

**hongkong.com**

**hongkong.com Corporation**

[incorporated in the Cayman Islands with limited liability]



THIRD 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.**

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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 the continuing economic slump.

Our portal business was marginally affected during the quarter with revenue slightly lower compared to the previous quarter as world cup advertising activities tapered. In order to continue to provide the most value to our users and to maximize the potential of our brand name, we enhanced and promoted a series of subscription-based products and services including premium email, enhanced SMS services such as the SMS platform developed for the Hong Kong Trade Development Council and a variety of targeted content during the quarter. Subscription revenue from these new services showed strong growth and we look towards the introduction of new value added features in coming quarters.

Although performance at Travel Trade Gazette Asia ("TTG Asia") improved during the third quarter, we anticipate a marginal slowdown in the coming quarters as a result of the recent bombing in Bali, Indonesia. We are saddened by this tragic event and can only hope that a recovery to normalcy will ensue quickly. TTG Asia continued to demonstrate its leadership position as event organizers during the quarter by successfully concluding several events, including DM Asia 2002, The Corporate Travel World 2002, and as the official publication for TIME 2002. In addition, at the time of the printing of this report, TTG Asia has successfully concluded the 10th Incentive Travel & Conventions Meetings Asia ("IT&CMA"), which was held in Thailand at the end of October. The IT&CMA is one of the largest and most rewarding Meeting Incentive Conference Exhibitions ("MICE"), bringing together exhibitors and buyers from around the world. TTG Travel Awards 2002, the most coveted and influential awards ceremony for the travel industry in the region has also been successfully concluded at the same event, with congratulations to the winners.

Times Software continued to make good progress in the development of proprietary travel-related information technology products, with the completion of both a Passenger Flow Analysis System with integrated decision support and a Mobile Ticketing System. Times Software aims to further adapt and develop the current portfolio of solutions for other ticketing applications across the region.

Through vigilant management of our financial resources, our net cash and investments in interest-bearing securities increased to HK\$1.29 billion at the end of the quarter, affording us the time to carefully assess the best investment opportunities.

I would like to take this opportunity to thank for our shareholders and dedicated staff for their continuous support.

## 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, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	<b>12,747</b>	13,885	<b>37,530</b>	64,303
Cost of sales		<b>(8,205)</b>	(7,578)	<b>(21,348)</b>	(38,826)
Gross profit		<b>4,542</b>	6,307	<b>16,182</b>	25,477
Other revenue		<b>15,488</b>	28,646	<b>43,568</b>	65,768
Selling and distribution expenses		<b>(150)</b>	(1,163)	<b>(714)</b>	(5,022)
Administrative expenses		<b>(13,393)</b>	(17,912)	<b>(45,096)</b>	(53,400)
Other operating gains/(expenses)	3	<b>2,831</b>	(14,489)	<b>1,486</b>	(15,351)
Profit from operating activities		<b>9,318</b>	1,389	<b>15,426</b>	17,472
Finance cost		<b>(83)</b>	(41)	<b>(3,537)</b>	(41)
Share of losses of associates		<b>(197)</b>	(251)	<b>-</b>	(1,525)
Profit before tax		<b>9,038</b>	1,097	<b>11,889</b>	15,906
Tax	4	<b>(61)</b>	298	<b>804</b>	(238)
Profit before minority interests		<b>8,977</b>	1,395	<b>12,693</b>	15,668
Minority interests		<b>272</b>	260	<b>58</b>	267
Net profit from ordinary activities attributable to shareholders		<b>9,249</b>	1,655	<b>12,751</b>	15,935
Earnings per share	5				
– Basic		<b>0.22 cent</b>	0.04 cent	<b>0.31 cent</b>	0.39 cent
– Diluted		<b>0.22 cent</b>	0.04 cent	<b>0.31 cent</b>	0.39 cent

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 portal advertising, content and internet service provision, travel-related advertising, publishing, event organizing and production and sale of hardware and software.

**3. Other operating gains/(expenses)**

Other operating gains for the Quarterly Period and Nine-Month Period included reversal of bad debts previously provided.

