an interactive alternative to traditional competitions and home television viewing.

Renowned Asian novelist and columnist, Nury Vittachi, joined with hongkong.com Corporation to launch Hong Kong's first English language interactive novel, The Feng Shui Detective. Subscribers are invited to contribute to the story as co-authors to develop a sequel, adding a new dimension to the Company's publishing

and literary marketing portfolio.

Through the Club4U, Home4U and Shop4U channels we continue to refine and improve our e-commerce offerings, and our subscribers' interactive experience. Our services range from buying-and-selling books through to online university courses. More e-tailers and retailers are planned to combine with the 7-Eleven e-fulfillment service network to expand the choice of product and service offerings.

extending our reach

Looking to the emergence of mobile commerce and wireless access to the Internet, the Group acquired 35.5% of InfoisLive.com - one of Asia Pacific's leading wireless applications developer during 2000. This was a strategic and far-sighted investment to enable us to deliver ground-breaking services to Hong Kong's highly-penetrated telecommunications markets.

Additionally, the move to broadband and higher bandwidth will allow InfoisLive.com to deliver services through different media and devices, and not just WAP-phones. As PDAs and WebTV become more popular, we anticipate delivering more channel content, email, mobile messaging and innovative services to subscribers, anytime, anywhere, and via any media that connects to the Internet.

In addition to extending access to its services, hongkong.com Corporation is committed to acquiring and spearheading strategic businesses whose products and services have strong potential for cross-media marketing and delivery.

The acquisition of Miller Freeman Asia's Travel and Tourism Group is the first of such moves. Similarly, we have taken on management of chinadotcom group's investment in Chinaholiday - chinaholiday.com, a website with the exclusive franchise for distributing the travel products of China Travel Services, China's state-owned travel agency. chinaholiday.com currently serves over 800 travel agents and 2,000 hotels in mainland China.

Further service innovations and enterprises will support hongkong.com Corporation's international business development, and position it as a leading enabler of Internet technologies and e-commerce in Asia.

comparison of business objectives with actual business progress

Business objectives as stated in the Prospectus

Actual business progress up to the end of December 2000

1. Launch new and enhanced content, online features, and community products on hongkong.com, such as the followings:

From the period commencing from the Latest Practicable Date of the Prospectus to the end of December 2000, 10 new channels were launched. The new channels were:

- mycv.hongkong.com* - providing job information and job matching;
- gadgets.hongkong.com* - providing information on the latest gadgets;
- richie.hongkong.com* - Richie Jen's fan feature site;
- car.hongkong.com* - providing automobile information;
- euro2000.hongkong.com* - providing information on the Euro2000 soccer event;
- shopping.hongkong.com* - providing promotion information for Shop4U;
- wap4u.hongkong.com* - providing WAP-related information and WAP-based services;
- olympics.hongkong.com* - providing information on the Sydney Olympics;
- women.hongkong.com* - providing information on women's issues; and
- games.hongkong.com* - providing various Web-based games for the community.

In addition, hongkong.com enhanced and re-launched 6 channels. The re-launched channels were:

- mystic.hongkong.com* - providing information on Feng Shui and fortune-telling services;
- cityguide.hongkong.com* - providing Hong Kong lifestyle information; and
- love.hongkong.com* - providing information on personal relationships.

hongkong.com's community services - *community.hongkong.com* - were improved through the re-launch of a new email system, message boards and forum; a new chat room- *chat.hongkong.com* - with more than 70 different topics of discussion, and an eMatch service - *ematch.hongkong.com* - a meeting point for fostering friendship.

- enhanced content and capabilities on finance, including information on Asian financial markets
- enhanced travel content
- streaming audio capability
- a loyalty points system
- a voice communications system
- a games platform
- a property channel
- enhanced music content

hongkong.com continues to enhance both Hong Kong and regional financial markets information through more content partnerships with local and regional financial news providers.

Travel content enhancement is ongoing with new content providers and a variety of new travel-related services.

hongkong.com's Live Webcast provides streaming audio and video services on a variety of topics.

The development of a cross-portal loyalty program was initiated in April 2000 and targeted for launch in 2001.

Through strategic alliances with deltathree.com, Visitalk.com and CallNow.com, Inc., hongkong.com launched 3 voice communications systems, offering PC-to-Phone, PC-to-PC via Netmeeting and a confidential voice-chat service.

A games channel was launched in November 2000, providing a multitude of Web-based games and related content.

Property information was incorporated into the business channel while the development of a viable, dedicated property channel for the user community is under review.

Discussions were initiated with various music content providers. However, the Group is of the opinion that legal issues regarding copyright infringement, currently affecting the music and Internet industries, need to be clarified prior to developing a music channel.

- women's/beauty channel
A women's channel was launched in August 2000, providing a vast selection of content ranging from healthy and fitness, beauty and makeup, cooking recipes, fashion and community services.
 - enhance the sports content on hongkong.com through the strategic alliance between the chinadotcom group and Agence France-Presse
On the back of the launch of Sportasia.com, a joint-venture between the chinadotcom group and Agence France-Presse, the Group enhanced its sport and Olympics content through a sharing arrangement made during the year with Sportasia.com.
 - automobile channel
hongkong.com enhanced its auto-related content in partnership with CarNet.com - a vertical portal owned by Neticom (Hong Kong) Limited, a CITIC Pacific Group Company.
 - fitness/workout channel
A fitness/workout section was incorporated into the women's channel, while the development of a dedicated fitness/workout channel for the user community is under review.
 - "English4U" channel, for those wishing to learn English
The development of an English learning section under the Education channel was initiated in October 2000, and will continue to be enhanced with new e-learning products and services.
2. Launch e-commerce presence or operations in Hong Kong and other countries in Asia
The Group launched Shop4U on hongkong.com 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.

In light of the global slowdown in the e-commerce sector, the Group will focus on consolidating and enhancing its existing ventures while developing a viable regional e-commerce model beginning with Greater China in the latter half of 2001.
 3. Offer additional product lines on the portal
As at 31st December, 2000, hongkong.com featured over 70 product lines across consumer electronics, household items and food and beverages.
 4. 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 Asian cities (other than Hong Kong) will be carried out when e-commerce websites are launched in those cities.
 5. Offer customer service in Hong Kong and those additional countries with localized websites
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.

In light of the global slowdown in the e-commerce market, the Group will focus on consolidating and enhancing its existing e-commerce ventures while developing a viable regional model for e-commerce.
 6. Explore and capitalize on strategic opportunities
hongkong.com's position as the leading portal in Hong Kong has enabled the Group to continue exploring strategic opportunities for expanding its portal and regional activities. Deals were closed with registrars.com, deltathree.com, and CallNow.com, Inc., during the year. Portal services have been extended with domain name registration and voice communication services respectively. Other major content, e-commerce and marketing partners of the Group include 7-Eleven, CarNet.com, Heineken, NetSanity, New World PCS and Sportasia.com. The Group continued to further its regional expansion strategy via e-travel services, by undertaking to develop and manage the chinadotcom group's travel business, Chinaholiday.
 7. 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 AOL Hong Kong Service. In addition, the Group completed its commitment to the Netscape Service in September 2000.

use of proceeds

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.

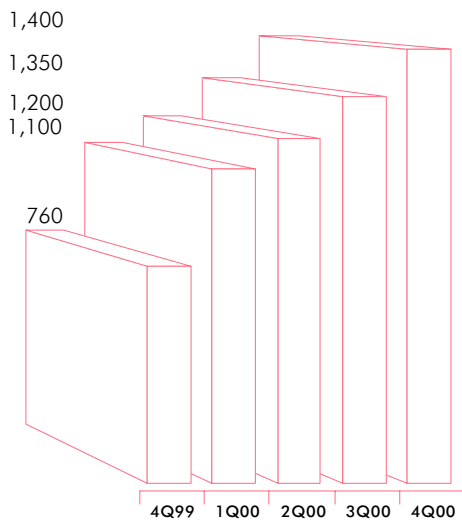
During the period from 9th March, 2000 (date of listing) to 31st December, 2000, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

- approximately HK\$11 million for the expansion of the Group's network infrastructure and computer equipment;
- approximately HK\$8 million for the purchase of software applications for network infrastructure and e-commerce activities;
- approximately HK\$26 million for marketing and advertising in Hong Kong;
- approximately HK\$51 million for future acquisitions of and investments in companies that are complementary to the Group's business;
- approximately HK\$58 million for the repayment of all loans extended by the chinadotcom group;
- approximately HK\$68 million for general working capital, including, but not limited to, paying expenses such as staff expenses and network operating expenses.

