



beyond

Dotcom

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

hongkong.com

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

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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

- Profit attributable to shareholders for the six months ended 30th June, 2001 amounted to HK\$14,280,000, as compared to a loss of HK\$9,072,000 in the same period last year.
- *www.hongkong.com* continued to be one of the Most Visited Hong Kong Portal (Nielsen//NetRatings Report 2000/2001), position bolstered by the introduction of new features and services. Early response from subscription services has been encouraging.
- Awarded by Hong Kong Television and Entertainment Licensing Authority as one of Hong Kong's Most Healthy Website. The only Hong Kong based horizontal portal to receive this award (January 2001).
- Continued to strengthen its travel related e-commerce offerings through a successful acquisition in Taiwan and the formation of Travio Global Inc., a joint venture with the leading travel service provider in Taiwan.
- Reinforced brand leadership beyond Hong Kong by establishing a joint venture in China with Shanghai Xinhua Yatai Television Production Company Limited to offer offline/online integrated advertising platform to advertisers.
- Strong financial position with about HK\$1.2 billion in cash and investments in interest-bearing securities to enable the continued execution of long-term investments and acquisition strategy.
- Launched Hong Kong's First Web to Mobile Short Messaging Service (SMS) accessible by all mobile networks.
- Launched First in Asia, iDress – an Interactive Wallpaper, 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.

Message from Mr. Rudy Chan, Chief Executive Officer.

I am pleased to report another successful quarter and to announce that our leadership position in Hong Kong has been firmly established. We have made significant progress in developing a long-term sustainable business through the continued development of new partnerships and through timely acquisitions.

We have accomplished a great deal this quarter despite the continuing industry-wide challenges and global economic downturn.

We achieved an important milestone by moving our core portal operations to breakeven financial performance. The portal continues to deliver an attractive vehicle for our advertisers and a stimulating destination for our users. Although the general business climate is extremely difficult, we continue to closely scrutinize costs while endeavoring to maximize the revenue potential from various sources. Our pageviews have steadily increased, as has the overall duration of visits. With the scaling back of several high-profile sites in Hong Kong, *hongkong.com* has become the pre-eminent horizontal portal. By most measures we are clearly the leader and we intend to stay the leader.

New subscription services, with value-added appeal, were rolled out this quarter and are showing early signs of success in the market. We anticipate launching additional services in the coming months and broadening their reach.

However, new opportunities are opening for us as the industry landscape changes. Because of our financial health, about HK\$1.2 billion in cash and investments in interest-bearing securities, and our breadth of operations, we are well positioned to invest for future growth at today's attractive values. So, as we have brought our portal operations to a level of sustainability, we can set our eyes on investing in other areas of our business for future growth.



Rudy Chan
Chief Executive Officer

We are aggressively evaluating investment options and showed continuing progress during the quarter through two important joint ventures. The first is a new B2B service called Travio, established with Taiwan's longest-established travel organization Southeast Travel Service Company Limited. This operation is gaining immediate interest from the travel industry and, along with our successful TTG Asia acquisition and affiliate Chinaholiday, enhances our competitive strength in the Greater China travel market.

The second signifies our first Mainland China presence was established through a joint venture with Shanghai Xinhua Yatai Television Production Company Limited. This exciting operation leverages our advertising sales strength and deepens our financial vertical. Our partner Xinhua News Agency proved extremely valuable in our first foray into the Chinese media space.

Even though the start-up costs related to the above-mentioned investments will have a negative impact on our near term profitability, we believe they provide the foundation for future profit growth and increase the number of valuable revenue streams. We consider all of our investments as new opportunities to actively build our business, build synergies and leverage the strength of our portal.

Our vision is clear. We will continue to build long-term shareholder value through astute management, prudent financial control, portal leadership and sound investments. I continue to be astounded by the passion, dedication and intelligence of our team. I offer them thanks along with the shareholders for their ongoing support.

