



hongkong.com Corporation (GEM Stock: 8006) is a china dotcom company (NASDAQ: CHINA)

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Dotcom

hongkong.com

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

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

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This report, for which the directors (the “Directors”) of hongkong.com Corporation (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Sustained profitability for the fourth consecutive quarter. Profit attributable to shareholders for the three months ended 31st March, 2001 increased by 39% as compared with the fourth quarter last year.
- Turnover for the three months ended 31st March, 2001 amounted to HK\$30.3 million, representing an increase of 86% over the same period last year.
- Profit attributable to shareholders for the three months ended 31st March, 2001 amounted to HK\$12.4 million, as compared to a loss of HK\$11.3 million in the same period last year.
- Strong financial position with over HK\$1.2 billion in cash and marketable securities as at 31st March, 2001.
- *www.hongkong.com* continued to be the Number One Most Visited Hong Kong Portal (Nielsen//NetRatings Report 2000/2001).
- Awarded by Hong Kong Television and Entertainment Licensing Authority as one of Hong Kong Most Healthy Website. The only Hong Kong based horizontal portal to receive this award (January 2001).
- Launched first in Asia, an Interactive Wallpaper – iDress to further enhance advertiser’s one-to-one marketing strategy.
- Launched additional two innovative subscription service-driven platforms for targeted community – Small-and-Medium Enterprise solution 300Fax service and @-Class online English learning course.
- Launched a one-stop photo information and imaging service center for Hong Kong’s digital photo community.
- Year 2001 accelerate the building of the Company through investments in businesses and markets that fulfill *hongkong.com*’s strategic needs and expansion strategy.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31st March, 2001 (the "Quarterly Period") together with the comparative unaudited figures for the corresponding period in 2000 as follows:

		Three months ended	
		31st March,	
		2001	2000
			(Restated)
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	2	30,312	16,310
Cost of sales		(16,317)	(6,420)
Gross profit		13,995	9,890
Other revenue		19,355	4,907
Selling and distribution expenses		(3,099)	(11,765)
Administrative expenses		(15,693)	(13,952)
Other operating expenses		(736)	–
Profit/(loss) from operating activities		13,822	(10,920)
Share of losses of associates		(504)	(414)
Profit/(loss) before tax		13,318	(11,334)
Tax	3	(895)	–
Net profit/(loss) from ordinary activities attributable to shareholders		12,423	(11,334)
Earnings/(loss) per share	4		
– Basic		0.30 cents	(0.32 cents)

Notes:

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 GEM of the Stock Exchange, the Company became the holding company of the Group in February 2000 by acquiring hongkong.com Limited. 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, the consolidated results 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 issued by the Company (the "Prospectus").

During the fourth quarter of the 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\$4,334,000, which were included in cost of sales for the quarter ended 31st March, 2000, as operating expenses in the comparative amounts in order to conform with the Quarterly Period's presentation. Accordingly, certain comparative amounts have been reclassified to conform with the presentation adopted in the Quarterly Period.

2. Turnover

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

3. Taxation

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the Quarterly Period and the corresponding period in 2000.

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.

4. 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 Quarterly Period of HK\$12,423,000 (2000: loss of HK\$11,334,000) and weighted average number of 4,096,000,000 (2000: 3,527,027,099) ordinary shares on the assumption that the Group Reorganization as described in the Prospectus had been completed on 1st January, 2000.

Diluted earnings per share for the three months ended 31st March, 2001 and 31st March, 2000 have not been shown as the effect of dilutive potential ordinary shares during the quarters were anti-dilutive.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Quarterly Period (2000: Nil).

MOVEMENT OF RESERVE

Investments in marketable securities are stated at their fair values on the basis of their quoted market prices as at 31st March, 2001, resulting in an increase of HK\$1,471,000 in the investment revaluation reserve in the Quarterly Period.

BUSINESS REVIEW

For the Quarterly Period, the Group's turnover and net profit were HK\$30.3 million and HK\$12.4 million respectively. This compared to a turnover of HK\$16.3 million and a net loss of HK\$11.3 million over the same period in 2000.

The sharp rise in turnover was mainly attributable to our acquisition of TTG Asia in October 2000, which became a new source of revenue for the Group. This, together with the Group's financial discipline and tight cost control, improved significantly on the Group's profitability.

The Group continued to diversify the business focus in multiple areas to drive revenue growth and reach new users. Complimentary to the on going target of providing a prime advertising medium for customers are initiatives such as the deployment of service based e-commerce offerings and the development of products and services which can monetize on the Group's large user base, all executed through the launch and re-launch of many interactive subscriber channels.

