

First Quarterly Report 2004



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



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

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In Q1 2004, the Company focused on the development of new products in mobile applications and the execution of its online games strategy since its announcement of the strategic investment* in Beijing 17game Network Technology Co., Ltd. ("17game"), a successful online games company with a proven operating track record in China. Notwithstanding seasonality effects, we are pleased to see our strategy has been effectively executed during the quarter. The following are the financial and strategic highlights of the quarter:

- Revenue was up 246% compared to the same period in 2003
- Gross profit was HK\$49 million, an increase of 628% compared to the same period of the previous year
- Gross margin was 78% for 2004 compared to 37% in Q1 2003
- Net profit attributable to shareholders reached HK\$25.8 million, a rise of 220% year on year
- Continued to develop and launch new products in the mobile applications sector
- Made a strategic investment in 17game, a leading online games company with a track record and established distribution network in China
- Actively seeking ways to develop operating synergies with Beijing He He Technology Co., Ltd. ("Beijing He He"), the recent acquisition of chinadotcom corporation in the Mobile Value-Added Services sector

Q1 2004 revenue was flat compared to Q4 2003 primarily due to seasonality effects. Marketing and promotional activities have slowed down in Q1 because of the Chinese New Year holiday.

In 2004, the Company successfully developed and launched new products and services based on new wireless platforms such as WAP (Wireless Application Protocol) and IVR (Interactive Voice Response). We have seen positive and encouraging uptake of our WAP and IVR services in Q1 2004.

The Company launched a series of WAP products in the areas of community chatting, mobile games, ringtone and logo downloads as well as entertainment services such as jokes and fortune telling. As at the end of Q1 2004, our WAP subscription base, while still at a low base, had a double digit increase compared to Q4 2003.

* The investment was made in the form of a convertible loan with call options to allow the Company to acquire a controlling position in 17game over time on an earn-out basis over the next two years

In addition to WAP, IVR is also shaping up to be another promising frontier of the mobile applications sector in China. In Q1 2004, Newpalm officially launched its IVR product "Love Square" (情愛樂園) with China Unicom. In addition, by leveraging Newpalm's well-established, content-rich flagship SMS (Short Messaging Service) product, X-City, the Company also launched "Sensational World" (動感天下) which is another IVR product offering community services including chatting and games. Making use of its parent company chinadotcom corporation's IVR platform through Beijing He He, a leading and profitable IVR mobile applications and services provider with exclusive TV and mobile payment service partnerships in China, Newpalm has recently signed an arm's length agreement to jointly launch various IVR services covering friend network, jokes, fortune telling, pop songs downloads, story telling and ringtone downloads. The Company expects to develop more innovative IVR products to address the growing IVR market in China.

During the quarter, the Company announced a strategic investment in 17game. Since the announcement, 17game has licensed Travia, one of the most popular commercialized 3D fantasy massively multiplayer online role-playing games ("MMORPG") in Korea. In April this year, Travia has been a fee based online game in Korea and continues to stay as one of the top games in the Korea online games market. In addition to Travia, the company also added Yulgang, another popular Korean online game in its pipeline. Both Travia and Yulgang are expected to be launched in China within this year.

Going forward, our focus is clear: continue to leverage the increasing economies-of-scale advantages in mobile data applications, online games and the Internet in China to drive our business. With the addition of 17game this year, we expect to see more synergistic initiatives to be developed within the group. As CEO of the Company, I would like to take this opportunity to thank our employees for their dedication and continuous support and I am confident that despite keen market competition, our management team, strengthened with the appointments of Paul Jin as General Manager of the portal unit, and Vincent Leung as CFO, is committed to delivering long-term shareholder value.

John Xiao
Chief Executive Officer
hongkong.com Corporation

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, 2004 (the "Quarterly Period") together with the comparative unaudited figures for the corresponding period in 2003 as follows:

		Three months ended	
		31st March,	
	<i>Notes</i>	2004	2003
		HK\$'000	HK\$'000
Turnover	2	63,211	18,243
Cost of sales		(14,058)	(11,489)
		<hr/>	<hr/>
Gross profit		49,153	6,754
Other revenue and gains, net		9,921	15,976
Selling and distribution expenses		(2,797)	(438)
General and administrative expenses		(23,592)	(10,857)
Other operating expenses, net		(6,272)	(383)
		<hr/>	<hr/>
Profit from operating activities		26,413	11,052
Finance cost		(772)	(3,020)
Share of profit of an associate		44	–
		<hr/>	<hr/>
Profit before tax		25,685	8,032
Tax	3	66	–
		<hr/>	<hr/>
Profit before minority interests		25,751	8,032
Minority interests		2	9
		<hr/>	<hr/>
Net profit from ordinary activities attributable to shareholders		25,753	8,041
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	4		
Basic		0.62 cent	0.19 cent
		<hr/> <hr/>	<hr/> <hr/>
Diluted		0.62 cent	0.19 cent
		<hr/> <hr/>	<hr/> <hr/>