A handwritten signature in black ink, appearing to read "Rudy Chan". The signature is stylized and written in a cursive-like font.

RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months (the "Quarterly Period") and six months (the "Half-Yearly Period") ended 30th June, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months ended 30th June,		Six months ended 30th June,	
		2001 HK\$'000	2000 (Restated) HK\$'000	2001 HK\$'000	2000 (Restated) HK\$'000
Turnover	2	20,106	20,281	50,418	36,591
Cost of sales		(14,931)	(6,053)	(31,248)	(12,473)
Gross profit		5,175	14,228	19,170	24,118
Other revenue		17,767	20,126	37,122	25,033
Selling and distribution expenses		(760)	(10,992)	(3,859)	(22,757)
Administrative expenses		(19,795)	(19,767)	(35,488)	(33,719)
Other operating expenses		(126)	-	(862)	-
Profit/(loss) from operating activities		2,261	3,595	16,083	(7,325)
Share of losses of associates		(770)	(1,333)	(1,274)	(1,747)
Profit/(loss) before taxation		1,491	2,262	14,809	(9,072)
Taxation	3	359	-	(536)	-
Profit/(loss) after taxation		1,850	2,262	14,273	(9,072)
Minority interests		7	-	7	-
Net profit/(loss) from ordinary activities attributable to shareholders		1,857	2,262	14,280	(9,072)
Earnings/(loss) per share	4				
- Basic		0.05 cents	0.06 cents	0.35 cents	(0.24 cents)
- Diluted		0.05 cents	N/A	0.35 cents	N/A

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\$4,840,000 and HK\$9,174,000, which were included in cost of sales for the quarter ended 30th June, 2000 and for the half year ended 30th June, 2000 respectively, as operating expenses in the comparative amounts in order to conform with the Quarterly Period and Half-Yearly Period's presentation. Accordingly, certain comparative amounts have been reclassified to conform with the presentation adopted in the Quarterly Period and Half-Yearly 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 Half-Yearly Period and the corresponding periods 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.

Balance in the Quarterly Period represented tax credit arising from the loss incurred by an oversea subsidiary in the Quarterly Period, which offset against the tax expenses incurred by that subsidiary in the previous quarter.

4. 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 Quarterly Period and Half-Yearly Period of HK\$1,857,000 and HK\$14,280,000 respectively (three months and six months ended 30th June, 2000: profit/(loss) of HK\$2,262,000 and HK\$(9,072,000) respectively) and weighted average number of 4,098,528,718 and 4,097,271,344 (three months and six months ended 30th June, 2000: 4,096,000,000 and 3,811,513,549 respectively) ordinary shares on the assumption that the Group Reorganization as described in the Prospectus had been completed on 1st January, 2000.

(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 Quarterly Period and Half-Yearly Period of HK\$1,857,000 and HK\$14,280,000 respectively and weighted average number of 4,110,980,558 and 4,109,907,782 ordinary shares respectively, after adjusting for the effects of all dilutive potential shares during the Quarterly Period and Half-Yearly Period.

Diluted earnings per share for the three months and six months ended 30th June, 2000 has not been shown as the effect of dilutive potential ordinary shares during the periods were anti-dilutive.

INTERIM DIVIDEND

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

MOVEMENT OF RESERVES

Investments in interest-bearing securities are stated at their fair values on the basis of their quoted market prices as at 30th June, 2001, resulting in a decrease of HK\$3,148,000 and HK\$1,677,000 in the investment revaluation reserve in the Quarterly Period and Half-Yearly Period respectively.

During the Quarterly Period, 5,351,473 shares were issued at HK\$0.319 per share as payment of part of the consideration for an acquisition, resulting in an increase of HK\$1,172,000 in the share premium.

BUSINESS REVIEW

For the Half-Yearly Period, the Group's turnover and net profit were HK\$50,418,000 and HK\$14,280,000 respectively. This compared to a turnover of HK\$36,591,000 and a net loss of HK\$9,072,000 over the same period in 2000.