During the Quarterly Period, the Group launched campaigns with Citibank and Physical Fitness to drive customer acquisitions with great success. In e-commerce, the Group launched Photo4U, an online photo channel offering a comprehensive array of photo services, such as online photo album and digital-to-print processing service. The Group further enhanced several content channels, with the games channel, offering network games such as Treasure Hunt from GameAZ, and continued to add to the large selection of Personal Computer and Personal Digital Assistant games available for purchase. An Small-and-Medium Enterprise ("SME") eSolution Service targeted to Small and Medium Enterprises ("SMEs"), offering an array of services to SMEs, such as providing a fax to email transformation service from 300Fax, a Do-It-Yourself SME Newsletter service, which allows SMEs to create their own email newsletters for distribution to their customers as well as a Shop4U online shop creation service was also introduced to compliment the business channel.

The Group continued to focus on building the community by deploying innovative products and services, such as @-Class, an online subscription based English grammar course, launched in the Education channel, and further developed the e-fulfillment promotion with 7-Eleven during Chinese New Year. In addition, the Group extended its cross-media initiatives established with the already successful personal eCard service from desktop to Giant billboards, onto television with Cable TV, during Valentine's Day.

The Group continued to enhance its e-commerce offerings through quality merchants with the addition of PetsAsia.com, an online pet supplies store and CD-WOW, an online compact disk retailer.

The Group demonstrated its commitment to contribute back to the community by sponsoring charitable organizations like Hong Kong Cancer Fund and World Vision. In addition, the Group continued to encourage the development of the next generation by co-sponsoring the Green Business Starter 2001 program with the Lion's Club and Leo Club.

Other major developments during the Quarterly Period was the development of the portal subscription model for launch during this year and the development of the online strategy for TTG Asia, to further the commitment in bridging online and offline economies.

OUTLOOK

The stock market environment remained volatile during the Quarterly Period and the outlook for the industry as a whole will continue to be challenging in the short-term. It has been reported that more than a third of the web companies in the United States, 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 the Company's financial position is healthy and will not be significantly affected by current conditions. Business prospects remain encouraging with sustained interest from potential partners, advertising customers and Internet users, while competitors' activities are somewhat restricted – at least in the short-term.

As the Group is very well funded, with more than HK\$1.2 billion in cash and investment in marketable securities as at the end of March 2001, such sound capital reserve, coupled with declining valuations, will continue to provide the Group with 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. The Company will continue to execute its business plan, and move towards its strategic objective of creating a cross-media community and e-commerce platform throughout Asia.

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 across different media. These, in turn, should attract more users – both consumers and businesses – to create an even more effective advertising medium for our customers.

We will continue to assess opportunities for businesses that fulfill our strategic needs 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.

TTG Asia continues to contribute financially to the Group and is in line with the Group's fulfillment of its business objective. This is complimentary to the Group's objectives to expand the e-commerce operations and capitalize on the potential growth in that area.

The Board believes *hongkong.com's* brand recognition is strong and will continue to expand given our diligent innovation in-step with prudent management to optimize our use of assets, and keep driving costs down.

Furthermore, the Company 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st March, 2001, 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 interests		
	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
Hung Shuk Tak, Vicky	3,416,000	–	3,416,000
Koh Boon Hwee	3,416,000	–	3,416,000
Wong Sin Just	1,000,000	–	1,000,000
Yip Hak Yung, Peter	–	3,416,000	3,416,000
		(Note)	
Zhou Shun Ao	5,000,000	–	5,000,000

Note: 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 of general meetings under the SDI Ordinance.

Saved as disclosed above, as at 31st March, 2001, none of the Company's Directors, chief executive and their associates had any family, corporate or other interests in the share capital of the Company.

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

Name of Director	Number of underlying shares under		Total
	pre-IPO share option scheme <i>(Note 1)</i>	post-IPO share option scheme <i>(Note 2)</i>	
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
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

Notes:

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 Quarterly Period.
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 Quarterly Period.

(c) 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			Total interests (number of shares)
	Personal interests (number of shares)	Family interests (number of shares)	Corporate interests (number of shares)	
Ch'ien Kuo Fung, Raymond	721,773	–	–	721,773
Edelson, Harry	481,348	–	166,870	648,218
Hamilton, Peter John	244,804	–	–	244,804
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 and Mr. Harry Edelson holds his corporate interests in chinadotcom corporation through Edelson Technology Partners.

Save as disclosed above, as at 31st March, 2001, none of the Company's Directors, chief executive and their associates had any family, corporate or other interests in the share capital of chinadotcom corporation.