**4. Tax**

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 2001.

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.

**5. 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 and Nine-Month Period of HK\$9,249,000 and HK\$12,751,000 respectively (three months and nine months ended 30th September, 2001: HK\$1,655,000 and HK\$15,935,000 respectively) and weighted average number of 4,131,558,942 ordinary shares for the Quarterly Period and Nine-Month Period (three months and nine months ended 30th September, 2001: 4,104,963,236 and 4,099,863,484 respectively).

*(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\$9,249,000 and HK\$12,751,000 respectively (three months and nine months ended 30th September, 2001: HK\$1,655,000 and HK\$15,935,000 respectively) and weighted average number of 4,131,622,325 and 4,131,985,686 (three months and nine months ended 30th September, 2001: 4,118,903,198 and 4,110,296,847) ordinary shares respectively, after adjusting for the effects of all dilutive potential ordinary shares during the periods.

## 6. Movement of reserves

	Share premium	Goodwill reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings/ (Accumulated losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2002	913,204	(31,215)	(13,794)	(1,055)	10,494	877,634
Profit for the period	-	-	-	-	12,751	12,751
Investment revaluation reserves released on disposals	-	-	12,358	-	-	12,358
Movement in fair value	-	-	(451)	-	-	(451)
Exchange realignments	-	-	-	764	-	764
	<u>913,204</u>	<u>(31,215)</u>	<u>(1,887)</u>	<u>(291)</u>	<u>23,245</u>	<u>903,056</u>
At 30th September, 2002	<u>913,204</u>	<u>(31,215)</u>	<u>(1,887)</u>	<u>(291)</u>	<u>23,245</u>	<u>903,056</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>
Profit for the period	-	-	-	-	15,935	15,935
Issue of shares, net of issuing expenses	9,057	-	-	-	-	9,057
Impairment of goodwill	-	7,800	-	-	-	7,800
Movement in fair value	-	-	4,906	-	-	4,906
Exchange realignments	-	-	-	83	-	83
	<u>913,227</u>	<u>(39,780)</u>	<u>6,907</u>	<u>83</u>	<u>(2,012)</u>	<u>878,425</u>
At 30th September, 2001	<u>913,227</u>	<u>(39,780)</u>	<u>6,907</u>	<u>83</u>	<u>(2,012)</u>	<u>878,425</u>

## INTERIM DIVIDEND

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

## FINANCIAL REVIEW

For the Nine-Month Period, the Group's turnover and net profit were HK\$37,530,000 and HK\$12,751,000 respectively. This compared to a turnover of HK\$64,303,000 and a net profit of HK\$15,935,000 respectively over the same period in 2001.

The decline in turnover was primarily due to the termination of the Support Services Agreement with China Internet Corporation Limited in respect of the AOL Hong Kong service from July 2001, continued weakness in the online advertising market and lack of large event organizing activities in the first quarter of this year from TTG Asia. The decline was offset to some degree by the new revenue source from Times Software.

The Group's continued effort in cost control and the absence of start-up expenses for the Group's travel business and one-off professional expenses during the Nine-Month Period resulted in a further reduction of operating expenses by 68% to HK\$10,712,000 for the Quarterly Period and a reduction of 40% to HK\$44,324,000 for the Nine-Month Period as compared with the same periods last year.

For the Quarterly Period, the Group's turnover fell by 8% to HK\$12,747,000 and net profit increased by 459% to HK\$9,249,000 as compared with the same period in 2001.

The gross profit margin dropped to 36% for the Quarterly Period as compared with 45% for the same period last year. The decline in margin was primarily as a result of decrease of high margin advertising revenue coupled with an increase of lower margin sales of hardware and software.

Other revenue dropped by 46% to HK\$15,488,000 for the Quarterly Period as compared with HK\$28,646,000 for the same period last year due to continue decline in interest yield from our debt security investments. Our debt securities portfolio fluctuates in value based on various market conditions, including interest rate trends and 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 the gains or losses from the changes in fair values of the investment portfolio recorded to investment revaluation reserve in accordance with accounting principles generally accepted in Hong Kong.

