


**hongkong.com**

**hongkong.com Corporation**

[incorporated in the Cayman Islands with limited liability]



FIRST QUARTER REPORT 2002

## **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 reports 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.**

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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.*

## **MESSAGE FROM MR. RUDY CHAN, CHIEF EXECUTIVE OFFICER**

I am pleased to report that we have maintained profitability for the quarter despite a very harsh operating environment.

As expected, our revenue was affected during the quarter primarily by the absence of revenue from our previous AOL Hong Kong service which accounted for HK\$6,928,000 of revenue in the first quarter last year, the fact that Travel Trade Gazette ("TTG") did not organize the Asia Travel Forum ("ATF") this year and continued weakness in the online advertising market.

Despite this, we are encouraged by signs of improving business prospects. Our portal remains one of the leading online platforms with continued interests from existing as well as new advertisers while the launch of new online subscription services is just over the horizon. TTG has secured the rights to organize the ATF next year in Cambodia and was recently awarded a Journalist Award and a Gold Award Honorable Mention from Pacific Asia Travel Association ("PATA"), demonstrating once gain TTG's journalistic excellence as well as its standing in the travel industry. Our e-travel business continues to make steady progress with 70 major hotels in Taiwan signing to use our PowerHotel platform making it one of the largest hotel booking platforms in Taiwan.

As we continue to strengthen the foundation for long-term profit growth, we are keeping a vigilant eye on our operating costs in maintaining a lean organization. As a result of our consistent focus on efficiency, our operating cost for the quarter is at its lowest level in the past two years. This has also helped us conserve our net cash position of over HK\$1,200,000,000.

Disciplined cost management alone would not elevate our company to the next level. We are actively pursuing acquisition opportunities presented by the China momentum and the more dynamic sectors of Asian economies. Fundamentally, these acquisition targets need to be earnings accretive and synergistic to our operations. It is paramount us to generate healthy economic return for our shareholders.

I look forward to updating you on the progress of our businesses in future quarterly reports.

## 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, 2002 (the "Quarterly Period") together with the comparative unaudited figures for the corresponding period in 2001 as follows:

		<b>Three months ended</b>	
		<b>31st March,</b>	
		<b>2002</b>	2001
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Turnover	2	<b>11,676</b>	30,312
Cost of sales		<b>(5,992)</b>	(16,317)
		<hr/>	<hr/>
Gross profit		<b>5,684</b>	13,995
Other revenue		<b>17,507</b>	19,355
Selling and distribution expenses		<b>(341)</b>	(3,099)
Administrative expenses		<b>(15,411)</b>	(15,693)
Other operating expenses		<b>(3,415)</b>	(736)
		<hr/>	<hr/>
Profit from operating activities		<b>4,024</b>	13,822
Finance cost		<b>(1,643)</b>	–
Share of profits/(losses) of associates		<b>236</b>	(504)
		<hr/>	<hr/>
Profit before tax		<b>2,617</b>	13,318
Tax	3	<b>398</b>	(895)
		<hr/>	<hr/>
Profit before minority interests		<b>3,015</b>	12,423
Minority interests		<b>105</b>	–
		<hr/>	<hr/>
Net profit from ordinary activities attributable to shareholders		<b>3,120</b>	12,423
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
Basic	4	<b>0.08 cent</b>	0.30 cent
		<hr/> <hr/>	<hr/> <hr/>
Diluted		<b>0.08 cent</b>	N/A
		<hr/> <hr/>	<hr/> <hr/>

Notes:

**1. Basis of presentation**

The accounts have been prepared under the historical cost convention except for the remeasurement of debt securities at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis.

**2. Turnover**

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

The Group's turnover of HK\$11,676,000 during the Quarterly Period showed a decline of 61% as compared to HK\$30,312,000 in the comparable period last year. The expected decline was primarily due to the termination of the AOL Hong Kong service from 1st July, 2001 which accounted for HK\$6,928,000 of revenue in the first quarter last year; a reduction in TTG's revenue as it did not organize the ATF in 2002, but instead will organize the ATF in 2003; and continued weakness in the online advertising market. In contrast, the Group saw improved contribution from its e-travel business.