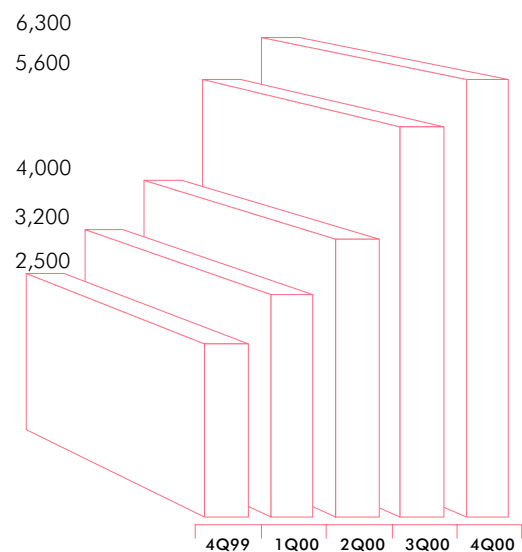
The remaining net proceeds have been partly deposited in licensed banks in Hong Kong and partly invested in interest-bearing marketable securities pending appropriate investments.

CONTINUED GROWTH IN METRICS

**Subscribers
(000's)**



**Audited Daily
Pageviews
(000's)**



prospects

During Year 2000, hongkong.com Corporation moved into profitability with an enterprising, market-driven business model. It continues to exceed customer and subscriber expectations by offering a wealth of meaningful value-added products and services. We have found our niche in the Asian technology sector as an Internet-savvy enterprise dedicated to integrating brick-and-mortar businesses with the World Wide Web, and the still emerging e-commerce marketplace.

hongkong.com's emphasis will continue to be uniting new media know-how and Internet technologies with the offline world. But, importantly, we have a traditional philosophy at heart, relying on fundamental business acumen and conventional priorities for creating value.

While financial pressures in a volatile stock market environment continue to intensify at the start of 2001, the outlook for the industry as a whole will be challenging in the short-term. It has been reported that more than a third of Web companies in the US, and more than half in Hong Kong, are expected to run out of cash during 2001 - with mergers and casualties driving industry consolidation.

In contrast, the Board believes that hongkong.com Corporation's position is extremely healthy and will not be significantly affected by current conditions. The Company's Internet-focused business, first established in 1995, has been steadily building over many years prior to listing. Business prospects remain good with sustained interest from potential partners, advertising customers and Internet users, while competitor activity is somewhat restricted - at least in the short-term.

Additionally, the Group is very well funded, with more than HK\$1.2 billion in cash and marketable securities at the year end. With such a sound capital reserve at a time of little-or-no inflation, the Group has a definite edge in making the best of merger and acquisition opportunities.

We anticipate the combination of our solid foundation, strong cash position, market conditions, a good brand name and encouraging financial results will enable the Group to actually extend its leading role in the regional Internet industry and

e-commerce markets. hongkong.com Corporation will continue to execute its business plan well, and move towards its strategic objective of creating a cross-media community and e-commerce platform throughout Asia.

The Group will continue to work closely with chinadotcom corporation, its subsidiaries, associated companies and business partners to build new and stronger cross-portal strategies, as well as add even greater depth to new and improved subscriber channels and content.

As one-on-one interactive marketing applications and techniques are refined, our capability in delivering increasingly targeted offers to our subscribers, on behalf of our partners and advertisers, should

increase significantly. Eventually, with an extended regional platform bringing together numerous vendors and virtual communities, we will be able to offer personalized service-bundling and loyalty programs. These, in turn, should attract more subscribers, increase pageviews and create an even more effective advertising medium for our customers.

A key component of innovative service delivery will be access to content and commerce services via the latest Internet technologies. Internet access is continually improving - for example, more and more Hong Kong Internet users are now moving to broadband access - and, globally, many new applications and devices are under development.

Hence, in the short- to medium-term, our wireless strategy will be an area of major emphasis, where hongkong.com will leverage the expertise, acumen and technical abilities of the chinadotcom group and its alliance partners.

We will continue to assess opportunities for strategic acquisition of businesses that fulfill our strategic need and expand our services portfolio. Our move into the travel industry with TTG Asia is considered such an opportunity, with e-travel services rated by industry analysts to be one of the key e-commerce markets with high potential.

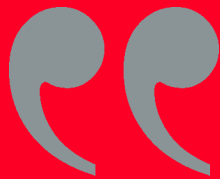
“ everything we do is underpinned by common values, an openness to new ideas and the flexibility to respond to change in ever more creative and effective ways. ”

The Board believes hongkong.com's brand recognition is strong and will grow even further if we continue to diligently innovate in-step with prudent management to optimize our use of assets, and keep driving down costs.

Our ultimate goal is to unite clicks-and-mortar businesses through the creative deployment of interesting content and state-of-the-art e-commerce techniques. By creating new media marketing programs for customers and partners, connecting them to online buying communities and integrating each with offline e-fulfillment service centers, the true potential

of the Internet will be realized. This is already happening through hongkong.com initiatives with similarly envisioned companies such as 7-Eleven and URphoto.com.

Furthermore, hongkong.com Corporation will continue to take a pragmatic approach to its development within industry sectors and markets that are themselves being defined - and redefined - as they grow. A key ingredient to success will be remaining flexible and recognizing the need to change from within, as the global and regional business landscapes transform.



a company exists to **create**
shareholders' value.

The only way

to do that **consistently** is to

operate on **solid** foundations.

In this respect,

hongkong.com's

many achievements

in 2000 bode well for the

future value

of the company.



CONTENTS

FINANCIAL

SECTION

28	report of the directors
40	report of the auditors
41	consolidated profit and loss account
42	consolidated statement of recognized gains and losses
43	consolidated balance sheet
44	consolidated cash flow statement
45	balance sheet
46	notes to financial statements
63	notice of annual general meeting

The Directors present their first report and the audited financial statements of the Group for the year ended 31st December, 2000.

Group reorganization and listing on the GEM of the Stock Exchange

Please refer to note 1 to the financial statements.

Principal activities

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 12 to the financial statements.

Segmental information

An analysis of the Group's turnover and contribution to profit from operating activities before tax by principal activity and geographical area of operations for the year ended 31st December, 2000 is as follows:

	Turnover HK\$'000	Contribution to profit from operating activities HK\$'000
By principal activity:		
Advertising service fees	40,400	(23,613)
Content and Internet service provision fees	31,842	(37,569)
Others	7,256	(1,205)
	79,498	(62,387)
By geographical area:		
Hong Kong	66,746	(63,675)
Singapore	12,752	1,288
	79,498	(62,387)

Results and dividend

The Group's profit for the year ended 31st December, 2000, and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 41 to 62.

The Directors do not recommend the payment of any dividend in respect of the year.

Fixed assets

Details of movements in fixed assets of the Group during the year are set out in note 11 to the financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 12 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 18 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights either under the Company's Articles of Associations, or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 19 to the financial statements.

Purchase, sale or redemption of listed securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Distributable reserves

At 31st December, 2000, the Company's reserves available for distribution amounted to HK\$834,806,000.

Charitable donations

During the year, the Group made charitable donations totalling HK\$660,000.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for 61% of the total sales for the year and sales to the largest customer included therein amounted to 41%. Purchases from the Group's five largest suppliers accounted for 79% of the total purchases for the year and purchases from the largest supplier included therein amounted to 71%.

Except for the transactions with a related company and fellow subsidiaries, as disclosed in note 23 to the financial statements, none of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Ch'ien Kuo Fung, Raymond (Chairman)	(appointed on 25th November, 1999)
Yip Hak Yung, Peter (Vice-Chairman)	(appointed on 15th October, 1999)
Zhou Shun Ao (Vice-Chairman)	(appointed on 7th December, 1999)
Chan Kai Yu, Rudy	(appointed on 3rd February, 2000)
Hamilton, Peter John	(appointed on 25th November, 1999)
Hung Shuk Tak, Vicky	(appointed on 25th November, 1999)
Lin, Jack	(appointed on 12th December, 2000)
Henry, Ian Michael Charles	(appointed on 25th November, 1999 and resigned on 13th January, 2001)

Non-Executive Directors

Chan Wing Tak, Douglas	(appointed on 25th November, 1999)
Edelson, Harry	(appointed on 25th November, 1999)

Independent Non-Executive Directors

Chou Kei Fong, Silas	(appointed on 25th November, 1999)
Koh Boon Hwee	(appointed on 3rd February, 2000)
Wong Sin Just	(appointed on 25th November, 1999)

In accordance with Articles 99 and 116 of the Company's Articles of Association, Messrs. Lin, Jack, Yip Hak Yung, Peter, Chan Wing Tak, Douglas, Edelson, Harry and Ms. Hung Shuk Tak, Vicky, retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of office of each Non-Executive Director is for the period up to 31st December, 2001.

