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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”)**

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

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

## HIGHLIGHTS

- Profit attributable to shareholders for the three months ended 30th September, 2001, excluding one-time expenses, amounted to HK\$11,159,000, an improvement compared to HK\$4,539,000 in the same period last year.
- Turnover for the three months ended 30th September, 2001 was HK\$13,885,000, a 68% increase from HK\$8,283,000 in the same period last year, excluding the effects of the AOL Hong Kong service.
- *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.
- 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).
- The Group's travel investments throughout Greater China continues to gain traction and is enabling the Group, along with new subscription services on its portal, to add new revenue streams.
- Strong financial position with HK\$1.245 billion in net cash and investments in interest-bearing securities to enable the continued execution of long-term investments and acquisition strategy.
- Further enhanced Hong Kong's First Web to Mobile Short Messaging Service (SMS) accessible by all mobile networks with three additional services.

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

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I am pleased to report another quarter of steady progress, during which we maintained our industry leadership position in Hong Kong. We continued to be profitable and gained more traction in our new businesses and services despite deteriorating external economic conditions.

We are deeply saddened by the tragic events of 11th September and can only hope that a recovery to normalcy will not take too long. While we have not suffered any material impact from the global downturn, we expect negative effects to eventually ripple through. We will closely monitor any changes to the business environment and take necessary steps to maintain our forward momentum.

The unthinkable of the September events heightened our resolve to always exercise financial discipline and vigilance. To this end, we have continued to shore up our cash resources through active but prudent treasury management and by further streamlining operating costs and reducing operating inefficiencies in our core business. We have managed to accomplish this without sacrificing our ability to maintain a high standard of service to our clients and users. As a result, our net cash and investments in interest-bearing securities increased by another HK\$49 million this quarter to HK\$1.245 billion.

We are thus well positioned to move quickly should investment opportunities arise. However, given the current economic climate, there is no urge to make haste.

That said, we continue to look at investments in the travel, education and media sectors. These are the areas that we believe offer growth opportunities in our operating theatre and will enable us to continue to build synergies and to strengthen our internet platform.

I would like to take this opportunity to thank our shareholders for their ongoing support and our team for their drive, dedication and hard work during these testing times.



Rudy Chan  
Chief Executive Officer

A handwritten signature in black ink, appearing to read 'Rudy Chan'. The signature is stylized and cursive.

## 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 nine months (the "Nine-Month Period") ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months ended 30th September		Nine months ended 30th September	
		2001 HK\$'000	2000 (Restated) HK\$'000	2001 HK\$'000	2000 (Restated) HK\$'000
Turnover	2	<b>13,885</b>	17,620	<b>64,303</b>	54,211
Cost of sales		<b>(7,578)</b>	(9,372)	<b>(38,826)</b>	(21,845)
Gross profit		<b>6,307</b>	8,248	<b>25,477</b>	32,366
Other revenue	3	<b>28,646</b>	22,621	<b>65,768</b>	47,654
Selling and distribution expenses		<b>(1,163)</b>	(6,416)	<b>(5,022)</b>	(29,173)
Administrative expenses		<b>(17,912)</b>	(17,613)	<b>(53,400)</b>	(51,332)
Other operating expenses	4	<b>(14,489)</b>	(1,000)	<b>(15,351)</b>	(1,000)
Profit/(loss) from operating activities		<b>1,389</b>	5,840	<b>17,472</b>	(1,485)
Finance cost		<b>(41)</b>	–	<b>(41)</b>	–
Share of losses of associates		<b>(251)</b>	(1,301)	<b>(1,525)</b>	(3,048)
Profit/(loss) before taxation		<b>1,097</b>	4,539	<b>15,906</b>	(4,533)
Taxation	5	<b>298</b>	–	<b>(238)</b>	–
Profit/(loss) after taxation		<b>1,395</b>	4,539	<b>15,668</b>	(4,533)
Minority interests		<b>260</b>	–	<b>267</b>	–
Net profit/(loss) from ordinary activities attributable to shareholders		<b>1,655</b>	4,539	<b>15,935</b>	(4,533)
Earnings/(loss) per share	6				
– Basic		<b>0.04 cents</b>	0.11 cents	<b>0.39 cents</b>	(0.12 cents)
– Diluted		<b>0.04 cents</b>	N/A	<b>0.39 cents</b>	N/A

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.

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\$2,791,000 and HK\$11,965,000, which were included in cost of sales for the quarter ended 30th September, 2000 and for the nine months ended 30th September, 2000 respectively, as operating expenses in the comparative amounts in order to conform with the Quarterly Period and Nine-Month Period's presentation. Accordingly, certain comparative amounts have been reclassified to conform with the presentation adopted in the Quarterly Period and Nine-Month Period.