**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 (2001: Nil).

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

**4. Earnings per share**

*(a) Basic earnings per share*

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the Quarterly Period of HK\$3,120,000 (2001: HK\$12,423,000) and weighted average number of 4,131,558,942 (2001: 4,096,000,000) ordinary shares.

*(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 of HK\$3,120,000 and weighted average number of 4,139,435,426 ordinary shares, after adjusting for the effects of all dilutive potential shares during the Quarterly Period.

Diluted earnings per share for the three months ended 31st March, 2001 has not been shown as the exercise price of the Company's outstanding share options was higher than the average market price of the shares of the Company during the three months ended 31st March, 2001.

## 5. Movement of reserves

	Share premium HK\$'000	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained earnings/ (Accumulated losses) HK\$'000	Total HK\$'000
At 1st January, 2002	913,204	(31,215)	(13,794)	(1,055)	10,494	877,634
Profit for the period	-	-	-	-	3,120	3,120
Investment revaluation reserves released on disposals	-	-	3,595	-	-	3,595
Movement in fair value	-	-	(36,527)	-	-	(36,527)
Impairment of debt securities	-	-	3,586	-	-	3,586
Exchange realignments	-	-	-	384	-	384
	<u>913,204</u>	<u>(31,215)</u>	<u>(43,140)</u>	<u>(671)</u>	<u>13,614</u>	<u>851,792</u>
At 31st March, 2002	<u>913,204</u>	<u>(31,215)</u>	<u>(43,140)</u>	<u>(671)</u>	<u>13,614</u>	<u>851,792</u>
At 1st January, 2001						
- As previously reported	904,170	(47,580)	2,001	-	(20,807)	837,784
- Adjustment to opening balances of accumulated losses	-	-	-	-	2,860	2,860
	<u>904,170</u>	<u>(47,580)</u>	<u>2,001</u>	<u>-</u>	<u>(17,947)</u>	<u>840,644</u>
- as restated	904,170	(47,580)	2,001	-	(17,947)	840,644
Profit for the period	-	-	-	-	12,423	12,423
Movement in fair value	-	-	1,471	-	-	1,471
	<u>904,170</u>	<u>(47,580)</u>	<u>3,472</u>	<u>-</u>	<u>(5,524)</u>	<u>854,538</u>
At 31st March, 2001	<u>904,170</u>	<u>(47,580)</u>	<u>3,472</u>	<u>-</u>	<u>(5,524)</u>	<u>854,538</u>

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Quarterly Period (2001: Nil).

## FINANCIAL REVIEW

The Group's turnover of HK\$11,676,000 during the Quarterly Period showed a decline of 61% as compared to HK\$30,312,000 in the comparable period last year. The expected decline was primarily due to the termination of the AOL Hong Kong service from 1st July, 2001 which accounted for HK\$6,928,000 of revenue in the first quarter last year; a reduction in TTG's revenue as it did not organize the ATF in 2002, but instead will organize the ATF in 2003; and continued weakness in the online advertising market. In contrast, the Group saw improved contribution from its e-travel business.

The Group's total operating expenses of HK\$19,167,000 showed a 2% decline compared to a year ago, but portal and TTG operating costs were reduced by a respective 51% and 40% year-over-year. These cost savings were offset by new costs associated with acquisitions and investments made primarily in the Group's e-travel business in the second half of 2001. The Group also recorded an unrealized HK\$3,586,000 decline in the value of the Group's debt security investments under other operating expenses. Excluding the impact of this non-cash item, total operating expenses during the Quarterly Period would have shown a 20% decline year-over-year.

During the Quarterly Period, the Group generated HK\$15,525,000 in net investment income from its net cash and debt security investments of over HK\$1,200,000,000. Coupled with first time profit contribution from the Group's associate INFOiSLIVE Corporation Limited, the Group posted a net profit of HK\$3,120,000. Earnings per share for the Quarterly Period was 0.08 HK cent.