Emoluments of Directors and the five highest paid individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements respectively.

Directors' service contracts

Each of the Executive Directors has entered into a service agreement with the Company. Other than the service agreements with Zhou Shun Ao, Chan Kai Yu, Rudy and Lin, Jack, all the service agreements are for an initial term of two years commencing 25th November, 1999, which will continue thereafter for such further term as the parties shall agree. Each agreement can be terminated by either party by three months' prior written notice.

Mr. Zhou Shun Ao has entered into a service agreement with the Company for an initial term of two years commencing 7th December, 1999, which will continue thereafter for such further term as the parties shall agree. The agreement can be terminated by either party by three months' prior written notice.

Mr. Chan Kai Yu, Rudy has entered into a service agreement with the Company for an initial term of two years commencing 3rd February, 2000, which will continue thereafter for such further term as the parties shall agree. The agreement can be terminated by either party by three months' prior written notice.

Mr. Lin, Jack has entered into a service agreement with the Company for an initial term of two years commencing 12th December, 2000, which will continue thereafter for such further term as the parties shall agree. The agreement can be terminated by either party by three months' prior written notice.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Directors' interests in contracts

Messrs. Yip Hak Yung, Peter and Zhou Shun Ao, being directors of China Internet Corporation (Hong Kong) Limited, were interested in a contract for content and Internet services and advertising services provided by the Group. Further details of the transactions undertaken in connection therewith are included in note 23 to the financial statements. Save as disclosed above, no director had a material interest in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests in shares

As at 31st December, 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) Ordinary shares in the Company

Name of Director	Number of shares held and nature of interest		
	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 (Note)	3,416,000
Zhou Shun Ao	5,000,000	-	5,000,000

Note: These 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 31st December, 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) Class A common shares in chinadotcom corporation which is, according to the SDI Ordinance, an associated corporation of the Company:

Name of Director	Number of shares held and nature of interest			
	Personal interests (number of shares)	Family interests (number of shares)	Corporate interests (number of shares)	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	-	-	1,276,862	1,276,862
Henry, Ian Michael Charles	-	-	1,276,862	1,276,862
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 his corporate interests in chinadotcom corporation through Asia Pacific Online Limited, Mr. Peter John Hamilton and Mr. Ian Michael Charles Henry jointly hold their corporate interests in chinadotcom corporation through TDB Services Limited and Mr. Harry Edelson holds his corporate interests in chinadotcom corporation through Edelson Technology Partners.

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

Directors' rights to acquire shares

Pursuant to the share option schemes of the Company and chinadotcom corporation, certain Directors of the Company have granted options on the Company's and chinadotcom corporation's ordinary shares and the details of which as at 31st December, 2000 are as follows:

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

Name of Director	Number of underlying shares under		Total
	pre-IPO share option scheme (Note 1)	post-IPO share option scheme (Note 2)	
Ch'ien Kuo Fung, Raymond	10,000,000	-	10,000,000
Chan Kai Yu, Rudy	60,000,000	10,000,000	70,000,000
Chan Wing Tak, Douglas	1,000,000	-	1,000,000
Chou Kei Fong, Silas	1,000,000	-	1,000,000
Edelson, Harry	1,000,000	-	1,000,000
Hamilton, Peter John	5,000,000	-	5,000,000
Henry, Ian Michael Charles	5,000,000	-	5,000,000
Hung Shuk Tak, Vicky	5,000,000	-	5,000,000
Koh Boon Hwee	1,000,000	-	1,000,000
Lin, Jack	530,000	-	530,000
Wong Sin Just	1,000,000	-	1,000,000
Yip Hak Yung, Peter	6,000,000	-	6,000,000
Zhou Shun Ao	6,000,000	-	6,000,000

Note 1: These options were conditionally granted on 25th February, 2000 and are exercisable at the issue price in accordance with the terms of the pre-IPO share option scheme. None of the above pre-IPO share options were exercised during the year.

Note 2: 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. None of the above post-IPO share options were exercised during the year.

(b) 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)	US\$6.8125	other exercise price
Ch'ien Kuo Fung, Raymond	66,667 (Note 3)	-	100,000 (Note 7)	-
Chan Kai Yu, Rudy	-	-	8,265 (Note 8)	47,000 (Note 11)
Chan Wing Tak, Douglas	40,000 (Note 4)	-	-	-
Edelson, Harry	60,000	-	20,000 (Note 7)	-
Hamilton, Peter John	680,000	-	-	160,000 (Note 12)
Hung Shuk Tak, Vicky	640,000 (Note 5)	-	-	-
Lin, Jack	-	-	111,919 (Note 9)	54,000 (Note 13)
Wong Sin Just	-	-	-	48,000 (Note 14)
Yip Hak Yung, Peter	60,000	2,181,442 (Note 6)	100,000 (Note 10)	-
Zhou Shun Ao	120,000 (Note 6)	-	-	78,000 (Notes 6 and 15)

- Notes:
1. These options were granted on 22nd June, 1999 and are exercisable from 22nd June, 2000 to the year ending 10 years after the grant date.
 2. These options were granted on 12th July, 1999 and are exercisable from 16th July, 2000 to the year ending 10 years after the grant date.
 3. Dr. Ch'ien Kuo Fung, Raymond, 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 Dr. Ch'ien's name upon exercise.
 4. Mr. Chan Wing Tak, Douglas, 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 sold them all on the same day.
 5. Ms. Hung Shuk Tak, Vicky, 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 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 sold them all on the same day.
 6. 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.
 7. These options were granted on 17th October, 2000 and are exercisable from 17th January, 2001 to the year ending 10 years after the grant date.
 8. These options were granted on 17th October, 2000 and are exercisable from 25th November, 2000 to 14th November, 2009.
 9. 11,919 and 100,000 options were granted on 17th October, 2000 and are exercisable from 17th April, 2001 to 16th April, 2010 and 17th July, 2001 to 16th October, 2010 respectively.
 10. These options were granted to Asia Pacific Online Limited on 17th October, 2000 and are exercisable from 17th October, 2000 to the year ending 10 years after the grant date. 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 of Asia Pacific Online Limited under the SDI Ordinance.
 11. 38,000 options were granted on 15th November, 1999 and are exercisable from 25th November, 2000 to the year ending 10 years after the grant date at an exercise price of US\$14.50 per share. 4,500 options were granted on 15th April, 2000 and are exercisable from 25th February, 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 25th February, 2001 to the year ending 10 years after the grant date at an exercise price of US\$15.75 per share.
 12. 60,000 options were granted on 15th April, 2000 and are exercisable from 15th January, 2001 to the year ending 10 years after the grant date at an exercise price of US\$16.75 per share. Further 100,000 options were granted on 5th December, 2000 and are exercisable from 5th March, 2001 to the year ending 10 years after the grant date at an exercise price of US\$6.7812 per share.
 13. 9,000 options were granted on 15th April, 2000 and are exercisable from 15th April, 2001 to 14th April, 2005 at an exercise price of US\$14.2375 per share. 36,000 options were granted on 17th April, 2000 and are exercisable from 17th April, 2001 to the year ending 10 years after the grant date at an exercise price of US\$16.75 per share. Further 9,000 options were granted on 29th July, 2000 and are exercisable from 17th July, 2001 to the year ending 10 years after the grant date at an exercise price of US\$15.75 per share.
 14. The options were granted on 12th October, 1999 and are exercisable from 12th October, 2001 to the year ending 10 years after the grant date at an exercise price of US\$14.25 per share.
 15. 9,000 options were granted on 15th April, 2000 and are exercisable from 15th January, 2001 to 14th April, 2005 at an exercise price of US\$14.2375 per share. Another 9,000 options were granted on 29th July, 2000 and are exercisable from 29th January, 2001 to the year ending 10 years after the grant date at an exercise price of US\$15.75. Further 60,000 options were granted on 20th October, 2000 and are exercisable from 20th January, 2001 to the year ending 10 years after the grant date at an exercise price of US\$8.125 per share.
 16. Mr. Henry, Ian Michael Charles, resigned from chinadotcom corporation on 30th September, 2000 upon which his options lapsed.