## **2. Turnover**

Turnover represents advertising service fees, content and Internet service provision fees, event organizing service fees and publishing income. Turnover for the three months ended 30th September, 2000 included HK\$9,337,000 of the AOL Hong Kong service. The AOL Hong Kong service was terminated since 1st July, 2001. Excluding turnover from the AOL Hong Kong service, the Group showed a 68% increase in turnover during the Quarterly Period compared to the same period in the previous year.

## **3. Other revenue**

Other revenue mainly included income from cash and investments in interest-bearing securities.

## **4. Other operating expenses**

Other operating expenses in the Quarterly Period included one-time expenses of HK\$9,504,000.

## 5. 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 Nine-Month 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 first half year.

## 6. 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 Nine-Month Period of HK\$1,655,000 and HK\$15,935,000 respectively (three months and nine months ended 30th September, 2000: profit/(loss) of HK\$4,539,000 and HK\$(4,533,000) respectively) and weighted average number of 4,104,963,236 and 4,099,863,484 (three months and nine months ended 30th September, 2000: 4,096,000,000 and 3,907,034,547 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 Nine-Month Period of HK\$1,655,000 and HK\$15,935,000 respectively and weighted average number of 4,118,903,198 and 4,110,296,847 ordinary shares respectively, after adjusting for the effects of all dilutive potential shares during the Quarterly Period and Nine-Month Period.

Diluted earnings per share for the three months and nine months ended 30th September, 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 Nine-Month 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 September, 2001, resulting in an increase of HK\$6,583,000 and HK\$4,906,000 in the investment revaluation reserve in the Quarterly Period and Nine-Month Period respectively.

During the Quarterly Period and Nine-Month Period, 30,207,469 shares and 35,558,942 shares were issued respectively as payment of part of the consideration for acquisitions, resulting in an increase of HK\$7,884,000 and HK\$9,056,000 in the share premium.

During the Quarterly Period, goodwill of HK\$7,800,000 previously eliminated against goodwill reserve was written back and recognized as an expense in the profit and loss account, resulting in a decrease of HK\$7,800,000 in the goodwill reserve.

## **BUSINESS REVIEW**

For the Nine-Month Period, the Group's turnover and net profit were HK\$64,303,000 and HK\$15,935,000 respectively. This compared to a turnover of HK\$54,211,000 and a net loss of HK\$4,533,000 over the same period in 2000.

The rise in turnover for the Nine-Month 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, tight cost control and income from the company's cash position, improved significantly on the Group's profitability for the Nine-Month Period.

During the Quarterly Period, the Group's turnover was HK\$13,885,000. Excluding the turnover of the AOL Hong Kong service, turnover in the Quarterly Period was stable compared to the previous quarter and was up 68% compared to the same period last year. Gross profit during the Quarterly Period improved over the previous quarter due to seasonally higher contribution from TTG Asia, higher contribution from the Group's travel business and due to the absence of one-off severance charges for the termination of the AOL Hong Kong service.

Net profit, excluding one-time expenses of HK\$9,504,000, was HK\$11,159,000 for the Quarterly Period, an improvement over the net profit of HK\$1,857,000 in the previous quarter and net profit of HK\$4,539,000 in the same period last year.



The Group continued to diversify the business focus in multiple areas to drive revenue growth, sustain pageview and attract 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 Quarterly Period, the Group continued to attract advertising customers, launching campaigns with Eyemo, Informatics, Christian Dior, Pizza Hut and ANZ PT100 to drive customer acquisitions with great success. The Group continued to work closely with existing partners such as Engineer.com.hk and Principal, to further build upon the already successful brand marketing campaign. The Group enforced its commitment to develop a comprehensive and engaging Internet experience to its users through the launch of a brand new design for the portal, deploying new features and technologies to better serve the user community as well as creating greater value for advertisers. The Group relaunched three channels during the Quarterly Period, with the lifestyle channel, providing the latest in entertainment news, latest trends and information on happenings in and around Hong Kong, the fate channel, enhancing the already comprehensive horoscope and fortune telling services and the travel channel, offering information and packages for wide range of travel destinations.

The Group further developed the subscription-based products and services through enhancements in the SMS Center, with the launch of SMS alert services, an SMS quiz game, an SMS based logo design competition and a logo download section to allow users to purchase their own personalized logos from the comprehensive database. Along with the web to mobile short messaging service that allows users to send short messages to any mobile phone regardless of the recipient's subscribed network, the Group continues to build value into its business model by staying at the forefront, adopting new technologies for deployment across different media. In addition, a variety of financial information products were launched in the finance channel, in partnership with SHK Financial Data Limited.

The Group continued to enhance its e-commerce platform through a partnership with a global credit card as the preferred payment card and as a partner in the development of future e-commerce products and services, providing further flexibility and peace of mind to customers. In addition, the Group extended its e-commerce offerings through the on-going developments of quality merchants with the addition of DVD Shelf, offering the latest in music and movie titles, as well as further enhancing the games channel offerings with over 60 of the latest personal computer games available for purchase.