The sharp rise in turnover for the Half-Yearly Period was mainly attributed to our acquisition of TTG Asia in October 2000 and the launch of our travel business in April 2001 both of which are new sources of revenue for the Group. This, together with the Group's financial discipline and tight cost control, improved significantly on the Group's profitability for the Half-Yearly Period.

However, during the Quarterly Period, the Group witnessed a reduction in turnover when compared to the previous quarter. This was expected and was primarily due to the seasonality of TTG Asia's business. On the other hand, the reduction in turnover was partly offset by contribution from the Group's newly established travel business. Overall advertising revenue remained steady during the Quarterly Period.

A combination of start up expenses for the Group's travel business and one-off severance payments primarily relating to the discontinuation of the AOL Hong Kong service from 1st July, 2001, and professional expenses resulted in a lower operating profit during the Quarterly Period.

The Group continued to diversify the business focus in multiple areas to drive revenue growth, sustained pageview and attracted new users. Complimentary to the target of providing a prime advertising medium for customers, are initiatives such as the ongoing 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 Half-Yearly Period, the Group continued to attract advertising customers, launching campaigns with Citibank, WorldCom, ANZ Bank Credit Card, Hang Seng Bank, monster.com, Hewlett Packard, Sony, iCare.com, One2Free and Physical Fitness, to drive customer acquisitions with great success. The Group continued to work closely with existing partners such as Heineken, to further build upon the already successful brand marketing campaign. 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 on the e-commerce platform. Further to e-commerce, the Group launched Care4U, an online insurance resource center, launched in conjunction with Kwiksure.com, to deliver insurance services to consumers, and Photo4U, an online photo channel offering a comprehensive array of photo services, such as online photo album and digital-to-print processing service. An Small-and-Medium Enterprise ("SME") eSolution Service targeted to Small to Medium Enterprises ("SMEs"), offering an array of services to SMEs, such as providing a fax to email 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 embarked on the launch of subscription-based products and services with SMS Center, a Hong Kong's first web to mobile short messaging service that allows users to send short messages to any mobile phone regardless of the recipient's subscribed network. In addition, the Group launched a Premium membership based subscription service on eMatch, to further enhance the already popular channel with innovative features.

The Group continued to focus on building the community by deploying innovative products and services, such as Club4U Women, an online community for professional career women, @-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 electronic billboards, onto television with Cable TV.

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 as well as encouraging 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 Half-Yearly Period was the development of the online strategy and site construction for the TTG Asia, to further the commitment in bridging online and offline economies and Travellerzone Limited, an online/offline travel agency.

OUTLOOK

The financial market environment remained weak during the Half-Yearly Period and the outlook for raising new financing will continue to be challenging for companies in this sector 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 approximately HK\$1.2 billion in cash and investments in interest-bearing securities as at the end of June 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. Our joint venture with Shanghai Xinhua Yatai Television Production Company Limited to offer an offline/online integrated advertising platform is the first of such moves at providing such content synergy from television media to the portal network. 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 users – both consumers and businesses – to create an even more effective advertising medium for our customers.

We will continue to assess opportunities for strategic acquisition of businesses that fulfill our strategic needs and expand our services portfolio. Our continued move into the e-travel industry through the formation of Travio Global Inc., a joint venture with Southeast Travel Service Company Limited, the largest travel wholesaler and travel agency in Taiwan, strengthened by the business of TTAG Asia and Chinaholiday, positions the Group to significantly broaden the range of online/offline travel products and services offered by *hongkong.com* to the Greater China market and beyond, an industry which is rated by analysts to be one of the key e-commerce markets with tremendous potential.