Save as disclosed above, at 31st December, 2000, none of the Directors, chief executive or their associates had any interests 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 year 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.

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' rights to acquire shares – (a) 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	139,095,920
Less: Lapsed options	(9,621,380)
As at 31st December, 2000	129,474,540 (Note)

Note: The underlying shares of the outstanding pre-IPO share options as at 31st December, 2000 represent 3.16% 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 (the "Prospectus").

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:

Date when options granted	Exercise price HK\$	Number of underlying shares
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
5th October, 2000	0.582	10,606,660
24th November, 2000	0.518	6,368,380
22nd December, 2000	0.432	594,180
Total granted options		31,104,090
Less: Lapsed options		(3,289,111)
As at 31st December, 2000		27,814,979
		(Note)

Note: The underlying shares of the outstanding post-IPO shares as at 31st December, 2000 represent 0.68% of the issued share capital of the company.

Substantial shareholders

At 31st December, 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of substantial shareholders required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares	Percentage of issued share capital
chinadotcom corporation	3,361,828,000	82.08%

Saved as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Interest of sponsors

A director and an employee of BNP Paribas Peregrine Capital Limited held 70,000 shares and 2,000 shares in the Company as at 31st December, 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 31st December, 2000, did not have any interests 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.

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 Stock 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 business may potentially compete 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), a company listed on the Main Board of the Stock 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, an Independent Non-Executive Director, is a director of SinoHome.com, 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 the business of which 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 news, auction, 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.

Connected transactions

All the following non-exempt continuing connected transactions (save for item 11) have been granted waivers by the Stock Exchange at the time of listing of the Company in the strict compliance with the announcement requirements set out in Rule 20.35 and the shareholders' approval requirements set out in Rule 20.36 of the GEM Listing Rules. Actual amounts for each of the connected transactions recorded for the year ended 31st December, 2000 are as follow:

	Notes	HK\$'000
1. Office Lease Assignment		
- Rent	(i)	1,387
- Management Fee and Rates		354
2. Services Sharing	(ii)	189
3. Service Agreement	(iii)	3,103
4. Service Agreement	(iv)	3,103
5. Service Agreement	(v)	3,103
6. Support Services Agreement	(vi)	28,482
7. Ongoing Manpower Services	(vii)	1,343
8. Non-exclusive Network Affiliation Agreement	(viii)	2,918
9. Co-branding revenues	(ix)	538
10. Service Agreement	(x)	16
11. Advertising Serving Fee	(xi)	2,460

Please see also notes (xii), (xiii), (xiv) and (xv)

- Notes:
- (i) This refers to the rent payable by hongkong.com Limited ("HKCL"), a wholly-owned subsidiary of the Group, to Goman Limited, an independent third party, subject to an assignment between china.com Corporation Limited ("CCCL"), a wholly owned subsidiary of chinadotcom, and HKCL on 18th February, 2000, wherein CCCL has assigned to HKCL a portion of 21 Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong (with a gross area of approximately 6,840 sq.ft.) for use as office space. For clarity, the monthly rent payable by HKCL is HK\$106,717.88 exclusive of rates, air-conditioning charges and management fees.
 - (ii) This refers to the services shared between chinadotcom corporation and HKCL subject to an agreement between them dated 18th February, 2000, wherein chinadotcom has agreed to share its Internet connectivity services, leased hardware, leased space to store and operate the hardware and related licensed software provided to chinadotcom by Globalcenter Inc., with HKCL for a monthly fee equal to 70% of the fees payable by chinadotcom to Globalcenter Inc., for such services.
 - (iii) This refers to the service fees payable by 24/7 Media Asia Limited ("24/7 Asia"), a wholly-owned subsidiary of chinadotcom, to HKCL pursuant to a service agreement made between them dated 1st September, 1999, under which HKCL agreed to display 24/7 Asia's logo on www.hongkong.com with hyperlink to 24/7 Asia's website. For clarity, the quarterly service fee payable by 24/7 Asia is US\$100,000.

- (iv) This refers to the service fees payable by The Hong Kong Web Connection Limited ("HKWC"), a wholly-owned subsidiary of chinadotcom, to HKCL pursuant to a service agreement made between them dated 1st September, 1999, under which HKCL agreed to display HKWC's logo on www.hongkong.com with hyperlink to HKWC's website. For clarity, the quarterly service fee payable by HKWC is US\$100,000.
- (v) This refers to the service fees payable by China Internet Corporation (Hong Kong) Limited ("CICHK"), a subsidiary of China Internet Corporation Limited ("CIC"), to HKCL pursuant to a service agreement made between them dated 18th February, 2000, under which HKCL agreed to display the logo of America Online, Inc., on www.hongkong.com with hyperlink to the www.aol.com.hk website. For clarity, the quarterly service fee payable by CICHK is US\$100,000.
- (vi) This refers to the support service fees payable by CIC to HKCL pursuant to a support services agreement made between them and chinadotcom dated 18th February, 2000, under which HKCL agreed to provide personnel to CIC in order to enable CIC and its subsidiaries ("CIC Group") to satisfy its obligations to AOL under the AOL Licence Agreement (as defined in the Prospectus).
- (vii) This refers to the ongoing manpower service fees payable by CICHK to HKCL pursuant to a Netscape guide and search development contract entered into between them dated 18th February, 2000, under which HKCL agreed to provide ongoing manpower services to CICHK and its affiliates to enable them to fulfil certain of their obligations to Netscape Communications Corporation under the Netscape Co-Marketing Agreement (as defined in the Prospectus).
- (viii) This relates to the fees receivable by HKCL from 24/7 Asia pursuant to a non-exclusive network affiliation agreement ("Network Affiliation Agreement") entered into between them dated 22nd February, 2000, pursuant to which HKCL agreed to become a member of the 24/7 Asia network of websites and granted 24/7 Asia the right to sell advertising on www.hongkong.com to third parties on consideration that 24/7 Asia will pay to HKCL the monthly fees so received by them after having their retention of a 30% commission.
- (ix) CCCL and Looks.com Limited ("Looks.com") entered into an agreement dated 29th September, 1999 in relation to the marketing and selling of Looks.com's men and ladies' brandname and proprietary products through co-branded webpages appearing on CCCL's portal network, for a term of three years from 29th September, 1999 ("Looks.com Agreement"). Pursuant to an agreement entered into between CCCL and HKCL on 18th February, 2000, CCCL has sub-licensed its rights under the Looks.com Agreement to establish co-branded webpages on the hongkong.com portal to HKCL and this revenue relates to the reimbursement of HKCL's costs incurred in establishing and maintaining the co-branded webpages pursuant to the agreement.
- (x) CCCL and eBay Inc. entered into an agreement on 31st January, 2000 ("eBay Agreement") wherein CCCL agreed to display hyperlinks to eBay Inc.'s services on its portal including hongkong.com. On 18th February, 2000, CCCL has assigned the rights under the eBay Agreement relating to the hongkong.com portal to HKCL, and in consideration thereof, HKCL has agreed to perform the corresponding obligations of CCCL under the eBay Agreement which relate to the hongkong.com portal. This fee received by HKCL relates to the fee which HKCL is entitled to for every Internet user who accesses the eBay website through the hongkong.com portal.
- (xi) Under the terms of the "Network Affiliation Agreement" dated 22nd February, 2000 (see also note (viii) above), it is also provided that HKCL may elect 24/7 Asia to serve promotional or barter advertisements not sold by 24/7 Asia for an advertising serving fee ("Ad Serving Fee") of US\$1.00 per CPM (i.e. US\$1.00 per thousand ad-banner impressions), which Ad Serving Fee was subsequently reduced to US\$0.18 CPM. Although the payment of the Ad Serving Fee was not specifically covered by the waiver which was previously obtained from the Stock Exchange for the "Network Affiliation Agreement", such payment has been duly disclosed by the Company to the public in its announcement dated 16th March, 2001.
- (xii) Several of the foregoing transactions were entered into by the Group with members of the chinadotcom group (other than the Group) or the CIC Group. Under the GEM Listing Rules, the chinadotcom group is a connected person of the Company (as defined in the GEM Listing Rules). Further, as the composition of the board of directors and shareholders of CIC and the Company are substantially the same, the CIC Group is deemed to be a connected person of the Company.
- (xiii) Except for notes (ii) and (x), all the above connected transactions are also referred to in note 23 to the financial statements.
- (xiv) All the above connected transactions have been reviewed by the Independent Non-Executive Directors and were, in their opinion, entered into by the Group:
- in the ordinary and usual course of the Group's business;
 - on normal commercial terms; and
 - in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of the Company's shareholders as a whole.
- (xv) All the other non-exempt continuing connected transactions which have also been granted waivers by the Stock Exchange at the time of the listing of the Company in strict compliance with the announcement requirements set out in Rule 20.35 and the shareholders' approval requirements set out in Rule 20.36 of the GEM Listing Rules, but which have not been set out above, have not recorded any actual amounts for the year ended 31st December, 2000.