## **OUTLOOK**

The business environment remained weak during the Quarterly Period and the outlook for raising new financing will continue to be challenging for companies in this sector in the short term. The recent tragedies in the United States have further cast a cloud of uncertainty on global economies and financial markets. This is expected to provide the backdrop for further company closures and industry consolidation.

In contrast, the Board believes that the Group's healthy financial position should allow it to weather current conditions. Business prospects remain encouraging with continued interest from potential partners, advertising customers and Internet users, while competitors' activities are somewhat restricted – at least in the short-term. The imminent succession of China into the World Trade Organization and the successful bid to host 2008 Olympic games in Beijing, will present great business opportunities in the future.

As the Group is well funded, with HK\$1.245 billion in net cash and investments in interest-bearing securities as at the end of September 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 and a good brand name will enable the Group to 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 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 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 TTG 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 recognize the need to change from within, as the global and regional business landscapes transform.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30th September, 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
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 September, 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:**

<b>Name of Director</b>	<b>Number of underlying shares under</b>		<b>Total</b>
	<b>pre-IPO share option scheme</b> <i>(Note 1)</i>	<b>post-IPO share option scheme</b> <i>(Note 2)</i>	
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
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 Nine-Month 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 Nine-Month 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 September, 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)	800,000 (Note 8)
Chan Kai Yu, Rudy	–	–	–	8,265 (Note 6)	127,000 (Note 9)
Chan Wing Tak, Douglas	40,000	30,000	–	–	50,000 (Note 10)
Edelson, Harry	60,000	30,000	–	20,000 (Note 5)	50,000 (Note 10)
Hamilton, Peter John	680,000	30,000	–	–	300,000 (Note 11)
Hung Shuk Tak, Vicky	640,000	–	–	–	20,000 (Note 12)
Lin, Jack	–	–	–	111,919 (Note 7)	294,000 (Note 13)
Yip Hak Yung, Peter	60,000	30,000	1,881,442 (Note 2)	–	–
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. 400,000 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. Further 400,000 options were granted on 13th July, 2001 and are exercisable from 13th October, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.97 per share.
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 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. Further 80,000 options were granted on 11th July, 2001 and are exercisable from 11th October, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.381 per share.
10. 50,000 options were granted on 12th July, 2001 and are exercisable from 12th July, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.58 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. Further 140,000 options were granted on 11th July, 2001 and are exercisable from 11th October, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.381 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. Further 140,000 options were granted on 11th July, 2001 and are exercisable from 11th October, 2001 to the year ending 10 years after the grant date at an exercise price of US\$2.381 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 September, 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 Nine-Month Period was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



## **SUBSTANTIAL SHAREHOLDERS**

At 30th September, 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:

<b>Name</b>	<b>Number of shares</b>	<b>Percentage of issued share capital</b>
chinadotcom corporation	3,361,828,000	81.37%

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 ordinary shares in the Company" in this report.

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

	<b>Number of underlying shares</b>
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 Nine-Month Period	<u>(10,675,320)</u>
As at 30th September, 2001	<u><u>118,799,220</u></u> (Note)

Note: The underlying shares of the outstanding pre-IPO share options as at 30th September, 2001 represent 2.88% of the issued share capital of the Company.

All the above outstanding options may be exercised in accordance with the terms of the pre-IPO share option scheme at any time during the period commencing one year after the date of grant of the options which is 9th March, 2001 and ending 10 years after the date of grant of the options which is 9th March, 2010 in accordance with the following schedule (each anniversary below refers to the anniversary of the date of grant of the options):

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

The principal terms of the pre-IPO share option scheme are set out in the 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

<b>Date when options granted</b>	<b>Exercise price HK\$</b>	<b>Number of underlying shares</b>
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
24th August, 2001	0.337	1,252,880
Less: Lapsed options during the Nine-Month Period		<u>(11,536,021)</u>
As at 30th September, 2001		<u><u>68,797,135</u></u> (Note)

Note: The underlying shares of the outstanding post-IPO shares as at 30th September, 2001 represent 1.67% 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 Nine-Month Period.

#### **INTEREST OF SPONSOR**

A director and two employees of BNP Paribas Peregrine Capital Limited ("BNP Paribas") held 70,000 shares and a total of 4,000 shares in the Company as at 30th September, 2001 respectively. Save as disclosed herein, the Company's sponsor, BNP Paribas, its respective directors, employees and associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rule), as at 30th September, 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 Asia Limited ceased to be one of the Company's continuing joint sponsors with effect from 1st July, 2001. BNP Paribas remains as the Company's sole sponsor, for a monthly fee, effective from 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.

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 three members comprising two Independent Non-Executive Directors, Mr. Wong Sin Just (Committee Chairman) and Mr. Chou Kei Fong, Silas, and one Executive Director, Mr. Yip Hak Yung, Peter.

Mr. Koh Boon Hwee resigned as an Independent Non-Executive Director and a member of the audit committee on 29th August, 2001.

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

Hong Kong, 6th November, 2001