Notes:

1. Basis of presentation

The accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for the periodic re-measurement of investments in securities.

2. Turnover

Turnover represents (1) Subscription revenue from the provision of mobile value-added services including short messaging services and other related products to mobile phone users; (2) Advertising revenue from online banner advertising and offline advertising campaigns; (3) Technology revenue generated from sales of IT products mainly railway ticketing system hardware and software; and (4) E-commerce revenue from direct mailings and online sales.

3. 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 the corresponding period in 2003.

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\$25,753,000 (2003: HK\$8,041,000), and the weighted average number of 4,135,632,324 (2003: 4,131,558,942) ordinary shares in issue during the Quarterly Period.

(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\$25,753,000 (2003: HK\$8,041,000), and the weighted average number of 4,146,357,774 (2003: 4,131,573,672) ordinary shares, after adjusting for the effects of all dilutive potential ordinary shares during the Quarterly Period.

5. Movement of reserves

	Share premium account HK\$'000	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Reserve funds HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January, 2003	913,204	(31,215)	595	-	(271)	37,633	919,946
Net profit for the period	-	-	-	-	-	8,041	8,041
Investment revaluation reserve released on disposal	-	-	1,041	-	-	-	1,041
Surplus on revaluation	-	-	766	-	-	-	766
Exchange realignment	-	-	-	-	(18)	-	(18)
At 31st March, 2003	<u>913,204</u>	<u>(31,215)</u>	<u>2,402</u>	<u>-</u>	<u>(289)</u>	<u>45,674</u>	<u>929,776</u>
At 1st January, 2004	914,138	(31,193)	(3,347)	8,415	(243)	134,361	1,022,131
Net profit for the period	-	-	-	-	-	25,753	25,753
Issue of shares	440	-	-	-	-	-	440
Share issue expenses	(5)	-	-	-	-	-	(5)
Investment revaluation reserve released on disposal	-	-	(747)	-	-	-	(747)
Surplus on revaluation	-	-	4,438	-	-	-	4,438
Exchange realignment	-	-	-	-	242	-	242
At 31st March, 2004	<u>914,573</u>	<u>(31,193)</u>	<u>344</u>	<u>8,415</u>	<u>(1)</u>	<u>160,114</u>	<u>1,052,252</u>

6. Dividend

The Board does not recommend the payment of a dividend for the Quarterly Period and in the corresponding period in 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and gross profit

The Group continued to be profitable in this Quarterly Period, as it has been since its listing on GEM on 9th March, 2000. A turnover of HK\$63,211,000 was recorded for the Quarterly Period, representing a rise of HK\$44,968,000, or a 246% increase as compared with the same period last year. The significant increase was primarily attributable to (1) the revenue from Newpalm, which amounted to HK\$50,443,000 in the Quarterly Period when compared with nil in the same period last year, as Newpalm was acquired in April 2003 and (2) the increase in revenue from the China Portal amounted to HK\$3,289,000, since the Group began operating the www.china.com portal during the third quarterly period last year. However, these increases in revenue were partially offset by the decrease in revenue from event organizing activities because TTG Asia did not organize the ASEAN Tourism Forum in 2004, which contributed HK\$8,350,000 of revenue in the first quarterly period of 2003.

Gross profit margin has also increased from 37% in 2003 to 78% in 2004, mainly due to the higher gross profit margin of the Newpalm's mobile application service revenue. Newpalm's mobile application service revenue was generated from its own intellectual property with low or no external direct cost of revenue.

Other revenue and gains, net

Other revenue and gains, net fell by 38% to HK\$9,921,000 for the Quarterly Period, when compared with HK\$15,976,000 in the same period last year. The reduction was principally the result of the following factors: (i) full payment for the acquisition of Newpalm in the Quarterly Period reduced the overall cash and cash equivalents balance as compared to the same period last year; (ii) lower prevailing interest rates in the Quarterly Period compared to the same period last year; and (iii) a continuation of our strategy of reducing the overall tenure of our investments in debt securities to shorter-term, higher quality and lower yield instruments.