Pension scheme

Details of the pension scheme of the Group and the employer's pension costs charged to the profit and loss account for the year are set out in notes 3 and 5 to the financial statements, respectively.

Audit committee

The Company established an audit committee on 25th February, 2000 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has four members comprising three Independent Non-Executive Directors, Mr. Wong Sin Just (Committee Chairman), Mr. Chou Kei Fong, Silas, Mr. Koh Boon Hwee, and one Executive Director, Mr. Yip Hak Yung, Peter. The primary duties of the audit committee is to review and supervise the financial reporting process and internal controls of the Group. Since its establishment, the audit committee has met twice reviewing and supervising the financial reporting process, the Company's annual report and financial statements, and providing advice and recommendations to the Board of Directors.

Change of Compliance Officer

Mr. Jack Lin has taken over Mr. Peter Hamilton's role as the Compliance Officer of the Company as from his date of appointment as the Company's Executive Director effective from 12th December, 2000.

Change of Company Secretary and Authorized Representative

Mr. Mak Tak Cheong, Edmund, resigned as the Company Secretary and Authorized Representative of the Company, and Ms. Kwan Shin Luen, Susanna was appointed as the Company Secretary and Authorized Representative of the Company, both with effect from 27th November, 2000.

Auditors

Ernst and Young were appointed by the Directors as the first auditors of the Company. Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ch'ien Kuo Fung, Raymond

Chairman

Hong Kong, 12th February, 2001

To the members

hongkong.com Corporation

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 41 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong, 12th February, 2001

consolidated profit and loss account

Year ended 31st December, 2000

	Notes	2000 HK\$'000	(Restated) 1999 HK\$'000
TURNOVER	4	79,498	13,113
Cost of sales		(36,776)	(128)
Gross profit		42,722	12,985
Other revenue	4	68,966	180
Selling and distribution expenses		(33,592)	(20,175)
Administrative expenses		(67,482)	(14,768)
Other operating expenses		(4,035)	-
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	6,579	(21,778)
Share of losses of associates		(1,815)	-
PROFIT/(LOSS) BEFORE TAX		4,764	(21,778)
Tax	8	(345)	-
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	4,419	(21,778)
EARNINGS/(LOSS) PER SHARE	10		
Basic		0.11 cents	(0.65 cents)
Diluted		0.11 cents	N/A

consolidated statement of recognized gains and losses

Year ended 31st December, 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Surplus on revaluation of short term investments	19	2,001	-
Net profit/(loss) from ordinary activities attributable to shareholders	19	4,419	(21,778)
		6,420	(21,778)
Goodwill on acquisitions eliminated directly against reserves	19	(47,580)	-
Total recognized gains and losses		(41,160)	(21,778)

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	26,048	13,208
Interests in associates	13	3,775	-
		29,823	13,208
CURRENT ASSETS			
Amount due from a related company	14	13,552	3,264
Amounts due from fellow subsidiaries	15	3,774	6,748
Short term investments	16	1,166,514	-
Accounts receivable		9,560	389
Prepayments, deposits and other receivables		28,589	7,440
Cash and cash equivalents	17	39,840	3,280
		1,261,829	21,121
CURRENT LIABILITIES			
Amounts due to fellow subsidiaries	15	18,838	37,759
Tax payable		345	-
Accounts payable and accrued liabilities		15,666	21,795
Deferred revenue		9,419	-
		44,268	59,554
NET CURRENT ASSETS/(LIABILITIES)		1,217,561	(38,433)
		1,247,384	(25,225)
CAPITAL AND RESERVES			
Issued capital	18	409,600	1
Reserves	19	837,784	(25,226)
		1,247,384	(25,225)

Ch'ien Kuo Fung, Raymond
Director

Chan Kai Yu, Rudy
Director

consolidated cash flow statement

31st December, 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES			
	20(a)	(105,888)	17,146
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		65,879	9
Net cash inflow from returns on investments and servicing of finance		65,879	9
INVESTING ACTIVITIES			
Purchases of fixed assets		(21,659)	(14,124)
Purchases of short term investments		(6,522,883)	-
Acquisitions of business/subsidiaries	20(c)	(39,043)	-
Acquisition of an associate		(12,170)	-
Proceeds from sale of fixed assets		185	-
Proceeds from disposal of short term investments		5,358,370	-
Net cash outflow from investing activities		(1,237,200)	(14,124)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES			
		(1,277,209)	3,031
FINANCING ACTIVITIES			
	20(b)		
Proceed from issue of new shares		1,383,680	1
Share issue expenses		(69,911)	-
Net cash inflow from financing activities		1,313,769	1
INCREASE IN CASH AND CASH EQUIVALENTS			
		36,560	3,032
Cash and cash equivalents at 1st January		3,280	248
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
		39,840	3,280
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		8,366	3,280
Time deposits		31,474	-
		39,840	3,280

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	12	1,246,006	1
CURRENT LIABILITIES			
Amount due to a subsidiary	12	-	18
Amount due to a fellow subsidiary	15	-	10
Other payables and accrued liabilities		1,600	-
		1,600	28
		1,244,406	(27)
CAPITAL AND RESERVES			
Issued capital	18	409,600	1
Reserves	19	834,806	(28)
		1,244,406	(27)

Ch'ien Kuo Fung, Raymond
Director

Chan Kai Yu, Rudy
Director

1. Basis of presentation

The Company was incorporated in the Cayman Islands on 15th October, 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands.

Pursuant to a group reorganization ("Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group in February 2000 by acquiring hongkong.com Limited ("HKCL"). The ordinary shares of the Company have been listed on GEM since 9th March, 2000.

The Group resulting from the Group Reorganization is regarded as a continuing entity. Accordingly, these financial statements have been prepared on the merger accounting basis as if the Company had always been the holding company of the Group.

Further details of the Group Reorganization are set out in the Prospectus dated 28th February, 2000 (the "Prospectus") issued by the Company.

During the fourth quarter of the current financial year ended 31st December, 2000, the Directors performed a detailed review of the cost structure of the Group, particularly in the classification of cost of sales and operating expenses. As a result of the review, the Directors considered that it is appropriate to classify certain expense items of portal development nature totalling HK\$7,533,000, which were included in cost of sales for the year ended 31st December, 1999, as operating expenses in the comparative amounts in order to conform with the current year's presentation. Accordingly, certain comparative amounts have been reclassified to conform with the presentation adopted in these financial statements.

2. Corporate information

The registered office of hongkong.com Corporation is located at Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

During the year, the Group was involved in the operation of a portal site, the provision of content and Internet services and advertising through Internet, event organizing services and magazine publication.

The Company is a subsidiary of chinadotcom corporation, a limited company incorporated in the Cayman Islands and listed on NASDAQ, which is considered by the Directors to be the Company's ultimate holding company.

3. Summary of significant accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for the remeasurement of debt securities, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

3. Summary of significant accounting policies (continued)

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors. Goodwill arising from the acquisition of associates is eliminated directly to reserves.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalized as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose are as follows:

Leasehold improvements	Over the lesser of lease terms or the asset useful lives
Furniture and fixtures	20%
Office equipment	20%
Computer equipment and software	33-1/3%

The gain or loss on disposal or retirement of a fixed asset recognized in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Short term investments

Short term investments are investments in listed debt securities held for non-trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognized in the investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Deferred revenue

Deferred revenue represents amounts received in advance for services being rendered.

3. Summary of significant accounting policies (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line method over the lease terms.