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 to remain flexible and recognizing the need to change from within, as the global and regional business landscapes transform.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives as stated in the Prospectus

1. Continue to increase the depth of the content and variety of features on *hongkong.com*

Actual business progress up to Prospectus the end of June 2001

During the Half-Yearly Period, 2 new channels were launched. The new channels were:

sms.hongkong.com – providing web to mobile short messaging facilities.
photo4u.hongkong.com – providing online photo resource and digital-to-print service.

In addition, *hongkong.com* enhanced and re-launched 2 channels. The re-launched channels were:

ematch.hongkong.com – a meeting point for fostering new friendships with further enhanced premium membership based subscription services.
games.hongkong.com – providing various games resource for the community.

hongkong.com's channel based community services – were further enhanced. These included:

Club4U Women – an online community for professional career women.
@-Class – an online subscription based English grammar course, launched in the Education channel.
Shop4U – the e-fulfillment promotion with 7-Eleven during Chinese New Year.

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| 2. Provide online auction services | In light of the regional uncertainty on the online auction business model, the Group is of the opinion that the online auction business requires further development prior to the provision of these services. |
| 3. Develop wireless application protocol capability so that users of mobile phones or other wireless products may view the content of the portal | A WAP channel, <i>wap.hongkong.com</i> , was launched in April 2000, providing wireless access to <i>hongkong.com</i> content. |
| 4. Introduce content specifically for broadband access | Discussions were initiated with various broadband content providers. However, due to the slow uptake in broadband services and the limited broadband content available in the market, the Group is of the opinion that broadband access and content needs to further mature prior to introducing content specific to broadband access. |
| 5. Continue to establish an e-commerce presence in countries that offer opportunities for the Group | The Group continued to further establish its e-commerce offering in Hong Kong through Shop4U and channel based products and service offerings, to leverage the opportunities in the local market. |
| 6. Offer up to an additional 6 product lines on the portal | As at 30th June, 2001, <i>hongkong.com</i> featured over 70 product lines, with over 10 new product lines offered during the Half-Yearly Period, spanning across consumer electronics, computer and music software, sports and leisure packages and food and beverages. |
| 7. Broaden the range of available e-commerce products | <i>hongkong.com</i> broadened the range of e-commerce products to include a variety of action sports and leisure packages from Qtimes, food and beverages from Chinesetea.cc Limited and PetsAsia.com, and compact disks from CD-WOW. |
| 8. Offer customer service in those additional countries with localised websites | 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. |

9. Offer product comparison tools to assist online shoppers

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 reviewing the value of product comparison tools to assist online shoppers.

10. Continue to explore and capitalise on strategic opportunities

hongkong.com's position as the leading portal in Hong Kong has allowed the Group to continue to explore and capitalise on strategic opportunities for the Group's portal and regional expansion activities. Deals were closed with kwiksure.com, URPhoto.com, MDY2, MyEventsAsia, Developmental Centre Limited, English4Us and iNFOiSLIVE Corporation Limited during the Half-Yearly Period, to broaden the Group's portal services by providing an insurance service center, an online photo service, a downloadable wallpaper service, an eFax service, an online English course and an SMS center respectively to our users. The other content, marketing and e-commerce partners which the Group works closely include Heineken, 7-Eleven, CarNet.com, Qtimes, and Wiz-Q.

The Group continued to advance regional expansion strategy through e-travel service and cross-media activities by establishing a joint venture with Southeast Travel Service Company Limited in Taiwan to offer online and offline travel products and services, and Shanghai Xinhua Yatai Television Production Company Limited to offer an offline/online integrated advertising platform.

11. Continue to provide services relating to the AOL Hong Kong service and to the Netscape service to the CIC group according to its requirements

The Group completed its commitment to the AOL Hong Kong service and the Netscape service to the CIC group in June 2001 and September 2000 respectively.