Selling and distribution expenses

Selling and distribution expenses increased by 539% to HK\$2,797,000 when compared with HK\$438,000 in the same period in 2003. This was mainly attributable to Newpalm, which was not yet acquired in the same quarterly period last year.

General and administrative expenses

General and administrative expenses increased by 117% to HK\$23,592,000 in the Quarterly Period versus HK\$10,857,000 in the same period of 2003. The increase was primarily due to the acquisition of Newpalm in April last year and the taking over of the operations of the www.china.com portal since the third quarterly period last year. This resulted in HK\$15,785,000 additional expenses, which was partially offset by the continual tight cost control management with significant reduction in personnel expenses, subsequent to the first quarterly period last year.

Other operating expenses, net

Other operating expenses increased by HK\$5,889,000 to HK\$6,272,000 in the Quarterly Period, when compared with HK\$383,000 in the same period in 2003. The additional expenses were primarily attributable to additional amortisation expense in respect of intangible assets and goodwill of the newly acquired businesses amounting to HK\$5,346,000, as well as additional HK\$635,000 provision for bad debt in the Quarterly Period when compared with a reversal of bad debt in the same period last year.

Share of profit of an associate

The increase was due to the share of profit of an associated company owned by Newpalm.

Tax

The increase in tax credit was attributable to the deferred tax income arising from Newpalm, which generated deductible temporary differences for the year.

Net profit from ordinary activities attributable to shareholders

Net profit from ordinary activities attributable to shareholders increased significantly to HK\$25,753,000 for the Quarterly Period from HK\$8,041,000 in the same period in 2003.

BUSINESS REVIEW

Mobile Value Added Services

Newpalm continued to maintain its strong position in the Mobile Value Added Services (MVAS) sector as one of the top Service Providers in China during the first quarterly period of 2004. Newpalm operates on SMS, WAP and IVR platforms and its services range from wireless communities, social networks for dating and chatting, to news alerts, games, ring tone, picture downloads.

Newpalm has SMS service agreements with both China Mobile and China Unicom. In addition to its nationwide connectivity through its head offices, Newpalm also signed collaborative agreements with 27 local carriers. The company has dedicated sales professionals located in major provinces and municipalities, which provide the company with closer relationships at local offices and better insight on specific customer demands in each of the individual province. During the quarter, Chinese mobile operators had undergone some strategic changes in an attempt to improve the overall quality of the SMS sector, which led to a temporary slowdown of the overall SMS market. By the end of first quarter 2004, Newpalm's SMS subscription base exceeded 5.8 million.

In 2004, the company initiated significant marketing activities, including sponsoring pop star's movie and launching TV commercials in an effort to increase its brand awareness among users. Moreover, the company's market research team conducted several rounds of end user survey and focus groups to analyze customer's potential demands and the effectiveness of its existing content.

Since the fourth quarter of 2003, Newpalm has continued the Company's synergistic strategy to leverage off the www.china.com portal's Internet capability. Not only has the portal brought Newpalm a distinguishable brand identity, and served as an excellent content provider for Newpalm's information based products, it also provided an additional distribution channel for Newpalm's existing products.

During the first quarter of 2004, Newpalm continued to invest in the establishment of a stronghold in China's WAP market. In addition to the nationwide connectivity already established, the company has also launched its products with Henan Mobile, Guangdong Mobile and nine provincial Unicom WAP sites. During the first quarter, the company has signed partnership agreements with Motorola (China) Electronics Ltd., Bird Communication Equipment Co. Ltd. and TCL Mobile Communication Co. Ltd. to embed its services into the mobile phones of these three handset vendors for end users' easy access. This win-win model represents an innovative initiative to broaden our reach to a larger pool of potential subscribers. As a result, Newpalm's WAP revenue recorded a strong growth during the first quarter of 2004. WAP revenue is expected to sustain a significant growth during the second quarter of 2004.

The company launched its IVR services at the beginning of this year. Up to Q1 2004, three IVR products have been launched and successfully commercialized in the market. Rapid growth is expected in the coming months in view of the strategic partnership with Beijing He He. Beijing He He is one of the first five IVR licensees in China and a wholly-owned subsidiary of chinadotcom corporation. This cooperation will enable Newpalm to have access to an increased hardware and system capacities.