Portal development costs

All costs incurred in the development of portal are charged to the profit and loss account as incurred.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) Advertising service fees are derived from the sales of banner advertisements and sponsorships in which the Group delivers advertising for a fixed fee on the Group's websites and advertising affiliates, which comprise third-party websites. Advertising revenue is derived principally from short term advertising contracts pursuant to which the Group may guarantee a minimum number of impressions to advertisers over a specific period of time for a fixed fee. Revenue from advertising is recognized ratably in the period in which the advertisement is displayed, provided that no significant Group obligations remain, at the lesser of the ratio of impressions delivered over total guaranteed impressions or the straight-line basis over the term of contract, and collection of the resulting receivable is probable. Advertising service fees from direct mailing are derived from advertisement sent to electronic mail users registered with the Group and are recognized when each advertisement is sent;
- (b) on the rendering of services, as the underlying services are provided;
- (c) on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

Barter transactions

When goods or services are exchanged or swapped for dissimilar goods or services, the exchange is regarded as a transaction which generates revenue and barter revenue and expenses are recognized. Barter revenue and expenses are measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, barter revenue and expenses are measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallize in the foreseeable future. A deferred tax asset is not recognized until its realization is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. Summary of significant accounting policies (continued)**Pension scheme**

The Group operates a defined contribution retirement benefits provident fund scheme for those employees who are eligible to participate in the scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. Turnover and revenue

Turnover represents advertising service fees, content and Internet service provision fees, event organizing service fees and publishing income.

An analysis of turnover and other revenue is as follows:

	2000 HK\$'000	1999 HK\$'000
Turnover:		
Advertising service fees	40,400	12,656
Content and Internet service provision fees	31,842	457
Others	7,256	-
	79,498	13,113
Other revenue:		
Bank interest income	1,788	9
Interest income on debt securities	64,091	-
Foreign exchange gains, net	2,789	-
Others	298	171
	68,966	180
Total revenue	148,464	13,293

5. Profit/(loss) from operating activities

The profit/(loss) from operating activities is arrived at after charging:

	Group	
	2000 HK\$'000	1999 HK\$'000
Auditors' remuneration	626	60
Operating lease rentals in respect of land and buildings	4,403	1,099
Staff costs*:		
Salaries and allowances	61,823	8,666
Pension contributions	101	-
	61,924	8,666
Depreciation	8,625	916
Marketing and promotion expenses	31,498	20,175
Portal development costs #	27,470	7,533
Provision for bad and doubtful debts	4,026	-

* included directors' remuneration as disclosed in note 6.

included staff cost of HK\$13,423,000 (1999:HK\$4,477,000) and depreciation of HK\$4,254,000 (1999:HK\$441,000) as disclosed above.

6. Directors' remuneration

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Executive Directors:		
Fees	70	-
Salaries and allowances	1,464	438
Pension contributions	1	-
	1,535	438
Non-Executive Directors:		
Fees	58	-
Salaries and allowances	-	-
	58	-
Independent Non-Executive Directors:		
Fees	105	-
Salaries and allowances	-	-
	105	-
	1,698	438

The remuneration of the Directors fell within the following bands:

	Number of directors	
	2000	1999
Nil - HK\$1,000,000	12	10
HK\$1,000,001 - HK\$1,500,000	1	-
	13	10

6. Directors' remuneration (continued)

For the year ended 31st December, 2000, all the Executive Directors received emoluments of HK\$1 each save for one Executive Director who received a director's fee of HK\$70,000 and another Executive Director who received an emolument of HK\$1,465,000. Two Non-Executive Directors received director's fee of HK\$46,000 and HK\$12,000, respectively. Three Independent Non-Executive Directors received director's fee of HK\$59,000, HK\$35,000 and HK\$11,000, respectively. Apart from the aforesaid director's fee, none of the Non-Executive Directors nor Independent Non-Executive Directors received any other emoluments.

For the year ended 31st December, 1999, five Executive Directors received emoluments of HK\$213,000, HK\$85,000, HK\$61,000, HK\$40,000 and HK\$39,000, respectively. Apart from the aforesaid emoluments, none of the Directors received any director's fee or other emoluments.

There was no arrangement under which a director waived or agreed to waive remuneration during the year.

No value is included in Directors' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the Directors are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the Directors during the year are set out in the section "Directors' rights to acquire shares" in the Report of the Directors on pages 32 to 33.

7. Five highest paid employees

The five highest paid employees during the year included one (1999: one) Executive Director of the Company, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining four (1999: four) highest paid, non-director employees are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	3,302	893
Performance related bonus	476	-
Pension contributions	3	-
	3,781	893

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
	2000	1999
Nil - HK\$1,000,000	2	4
HK\$1,000,001 - HK\$1,500,000	2	-
	4	4

No value is included in employees' remuneration in respect of share options granted during the year because, in the absence of a readily available market value for the options on the Company's shares, the employees are unable to arrive at an accurate assessment of the value of the options granted. Details of the options granted to the employees during the year are set out in the section "Share option schemes" in the Report of the Directors on pages 34 to 35.

8. Tax

	Group	
	2000 HK\$'000	1999 HK\$'000
Group - overseas profits tax	(345)	-

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (1999: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The principal components of the Group's unprovided deferred tax asset calculated at 16% (1999: 16%) at the balance sheet date are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Accelerated capital allowances	(3,839)	(1,885)
Tax losses carried forward	8,271	5,917
	4,432	4,032

9. Net profit/(loss) from ordinary activities attributable to shareholders

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$69,336,000 (1999: HK\$28,000).

10. Earnings/(loss) per share**(a) Basic earnings/(loss) per share**

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$4,419,000 (1999: net loss of HK\$21,778,000) and the weighted average number of 3,955,497,268 (1999: 3,360,000,000) ordinary shares on the assumption that the Group Reorganization as further described in note 18 had been completed on 1st January, 1999.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$4,419,000 and the weighted average number of 3,965,843,945 ordinary shares, after adjusting for the effects of all dilutive potential shares during the year.

The reconciliation of weighted average number of shares used in calculation of basic earnings per share and diluted earnings per share is as follows:

	2000
Weighted average number of ordinary shares used in basic earnings per share calculation	3,955,497,268
Weighted average number of shares assumed issued at no consideration on deemed exercise of share options during the year	10,346,677
Weighted average number of ordinary shares used in diluted earnings per share calculation	3,965,843,945

Diluted earnings per share for the year ended 31st December, 1999 has not been shown as no share options were granted during the year ended 31st December, 1999.

notes to financial statements

31st December, 2000

11. Fixed assets

	Group				
	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and software	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	1,902	575	582	11,065	14,124
Additions	510	207	245	20,697	21,659
Disposals	-	-	(4)	(239)	(243)
At 31st December, 2000	2,412	782	823	31,523	35,540
Accumulated depreciation:					
At beginning of year	127	21	45	723	916
Provided during the year	784	138	152	7,551	8,625
Disposals	-	-	-	(49)	(49)
At 31st December, 2000	911	159	197	8,225	9,492
Net book value:					
At 31st December, 2000	1,501	623	626	23,298	26,048
At 31st December, 1999	1,775	554	537	10,342	13,208

12. Interests in subsidiaries

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	1	1
Amounts due from subsidiaries	1,314,005	-
Provision for amounts due from subsidiaries	1,314,006 (68,000)	1 -
	1,246,006	1

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

12. Interests in subsidiaries (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
hongkong.com Limited	Hong Kong	HK\$1,000	100%	-	Operation of a portal site, provision of content and Internet services, and advertising services through Internet
hongkong.com Travel Holdings (HK) Limited #	Hong Kong	HK\$100	-	100%	Investment holding
hongkong.com Travel Holdings Limited #	Hong Kong	HK\$100	-	100%	Investment holding
TTG Asia Limited #	British Virgin Islands	US\$1	-	100%	Investment holding
TTG Asia Media Pte Ltd #	Singapore	S\$2	-	100%	Provision of advertising, event organizing services and magazine publication

#incorporated during the year

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, either principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

13. Interests in associates

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share of net assets	1,789	-	-	-
Amount due from an associate	1,986	-	-	-
	3,775	-	-	-

The amount due from an associate is unsecured, bears interest at US Dollar prime rate and is repayable within six months from the date of draw down.