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 30th June, 2001, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus:

- Approximately HK\$13 million for the expansion of the Group's network infrastructure and computer equipment;
- Approximately HK\$11 million for the purchase of software applications for network infrastructure and e-commerce activities;
- Approximately HK\$28 million for marketing and advertising in Hong Kong;
- Approximately HK\$55 million for 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\$114 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 securities pending appropriate investments.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th June, 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 (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 of general meetings under the SDI Ordinance.

Saved as disclosed above, as at 30th June, 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 (Note 1)	Post-IPO share option scheme (Note 2)	
Ch'ien Kuo Fung, Raymond	10,000,000	4,000,000	14,000,000
Chan Kai Yu, Rudy	60,000,000	30,000,000	90,000,000
Chan Wing Tak, Douglas	1,000,000	600,000	1,600,000
Chou Kei Fong, Silas	1,000,000	600,000	1,600,000
Edelson, Harry	1,000,000	600,000	1,600,000
Hamilton, Peter John	5,000,000	2,000,000	7,000,000
Hung Shuk Tak, Vicky	5,000,000	2,000,000	7,000,000
Koh Boon Hwee	1,000,000	600,000	1,600,000
Lin, Jack	530,000	2,000,000	2,530,000
Wong Sin Just	1,000,000	600,000	1,600,000
Yip Hak Yung, Peter	6,000,000	2,400,000	8,400,000
Zhou Shun Ao	6,000,000	2,400,000	8,400,000

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 Half-Yearly 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 Half-Yearly 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) (Note)	
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 30th June, 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)	400,000 (Note 9)
Chan Kai Yu, Rudy	–	–	–	8,265 (Note 6)	47,000 (Note 10)
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 11)
Hung Shuk Tak, Vicky	640,000	–	–	–	20,000 (Note 12)
Lin, Jack	–	–	–	111,919 (Note 7)	154,000 (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 9th 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 12th 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. These options were granted on 27th April, 2001 and are exercisable from 27th July, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.74 per share.
10. 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.
11. 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.
12. 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.

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. 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.

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 per share. 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 30th June, 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 Half-Yearly Period was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30th June, 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	81.97%

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	(9,621,380)
	<hr/>
As at 31st December, 2000 and 1st January, 2001	129,474,540
Less: Lapsed options during the Half-Yearly Period	(7,897,120)
	<hr/>
As at 30th June, 2001	121,577,420
	<i>(Note)</i>

Note: The underlying shares of the outstanding pre-IPO share options as at 30th June, 2001 represent 2.96% 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 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
Options granted in 2000		
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
		<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

Date when options granted	Exercise price <i>HK\$</i>	Number of underlying shares
Add: Options granted in 2001		
10th April, 2001	0.286	49,653,657
21st May, 2001	0.370	1,404,960
29th June, 2001	0.433	206,680
Less: Lapsed options during the Half-Yearly Period		(5,794,764)
		<hr/>
As at 30th June, 2001		73,285,512
		<i>(Note)</i>

Note: The underlying shares of the outstanding post-IPO shares as at 30th June, 2001 represent 1.79% 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 Half-Yearly Period.

INTEREST OF SPONSORS

A director and two employees of BNP Paribas Peregrine Capital Limited held 70,000 shares and a total of 4,000 shares in the Company as at 30th June, 2001 respectively. Save as disclosed herein, the Joint Sponsors of the Company, BNP Paribas Peregrine Capital Limited ("BNP Paribas") and Lehman Brothers Asia Limited ("Lehman Brothers"), their respective directors, employees and associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rule), as at 30th June, 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.

By a termination agreement dated 11th July, 2001, Lehman Brothers ceased to be one of the Company's continuing joint sponsor with effect from 1st July, 2001. BNP Paribas remains as the Company's sole sponsor, for a monthly fee, effective 1st July, 2001 until 31st December, 2002.

COMPETING INTERESTS

Mr. Chan Wing Tak, Douglas, a Non-Executive Director, is 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 and Inquisitive Mind Pte Limited, both 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 Company's 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, 7th August, 2001