Our debt portfolio fluctuates in value based on various market conditions, including interest rate trends and the credit quality of our investments. Currently, the Group's accounting policy is for interest income to be recorded to the profit and loss account and fluctuation in prices of our investment portfolio recorded to investment revaluation reserves in accordance with accounting principles generally accepted in Hong Kong.

As at 31st March, 2002, there was a drop of HK\$46,726,000 in the market value of our HK\$1,491,151,000 investment portfolio and HK\$43,140,000 of this decline in value was recognized as a debit in the balance sheet under the investment revaluation reserve within the capital and reserves account. In addition, we have expensed approximately HK\$3,586,000 of the decline as an unrealized loss reflecting the impairment in value of certain of our debt instruments in other operating expenses in the profit and loss account.

For the remainder of the portfolio, it is determined that the decline in value is neither permanent nor more than 6 months in duration, which is in line with the holding company's accounting policy. However, within the next one or two quarters, based on the timing of our initial investments in debt instruments and other available objective evidence, we will assess if it is necessary to expense some if not all of the investment revaluation deficit of HK\$43,140,000 as impairment, which would be recorded in other operating expenses.

It is noteworthy to point out that we believe we have the ability to hold these debt instruments to maturity. If this course is taken, the already recorded unrealized losses would be written back as a gain in other operating expenses. We will assess the value of our debt instruments on a quarterly basis in accordance with the Group's accounting policy for investments. Any impairment will be expensed to the profit and loss account.

## **BUSINESS REVIEW**

### **Portal**

The online advertising market continued the trend set forth in previous quarters, remaining slow and selective. Amidst the slowdown, the Group continued to diversify the business focus in multiple areas to stimulate revenue growth, sustain pageview and attract new users. Complimentary to the target of providing a prime advertising medium for customers, the Group further developed innovative ideas geared towards enhancing results for advertisers, as well as 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 Acuvue, AMR Interactive, Campbell's Soup, Citibank, Club Nokia, Hong Kong Trade Development Council, FX Creations, Hang Seng Bank, JWL Enterprises, Learning Technologies, Moet Hennessy, Nissin Foods, Samsung, PCCW, Wallstreet Institute and Wing Hang Bank, to drive customer acquisitions with great success. The Group's ongoing efforts in delivering a prime advertising platform was further enhanced through the launch of two user-group oriented portals, 'Young' and 'Mature', to provide better focused content and resources, and at the same time delivering stronger and relevant profiles to advertisers. The Group launched a new soccer channel during the Quarterly Period, providing a comprehensive coverage of worldwide soccer news and results. The Group's ematch channel was further enhanced as a meeting point for fostering friendship. Along with launches of seasonal campaigns such as during Chinese New Year and the Valentine's Day, the Group continues to offer a comprehensive and engaging user experience.

The Group continued to further develop subscription-based products and services through enhancements in the SMS Center, with the launch of an innovative soccer quiz game utilizing both SMS and an Interactive Voice Response System ("IVRS") solutions to generate user participation. Augmented with the ever increasing portfolio of short messages, logos and ring tone downloads, such developments compliment the well established 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 Post4U – DIY, a subscription based email newsletter service, allowing customers to build and distribute their own newsletters to their respective members and communities.



The Group continued to focus on building the community through innovative products and services, with the launch of a directory service, providing a growing database of information on a variety of topics and the relaunch of Club4U, an online club offering member activities and special promotions as well as the ongoing enhancements in Club4U Women, an online community for professional career women. In addition, the Group extended its cross-media initiatives through the launch of the 2002 Soccer World Cup competition, an online/offline media campaign in conjunction with M-Channel, a new advertising media in Hong Kong.