13. Interests in associates (continued)

Particulars of the associates are as follows:

Name	Business Structure	Place of incorporation and operations	Percentage of indirect ownership interest attributable to the Group	Principal activities
GameisLive.com Limited*	Corporate	Hong Kong	35.5%	Provision of wireless application services
InfoisLive.com Limited*	Corporate	Hong Kong	35.5%	Provision of wireless application services

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

14. Amount due from a related company

Particulars of the amount due from a related company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Company	31st December, 2000 HK\$'000	Maximum outstanding during the year HK\$'000	1st January, 2000 HK\$'000
China Internet Corporation (Hong Kong) Limited	13,552	13,938	3,264

China Internet Corporation (Hong Kong) Limited is a company of which Mr. Yip Hak Yung, Peter and Zhou Shun Ao, directors of the Company, are directors.

The amount due from the related company is unsecured, interest-free and has no fixed term of repayment.

15. Amounts due from/(to) fellow subsidiaries

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16. Short term investments

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Overseas listed debt securities, at market value	1,166,514	-	-	-

17. Cash and cash equivalents

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	8,366	3,280	-	-
Time deposits	31,474	-	-	-
	39,840	3,280	-	-

18. Share capital

(a) Share capital	2000 HK\$'000	1999 HK\$'000
Authorized		
10,000,000,000 (1999: 50,000) ordinary shares of HK\$0.10 (1999: HK\$7.80 (US\$1.00)) each	1,000,000	390
Issued and fully paid		
4,096,000,000 (1999: 1) ordinary shares of HK\$0.10 (1999: HK\$7.80 (US\$1.00)) each	409,600	1

During the year, the following movements in share capital were recorded:

- (i) As at the date of incorporation of the Company, its initial authorized share capital was HK\$390,000 (US\$50,000) divided into 50,000 ordinary shares with a par value of HK\$7.80 (US\$1.00) each. On 15th October, 1999, 1 ordinary share of the Company was issued to a subscriber at HK\$7.80 (US\$1.00).
- (ii) Pursuant to a special resolution of the shareholder of the Company on 22nd February, 2000:
 - (a) the authorized share capital of the Company was increased by the creation of 10,000,000,000 new ordinary shares of HK\$0.10 each;
 - (b) 78 ordinary shares of HK\$0.10 each were issued to the existing shareholder for cash;
 - (c) 1 existing issued ordinary share with par value of HK\$7.80 (US\$1.00) was repurchased from the existing shareholder for cash at HK\$7.80 out of the proceeds of the issue of the shares detailed in (b) above; and
 - (d) the authorized share capital of the Company was reduced by the cancellation of 50,000 ordinary shares of HK\$7.80 (US\$1.00) each.
- (iii) Pursuant to the Group Reorganization on 23rd February, 2000, 10,000 ordinary shares were issued to the existing shareholder at par as consideration for the acquisition of 100% interest in HKCL from the shareholder.
- (iv) Pursuant to a special resolution of the shareholder of the Company on 25th February, 2000, a total of 3,359,989,922 shares of HK\$0.10 each were issued to the existing shareholder through the capitalization of the share premium of HK\$335,998,992, conditional upon the share premium account being credited as a result of the new ordinary shares issued by means of a placement on 8th March, 2000 as detailed in (v) below.
- (v) On 8th March, 2000, the Company issued a total of 640,000,000 ordinary shares at HK\$1.88 per share for a total cash consideration, before expenses, of HK\$1,203,200,000 by means of a placement. The ordinary shares of the Company have been listed on GEM since 9th March, 2000.
- (vi) On 27th March, 2000, the underwriters for the placement exercised the over-allotment options and 96,000,000 ordinary shares were issued at HK\$1.88 per share for a total cash consideration, before expenses, of HK\$180,480,000.

18. Share capital (continued)

Save as aforesaid, there has been no other alternation in the share capital of the Company since the date of its incorporation.

A summary of the transactions during the year with reference to the above movements of the Company's ordinary share capital is as follows:

	Company			
	2000 Number of shares	1999 Number of shares	2000 HK\$'000	1999 HK\$'000
At beginning of year	1	-	1	-
Issue of shares (ii) and (iii)	10,078	1	1	1
Repurchase of shares (ii)	(1)	-	(1)	-
Shares issued through capitalization (iv)	3,359,989,922	-	335,999	-
Issue of shares on placement (v)	640,000,000	-	64,000	-
Issue of shares on exercise of over-allotment options (vi)	96,000,000	-	9,600	-
At end of year	4,096,000,000	1	409,600	1

(b) Share options

The Company adopted a Pre-IPO share option scheme (the "Pre-IPO Scheme") and Post-IPO share option scheme (the "Post-IPO Scheme") on 25th February, 2000.

Pursuant to the terms of the Pre-IPO Scheme, 102,530,000 and 36,565,920 options to subscribe for ordinary shares of the Company were granted to directors and employees of the Company for the consideration of HK\$1 per grant, respectively, on 9th March, 2000, at an exercise price of HK\$1.88 per share.

Pursuant to the terms of the Post-IPO Scheme, 10,000,000 and 21,104,090 options to subscribe for ordinary shares of the Company were granted to a director and employees of the Company for the consideration of HK\$1 per grant, respectively, at exercise prices ranging from HK\$0.432 to HK\$2.50 per share during the period from 10th March, 2000 to 31st December, 2000.

9,621,380 Pre-IPO share options and 3,289,111 Post-IPO share options were lapsed during the year and the Company had a total of 157,289,519 share options outstanding at the balance sheet date with exercise prices ranging from HK\$0.432 to HK\$2.50 per share.

Both Pre-IPO and Post-IPO share options have a vesting period of 4 years and option life of 10 years. Each of the grantees of the options is not allowed to exercise in aggregate in excess of 25%, 50% and 75% of all the options granted within first, second and third year, respectively. The maximum number of shares which can be granted under the Pre-IPO Scheme and the Post-IPO Scheme may not exceed 50% of the issued share capital of the Company. No Pre-IPO or Post-IPO share options can be exercised until 9th March, 2001. The principal terms of the Pre-IPO Scheme and Post-IPO Scheme are set out in the section "Share option schemes" in the Report of the Directors on pages 34 to 35.

19. Reserves

Group	Share premium HK\$'000	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1999	-	-	-	(3,448)	(3,448)
Loss for the year	-	-	-	(21,778)	(21,778)
At 31st December, 1999 and 1st January, 2000	-	-	-	(25,226)	(25,226)
Profit for the year	-	-	-	4,419	4,419
Issue of shares, net of issuing expenses	1,240,169	-	-	-	1,240,169
Bonus shares issued	(335,999)	-	-	-	(335,999)
Goodwill on acquisitions	-	(47,580)	-	-	(47,580)
Movement in fair value	-	-	2,001	-	2,001
At 31st December, 2000	904,170	(47,580)	2,001	(20,807)	837,784

An analysis of accumulated losses of the Group at end of year is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Company and subsidiaries	(18,992)	(25,226)
Associates	(1,815)	-
	(20,807)	(25,226)

An analysis of share premium and accumulated losses of the Company at end of year is as follows:

Company	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 1999	-	-	-
Loss for the year	-	(28)	(28)
At 31st December, 1999 and 1st January, 2000	-	(28)	(28)
Loss for the year	-	(69,336)	(69,336)
Issue of shares, net of issuing expenses	1,240,169	-	1,240,169
Bonus shares issued	(335,999)	-	(335,999)
At 31st December, 2000	904,170	(69,364)	834,806

20. Notes to the consolidated cash flow statement

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	Group	
	2000 HK\$'000	1999 HK\$'000
Profit/(loss) from operating activities	6,579	(21,778)
Interest income	(1,788)	(9)
Interest income on debt securities	(64,091)	-
Depreciation	8,625	916
Loss on disposal of fixed assets	9	-
Provision for doubtful debts	4,026	-
Increase in amount due from an associate	(1,986)	-
Increase in amount due from a related company	(10,288)	(3,264)
Decrease/(increase) in amount due from fellow subsidiaries	2,974	(6,748)
Increase in accounts receivables	(13,197)	(342)
Increase in prepayments, deposits and other receivables	(21,120)	(7,440)
Increase/(decrease) in amounts due to fellow subsidiaries	(18,921)	34,016
Increase/(decrease) in accounts payable and accrued liabilities	(6,129)	21,795
Increase in deferred revenue	9,419	-
Net cash inflow/(outflow) from operating activities	(105,888)	17,146

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000
At 1st January, 1999	-
Net cash inflow from financing activities	1
At 31st December, 1999 and 1st January, 2000	1
Net cash inflow from financing activities	1,313,769
At 31st December, 2000	1,313,770

(c) Acquisitions of business/subsidiaries

	2000 HK\$'000	1999 HK\$'000
Net assets acquired:		
Prepayments, deposits and other receivables	29	-
	29	-
Goodwill on acquisitions	39,014	-
Satisfied by cash	39,043	-

The subsidiaries acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax for the year.