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

Name of Director	Number of share options outstanding and exercise price per share				Other exercise price
	US\$3.375 (Note 1)	US\$4.2813 (Note 3)	US\$5.00 (Note 4)	US\$6.8125	
Ch'ien Kuo Fung, Raymond	66,667	30,000	–	100,000 (Note 5)	–
Chan Kai Yu, Rudy	–	–	–	8,265 (Note 6)	47,000 (Note 9)
Chan Wing Tak, Douglas	40,000	30,000	–	–	–
Edelson, Harry	60,000	30,000	–	20,000 (Note 5)	–
Hamilton, Peter John	680,000	30,000	–	–	160,000 (Note 10)
Hung Shuk Tak, Vicky	640,000	–	–	–	20,000 (Note 11)
Lin, Jack	–	–	–	111,919 (Note 7)	154,000 (Note 12)
Wong Sin Just	–	–	–	–	48,000 (Note 13)
Yip Hak Yung, Peter	60,000	30,000	2,181,442 (Note 2)	100,000 (Note 8)	–
Zhou Shun Ao	120,000 (Note 2)	30,000	–	–	78,000 (Notes 2 and 14)

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 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.
3. These options were granted on 9th January, 2001 and are exercisable from 9 January, 2001 to the year ending 10 years after the grant date.

4. 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.
5. 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.
6. These options were granted on 17th October, 2000 and are exercisable from 25th November, 2000 to 14th November, 2009.
7. 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.
8. 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.
9. 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 29 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.
10. 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.
11. 20,000 options were granted on 9th January, 2001 and are exercisable from 9th April, 2001 to the year ending 10 years after the grant date at an exercise price of US\$4.2813 per share.
12. 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. 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. Further 100,000 options were granted on 9th January, 2001 and are exercisable from 17th July, 2001 to the year ending 10 years after the grant date at an exercise price of US\$4.2813 per share.

13. 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.
14. 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.

Save as disclosed above, at 31st March, 2001, none of the Company's 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.

SUBSTANTIAL SHAREHOLDERS

At 31st March, 2001, 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 Company's Directors, chief executive and their associates, whose interests are set out 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.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

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

Details of grant/lapse of pre-IPO share options are set out below:

	Number of underlying shares
Options granted on 9th March, 2000	139,095,920
Less: Lapsed options in 2000	<u>(9,621,380)</u>
As at 31st December, 2000 and 1st January, 2001	129,474,540
Less: Lapsed options during the Quarterly Period	<u>(2,574,260)</u>
As at 31st March, 2001	126,900,280 (Note)

Note: The underlying shares of the outstanding pre-IPO share options as at 31st March, 2001 represent 3.10% 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)

Period since date of grant	Percentage of shares comprised in options which become exercisable
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 Prospectus.

Post-IPO Share Option Scheme

Details of grant/lapse of post-IPO share options are set out below:

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

Date when options granted	Exercise price HK\$	Number of underlying shares
9th June, 2000	1.362	51,660
15th June, 2000	1.330	64,580
19th June, 2000	1.310	667,920
22nd June, 2000	1.274	142,080
29th June, 2000	1.176	309,160
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
		<hr/>
Total granted options in 2000		31,104,090
Less: Lapsed options in 2000		(3,289,111)
		<hr/>
As at 31st December, 2000 and 1st January, 2001		27,814,979
Less: Lapsed options during the Quarterly Period		(1,515,792)
		<hr/>
As at 31st March, 2001		26,299,187
		(Note)

Note: The underlying shares of the outstanding post-IPO shares as at 31st March, 2001 represent 0.64% of the issued share capital of the company.

The above options may be exercised in accordance with the terms of the post-IPO share option scheme at any time during the period commencing one year after the date of grant of the option and ending 10 years after the date of grant of the option in accordance with the same schedule as set out in the pre-IPO share option scheme above. The principal terms of the post-IPO share option scheme are also set out in the Prospectus.

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

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

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 March, 2001 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 March, 2001, did not have any interest in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any 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. Chan Wing Tak, Douglas, a Non-Executive Director, is also a director of New World CyberBase Limited and was up till 1st March, 2001, a director of Skynet (International Group) 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 provides 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, 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. Mr. Koh is also an executive director of the Internet Technology Group which invests in Internet companies, some of which may compete with the Group's business. Finally, Mr. Koh is 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 executive or their associates had any interests in any companies which may compete with the Group's business.

AUDIT COMMITTEE

The Company established an audit committee on 25th February, 2000 with 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.

On behalf of the Board
Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 14th May, 2001