The Group continued to enhance its e-commerce offerings through the ongoing developments with VISA, as the preferred payment card and as a partner in the development of future e-commerce products and services, and through the launch of Dotfuncity, *hongkong.com's* prepaid card payment solution in partnership with Inpower1, providing further flexibility and peace of mind to customers. In addition, the Group continue to extend its e-commerce offerings through enhancements in Shop4U, with the launch of *hongkong.com's* own online flower store, and through quality merchants with the addition of Chillout Lounge, offering lifestyle products, the Thinking Group, providing the latest in hi-tech products such as digital dictionaries, Intercontinental Video, offering the latest in PC games, and YesAsia, an online compact disk and movies retailer.

## **Travel**

The Group's e-travel industry initiatives continued to perform to expectations despite the ongoing weak economic climate during the Quarterly Period. Operating performance from all travel related business units showed encouraging signs despite an expected seasonal slowdown typically associated with the Quarterly Period.

TTG, the leading travel publisher and exhibition organizer in Asia, continued to diversify from its traditional offline business to online by leveraging the Group's online capabilities through the launch of TTG TravelHub.Net during the Quarterly Period. TTG TravelHub.Net is a travel trade community hub for members of the trade industry to network, source for information and conduct or regenerate business. Following the launch, the confidence and interest in the travel hub increased significantly, with a number of potential clients showing keen interest. TTG continued to demonstrate its market leadership during the Quarterly Period, with several appointments by major industry organizations, with the ATF appointing TTG, the official publisher for the daily newspaper during ATF 2002 in Yogyakarta, Indonesia. The dailies were read by some 1,500 travel trade delegates attending this prestigious trade event in January 2002. In addition, TTG's tourism group was appointed the Official Travel Publisher for the Singapore Fashion Festival 2002. This is the second year of the festival and the first time TTG was appointed an Official Travel Publisher for the event.

In further recognition to TTG's achievements, TTG's Group Editor was awarded the PATA Travel Journalism Award for 2002, with the Consulting Editor being awarded Gold Award Honourable Mention by PATA, the recognized authority on Pacific Asia travel and tourism.

Times Software, a company engaged in the development and selling of proprietary travel-related information technology products showed encouraging progress during the Quarterly Period. Through the ownership of such products, the Group aims to propagate such technology into other areas of online travel ticketing products and services across the region.

Travio Global Inc., a joint venture with Taiwan's leading travel service provider, South East Travel Service Company Limited, continued to steadily build its business. Since the launch of the Group's online hotel application PowerHotel in December 2001, over 70 major hotels in Taiwan have signed up to use the PowerHotel ASP platform, making it the largest ASP hotel system in Taiwan. PowerHotel helps hotels improve efficiency and expand its marketing and distribution capabilities. PowerHotel provides very user-friendly development tools for hotels to cost-effectively build its websites, and manage its room allotments, pricing and inventory. Through PowerHotel, the Group aims to generate revenue through multiple sources including licensing, set up, maintenance and transactions.

In addition, *hotel.taiwan.com* was launched in December 2001 as part of the Group's Greater China online hotel booking platform to compliment the PowerHotel ASP platform. Through these, the Group aims to further leverage on technology to enhance the traditional distribution strategies of the travel industry.

The investments and joint venture will further position the Group to significantly broaden its range of online/offline travel products and help extend services beyond consumers to businesses.

## **OUTLOOK**

The business environment remained weak during the Quarterly Period and the outlook for raising new financing and general sustainability will continue to be challenging for companies in this sector in the short term.

In contrast, the Board believes that the Group's financial position is healthy and will enable management to continue to build a long term sustainable business. The challenges to date have provided invaluable lessons for the Group and we believe we are well equipped to tackle upcoming changes in the business environment. 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 accession of China into the World Trade Organization and China's successful bid to host the 2008 Olympic Games in Beijing will present great business opportunities in the future.

As the Group is well funded, with over HK\$1,200,000,000 in net cash and investments in interest-bearing securities as at the end of March 2002, such sound capital reserve, coupled with declining valuations, will continue to position the Group favorably in making the best of merger and acquisition opportunities. We are currently pursuing acquisition of businesses that fulfill our strategic needs and expand our services portfolio.