As at 30th September, 2002, there was a drop of HK\$1,887,000 in the market value of our HK\$967,892,000 investment portfolio and this decline was recognized as a debit in the balance sheet under investment revaluation reserve. The Board does not see any objective evidence that any of the Group's debt securities is impaired.

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 pageviews and attract new users to new service offerings. 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 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 ANZ Bank, AsiaNet, China Light and Power, Clean & Clear, Coca Cola, Hong Kong Productivity Council, Hong Kong Trade Development Council, Hong Kong Computer Institute, HSBC, Learning Technologies, Mitsubishi, Netvigator, Now.com.hk, Open University and PCCW to drive customer acquisitions and branding with great success. The Group's ongoing efforts in delivering a prime advertising platform was further enhanced through the ongoing development of the two user-group oriented portals, 'Young' and 'Mature'. Targeted to the 'Young' group of users, ematch Phone and music downloads were launched during the Quarterly Period. ematch Phone is an Interactive Voice Response System ("IVRS") service allowing users to record messages to share with each other and a music download section in partnership with Soundbuzz, provide the latest canto-pop hits downloadable via the portal. For the 'Mature' users, the Group continued to seek additional value-adds with the launch of daily financial headlines covering the latest news in the financial markets both in Hong Kong and abroad from Quamnet, and the launch of a variety of travel planning tools and services from Priceline.com and Hotelclub.net. Combined, the Group continues to provide more highly focused, better quality content and resources, and at the same time delivering stronger and more relevant profiles to advertisers.

The Group continued its commitment to developing new products and services to serve the business community, by forming a partnership with the Hong Kong Trade Development Council to provide local small and medium enterprises with a Short Message Service ("SMS") platform for the Greater China Region. Augmented by the ever increasing portfolio of SMS through the SMS Centre, 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.

The Group continued its major push to monetize on its large user base through ongoing enhancements and promotions of Mymail, a Value Added Email Service, offering the next generation in email services with capabilities such as POP3 access, anti-virus scanners, anti-spam facilities and extra storage capacities. These extensive offerings are packaged within a series of different subscription plans and special offers, providing a variety of different email services under the @hongkong.com email domain. During the Quarterly period, the Group also launched a new paid-subscriber only channel, longlongwin.com, catering to one of Hong Kong's most passionately followed sports, horse-racing. Launched in cooperation with notable Hong Kong horse racing commentator, Apollo Ng, it provides a comprehensive horse racing portal with a myriad of information on the Hong Kong Racing scene, both historical and up to minute as well as offering a variety of services such as SMS pre race information and race results.



The Group continued to enhance its e-commerce offerings through the ongoing developments with VISA, with the launch of the "Get a VISA card" campaign. In this campaign, a selection of partner banks compliment the ongoing commitment to work with VISA as the preferred payment card and as a partner in the development of future e-commerce products and services. The Group further developed new avenues for e-commerce with ongoing enhancements in the online hotel reservation service in partnership with HotelClub.net, offering a simple method for users to make hotel bookings worldwide. In addition, the Group continued to extend its e-commerce offerings through enhancements in Shop4U, with expansions in the variety and choice of products and services across different categories from participating partners.

## **Travel**

The Group continued to develop the e-travel industry initiatives prudently amidst the ongoing weak economic climate during the Quarterly Period. Operating performance showed encouraging signs despite an expected seasonal slowdown typically associated with the Quarterly Period.