21. Contingent liabilities

The Internet website address or Uniform Resources Locator of hongkong.com is currently licensed from China Internet Corporation Limited through the ultimate holding company for no fee/cost pursuant to an exclusive 20-year licensing agreement.

22. Commitments

(a) **Capital commitments**

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Capital commitments contracted for	1,775	-	-	-

(b) **Commitments under operating leases**

At 31st December, 2000, the Group and the Company had annual commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings expiring:				
Within one year	1,404	-	-	-
In second to fifth years, inclusive	2,102	-	-	-
	3,506	-	-	-

23. Related party transactions

The Group had the following material transactions with related parties during the year:

	Notes	2000 HK\$'000	1999 HK\$'000
Content and Internet service provision fees receivable from a related company	(i)	29,825	-
Content and Internet service provision fees receivable from a fellow subsidiary	(ii)	766	-
Advertising service fees receivable from fellow subsidiaries	(iii)	3,456	7,022
a related company	(iii)	-	3,383
Slotting advertising service fees receivable from a related company	(iv)	3,103	-
fellow subsidiaries	(iv)	6,206	1,118
Advertising service fees payable to a fellow subsidiary	(v)	(2,460)	-
Rental expenses payable to a fellow subsidiary	(vi)	(1,387)	(1,099)

23. Related party transactions *(continued)*

- Notes:
- (i) Content and Internet service provision fees charged to a related company were based on actual cost incurred with a 10% mark-up.
 - (ii) Content and Internet service provision fees charged to a fellow subsidiary were based on prices and conditions similar to those offered to other customers in the ordinary course of business.
 - (iii) Advertising service fees charged to a related company and fellow subsidiaries for the display of advertisements on the hongkong.com portal were based on the standard Cost Per Mille ("CPM") rate, i.e. cost per thousand advertisement impressions, less a discount ranging from 30 to 50 percent and the number of pre-agreed or actual page views on the hongkong.com portal site.
 - (iv) Slotting advertising service fees charged to a related company and fellow subsidiaries for the display of advertisements on the hongkong.com portal were based on a fixed rate per month which are similar to those rates charged to other customers in the ordinary course of business.
 - (v) Advertising service fees charged by a fellow subsidiary for the display of advertisements on the Internet portal were based on the standard CPM rate which are similar to those rates charged to other customers by that fellow subsidiary in the ordinary course of business.
 - (vi) Rental expense related to the office premises was charged by a fellow subsidiary based on head count and the ratio of staff cost shared among the Group and fellow subsidiaries.

At the balance sheet date, the Group had an amount due from a related company of HK\$13,552,000 (1999:HK\$3,264,000) mainly arising from transactions described in (i), (iii) and (iv) above.

At the balance sheet date, the Group had amounts due from fellow subsidiaries of HK\$3,774,000 (1999:HK\$6,748,000) mainly arising from transactions described in (ii), (iii), (iv), and (v) above.

At the balance sheet date, the Group had amounts due to fellow subsidiaries of HK\$18,838,000 (1999:HK\$37,759,000) mainly arising from fund transfers and transactions described in (vi) above.

The above related party transactions also fall into the definition of connected transactions as defined in Chapter 20 paragraph 20.12 of GEM Listing Rules.

24. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

25. Approval of the financial statements

The financial statements were approved by the board of directors on 12th February, 2001.

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the shareholders of hongkong.com Corporation (the "Company") will be held at 34th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong, on Wednesday, 25th April, 2001, at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31st December, 2000;
2. To re-elect retiring directors and authorize the board of directors to fix their remuneration;
3. To re-appoint auditors and authorize the board of directors to fix their remuneration; and
4. To consider as special business and, if thought fit, to pass the following resolutions ("Resolutions") as ordinary resolutions of the Company:

A. "THAT:

- (a) subject to paragraph (c) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company or securities convertible into such shares in the capital of the Company or securities convertible into such shares or options, warrants or similar rights to subscribe for any shares or convertible securities and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to
 - (i) a Rights Issue (as defined below); or
 - (ii) the grant or exercise of any option under the share option scheme of the Company or any other option, scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or
 - (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or
 - (iv) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution and the said approval shall be limited accordingly.

(d) for the purpose of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or any other applicable laws to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company)."

B. "THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the securities of the Company may be listed and recognized by the Securities and Futures Commission of Hong Kong and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purpose of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company, or any other applicable laws to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution."

C. "THAT:

Subject to the passing of the Ordinary Resolution Nos. 4A and 4B, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities pursuant to Resolution No. 4A be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of securities repurchased by the Company under the authority granted pursuant to Resolution No. 4B, provided that such amount of securities so repurchased shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution."

5. To consider as special business and, if thought fit, to pass the following resolution as ordinary resolution of the Company:

"THAT the connected transaction No. (vi) as set out on page 38 of the Annual Report 2000 of the Company regarding a support services agreement dated 18th February, 2000 entered into between chinadotcom corporation ("CCC"), China Internet Corporation Limited ("CIC") and hongkong.com Limited ("HKCL"), stipulated for HKCL to provide personnel to CIC in order to enable CIC and its subsidiaries to satisfy its obligations to American Online, Inc. ("AOL") under the AOL Licence Agreement dated 3rd February, 1998. It is expected that the maximum annual fee receivable by HKCL under the support services agreement will not exceed HK\$41,000,000 and this amount has accordingly been set as the annual cap for this connected transaction which given that the said annual cap of this transaction is larger than the higher of HK\$10,000,000 or 3% of the Company's net tangible assets as at 31st December, 2000, this connected transaction and its annual cap be and is hereby re-approved pursuant to Rule 20.30 of the Rules Governing The Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited."

6. To consider as special business and, if thought fit, to pass the following resolution as ordinary resolution of the Company:

"THAT the connected transaction No. (viii) as set out on page 38 of the Annual Report 2000 of the Company regarding a non-exclusive network affiliation agreement dated 22nd February, 2000 (the "Agreement") entered into between 24/7 Media Asia Limited ("24/7 Asia") and HKCL, stipulated for HKCL to become a member of 24/7 Asia network of websites and stipulated for HKCL's grant to 24/7 Asia the right to sell advertising on www.hongkong.com to third parties on consideration that 24/7 Asia will pay to HKCL the monthly fees so received by them after having their retention of a 30% commission. It is expected that the maximum annual fee receivable by HKCL under the Agreement will not exceed HK\$77,000,000 and this amount has accordingly been set as the annual cap for this connected transaction which given that the said annual cap of the transaction is larger than the higher of HK\$10,000,000 or 3% of the Company's net tangible assets as at 31st December, 2000, this connected transaction and its annual cap be and is hereby re-approved pursuant to Rule 20.30 of the Rules Governing The Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited."

By Order of the Board
Kwan Shin Luen, Susanna
Company Secretary

Hong Kong, 23rd March, 2001

Principal Office :

24th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Registered Office :

Huntlaw Building
P.O. Box 2804, George Town
Grand Cayman
Cayman Islands

- Notes:
1. A shareholder entitled to attend and vote at the Company's meeting is entitled to appoint a person or persons as his proxy or proxies to attend and, on a poll, vote instead of him. A proxy need not be a shareholder of the Company.
 2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's Hong Kong branch share registrar and transfer office, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting and in default thereof the form of proxy shall not be treated as valid.
 3. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.
 4. The Register of Members of the Company will be closed on 24th April, 2001 and re-opened on 25th April, 2001 during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Company's meeting, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Central Registration Hong Kong Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 23rd April, 2001 for registration.
 5. An Explanatory Statement containing further details regarding Ordinary Resolution No. 4B above as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange will be dispatched to the members of the Company together with the Annual Report 2000.
 6. In accordance with Rule 20.30 of the Rules Governing The Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, chinadotcom corporation and its associates will abstain from voting on Ordinary Resolution Nos. 5 and 6 as set out above.