Our continued move into the e-travel industry through TTG, Travio Global Inc. and the launch of PowerHotel, forms an important part of the Group's overall online travel strategy and is another example of the Group's continued drive to expand and diversify its recurrent revenue base. Synergies from PowerHotel are also being developed with plans to tie it more closely into the travel group's other e-commerce travel products.

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 Group will continue to execute its business plan, and move towards its strategic objective of creating a cross-media community and e-commerce platform serving both consumers and businesses throughout Asia.

## DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2002, the interests of the directors and their associates in the securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange 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
Hung Shuk Tak, Vicky	1,416,000	–	1,416,000
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.

### (b) Class A common shares in chinadotcom corporation which is, according to the SDI Ordinance, an associated corporation of the Company:

Name of director	Number of shares held and nature of interest			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
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: These shares were beneficially owned by Asia Pacific Online 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.

Save as disclosed in sub-sections (a) and (b) above, 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 and chinadotcom corporation as recorded in the register as at 31st March, 2002 maintained under Section 29 of the SDI Ordinance or which are required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

Name of director	Date of grant	Exercise price HK\$	Number of
			share options outstanding as at 31st March, 2002
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000
	10th April, 2001	0.286	4,000,000
Chan Kai Yu, Rudy	9th March, 2000	1.880	60,000,000
	5th October, 2000	0.582	10,000,000
	10th April, 2001	0.286	20,000,000
Chan Wing Tak, Douglas	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
Chou Kei Fong, Silas	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
Hung Shuk Tak, Vicky	9th March, 2000	1.880	5,000,000
	10th April, 2001	0.286	2,000,000
Lin, Jack	9th March, 2000	1.880	530,000
	10th April, 2001	0.286	2,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
Yip Hak Yung, Peter	9th March, 2000	1.880	6,000,000
	10th April, 2001	0.286	2,400,000
Zhou Shun Ao	9th March, 2000	1.880	6,000,000
	10th April, 2001	0.286	2,400,000

*Notes:*

1. All the above outstanding options may be exercised in accordance with the terms of the relevant share option schemes at any time during the period commencing from one year after the date of grant and ending 10 years after the date of grant of the options. These options vest over a period of four years commencing on the first anniversary at the date of grant.
2. No share options were granted to the directors and none of the above options were exercised or lapsed during the Quarterly Period.

**(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)
Hung Shuk Tak, Vicky	640,000	–	–	–	58,000 (Note 11)
Lin, Jack	–	–	–	111,919 (Note 7)	294,000 (Note 12)
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 13)

*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. These 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. 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. Further 38,000 options were granted on 5th November, 2001 and are exercisable from 5th February, 2002 to the year ending 10 years after the grant date at an exercise price of US\$2.04 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. 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.
  
13. 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 in sub-sections (c) and (d) above, at no time during the Quarterly Period was the Company or any of its holding company, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors or chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, their spouses or children under 18 years of age, had any rights to subscribe for securities of the Company, or had exercised any such rights during the Quarterly Period.

### **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests 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 directors of the Company, whose interests are set out in the section "Directors' Interests in Securities" 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.



## **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 SPONSOR**

Two employees of BNP Paribas Peregrine Capital Limited ("BNP Paribas") held a total of 4,000 shares in the Company as at 31st March, 2002. Save as disclosed herein, the Company's sponsor, BNP Paribas, 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, 2002, 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.

BNP Paribas remains as the Company's sole sponsor, for a monthly fee, effective from 1st July, 2001 until 31st December, 2002.

## **COMPETING INTERESTS**

None of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

## **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, Messrs. Wong Sin Just (Committee Chairman), Chou Kei Fong, Silas, Wang Cheung Yue, Fred, and one executive director, Mr. Yip Hak Yung, Peter. The primary duties of the audit committee is to review and supervise the financial reporting process and internal controls of the Group. The audit committee has reviewed the draft of this report and has provided advice and comments thereon.

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

Hong Kong, 10th May, 2002