TTG Asia, 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 ongoing developments 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. Since the launch, interest in the travel hub continues to increase significantly, with a number of potential clients showing keen interest. TTG Asia continued to demonstrate its market leadership during the Quarterly Period, with the organization of several large industry events. DM Asia 2002, an event which was organized in cooperation with the Direct Marketing Association of Singapore ("DMAS"), took place from 31st July to 1st August, 2002. This marked TTG Asia's first year as the official organizer of this event. The event attracted some 400 delegates and marked a very successful introduction for TTG Asia. The Corporate Travel World 2002, an event targeted specifically to the corporate travel organizers and users, took place from 18th to 20th September, 2002 in Singapore, surpassing records for attendance with a total of 350 delegates from 13 countries attending the conference and workshops. In addition, a total of more than 320 trade visitors from 12 countries visited the exhibition and 33 exhibiting companies taking a total of 40 booths. In addition, TTG Asia was appointed the official publication for TIME 2002, which took place in Indonesia from 5th to 7th September, 2002, publishing 3 issues of daily newspaper for the event. Officially endorsed by the Indonesia Tourism Promotion Board, this event is the only domestic travel show targeted at Indonesia travel suppliers/sellers and international travel buyers.

Times Software, a company engaged in the development and selling of proprietary travel-related technology products, saw revenue dropped this quarter as its customers technology spending slowed, in anticipation of the 16th Communist Party Congress in China. However, it achieved solid product development during the Quarterly Period by completing the development of a Passenger Flow Analysis System with integrated Decision Support Systems / Management Information Systems and a Mobile Ticketing System as part of the transportation network solutions.

The Group remains optimistic in this business and will continue to assess investment opportunities in the travel industry that would offer a strategic fit and provide a long-term growth platform for this business.

### **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.

The Group is well funded, with HK\$1.29 billion in net cash and investments in interest-bearing securities as at the end of September 2002. Such sound capital reserves, coupled with declining valuations of potential acquisition targets, position the Group favorably for 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.

The Group's ongoing developments in subscription products and service through the launch of the valued added email service continue to build momentum. Although such concepts are still in their infancy, the initial signs have been very encouraging.

Our continued move into the e-travel industry through TTG Asia 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 that 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' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

As at 30th September, 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:**

<b>Name of director</b>	<b>Number of shares held and nature of interests</b>		
	<b>Personal interests (number of shares)</b>	<b>Corporate interests (number of shares)</b>	<b>Total interests (number of shares)</b>
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) (Note)	
Ch'ien Kuo Fung, Raymond	721,773	-	-	721,773
Hung Shuk Tak, Vicky	52,012	-	-	52,012
Yip Hak Yung, Peter	-	61,819	11,835,686	11,897,505
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 30th September, 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:**

<b>Name of director</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Number of share options outstanding as at 30th September, 2002</b>
Ch'ien Kuo Fung, Raymond	9th March, 2000 10th April, 2001	1.880 0.286	10,000,000 4,000,000
Chan Kai Yu, Rudy	9th March, 2000 5th October, 2000 10th April, 2001	1.880 0.582 0.286	60,000,000 10,000,000 20,000,000
Chan Wing Tak, Douglas	9th March, 2000 10th April, 2001	1.880 0.286	1,000,000 600,000
Chou Kei Fong, Silas	9th March, 2000 10th April, 2001	1.880 0.286	1,000,000 600,000
Hung Shuk Tak, Vicky	9th March, 2000 10th April, 2001	1.880 0.286	5,000,000 2,000,000
Lin, Jack	9th March, 2000 10th April, 2001	1.880 0.286	530,000 2,000,000
Wong Sin Just	9th March, 2000 10th April, 2001	1.880 0.286	1,000,000 600,000
Yip Hak Yung, Peter	9th March, 2000 10th April, 2001	1.880 0.286	6,000,000 2,400,000
Zhou Shun Ao	9th March, 2000 10th April, 2001	1.880 0.286	6,000,000 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 Nine-Month 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)	-	200,000 (Note 13)
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. 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. These options were granted on 6th June, 2002 and are exercisable from 6th June, 2002 to 5th June, 2012 at an exercise price of US\$2.82 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 in sub-sections (c) and (d) above, at no time during the Nine-Month 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 Nine-Month Period.

### **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 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 Nine-Month 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 30th September, 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 30th September, 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.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Board Practices and Procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the Nine-Month Period.

## **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 are 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, 6th November, 2002