Newpalm is well-positioned to capture the business growth opportunities in other wireless platforms, particularly WAP and IVR, through recent key product development, utilization of the localized sales force, well-established operator relationships, and cross-selling to strong existing customer base. Although all these new services are at developmental stages, they are gaining momentum rapidly and provide promising prospects for coming quarters in 2004. In addition, it is aggressive in seeking ways to fully integrate and develop operating synergies with all businesses within the chinadotcom group.

Portal

During the quarter, the Company strengthened its portal management team with the appointment of Paul Jin, an experienced and highly-respected industry executive as the General Manager of the portal unit. The business strategy was re-formulated and strengthened to target specific vertical channels and to develop innovative Internet solutions to enterprise and individual customers, which is expected to bring both immediate and long-term growth potentials to the company. Internal restructuring has been performed to further enhance the operational efficiency, staff technical expertise, sales industry focus, distribution network coverage, and overall global ranking of our portals.

Due to the influence of the traditional Chinese New Year, online advertising revenue was being affected moderately. Such slight shortfall in online advertising revenue was more than offset by an encouraging growth in online products revenue, especially E-Commerce (Classified Advertisements and Shop4U) and Paid Mail.

The Technology and the Automobile channels were upgraded. The Technology channel has been revamped to include comprehensive and latest mobile phones related news and content in light of the fast-changing customer behaviour and demand in the market. Positive improvements have been made to the Automobile channel to further commercialise the content to better fit customers' needs, for example, the provision of up-to-date second hand car trading information and the introduction of self-exploring leisure driving routes for sightseeing in China.

The personal homepage product – Home4U was being planned and developed to offer the most sophisticated personal services to individuals in creating and managing their own homepages. The personal Paid Mail system was also substantially upgraded and resulted in speedier downloads and enhanced functionalities.

Enterprise e-Home, our flagship enterprise product, was updated to cover additional value-added services such as URLs registration, virtual hosting, and enterprise mailbox. New features are being considered and designed to continually improve the product and satisfy customers' requirements.

With other new projects that will be in place in coming quarters — the cooperation with the 10th National Games as the official exclusive Internet service provider, the exclusive cooperation with Yahoo! in a new search engine offering and the enhancement of the Automobile channel via cooperation with Travel satellites TV Channel, it is expected that our efforts to re-formulate the business strategy will begin to generate promising immediate and long term revenue opportunities and meaningful returns.

Travel

Although advertising revenues remained the same level as Q1 of previous year, the group managed to increase revenues through special projects during the first quarter, which includes: ASEAN Tourism Forum (ATF) 2004 Daily, International Tourism Bourse 2004 Daily, World of Accor Road Shows.

Apart from TTG's participation at major travel trade events, one of the major marketing activities undertaken by TTG during the quarter was chartering of a flight between Singapore and Laos, PDR during ATF 2004. This was very well received by members in the industry.

TTG has also been awarded the PATA Gold Awards by Pacific Asia Travel Association for its excellent in Industry Business Article for Trade Publications.

The major achievements of TTG during the first quarter was the official publications for various Governments materials; ATF of Laos, PDR in January 2004, Commonwealth Travel Mart of Malaysia in March 2004. In addition, TTG has been appointed as official daily for International Travel Fair 2004 organized by Taiwan Visitors Association in Taiwan.

With the economy picking up across major countries in Asia Pacific, publishing businesses should be on track for the coming months. Overall, cost control will be in place with the continuing efforts of the Group to explore revenue-generating ideas and developing new initiatives on an on-going basis.

TTG did not organize any trade exhibitions or events for the first quarter of 2004. Most events are scheduled for third quarter of this year. Existing established events for the group such as Incentive, Travel & Conventions Meetings Asia, Corporate Travel World and Direct Marketing Asia are some of the potential events in the coming months.

Times Software

Times Software business was affected during the first quarter in 2004 due to the introduction of magnetic ticketing system which is designed to replace the paper ticketing system in the railway industry gradually by end of 2005. Despite the slowdown in the business in the paper ticketing hardware and software systems, Times Software is responding to the market change by focusing its resources and effort in developing new products to generate additional revenue streams for Times Software.

OUTLOOK

The Group continues to be optimistic on the continual development of the mobile value added services sector in 2004.

While Chinese mobile operators had undergone some strategic changes during the first quarter in an effort to improve the overall quality of the SMS sector, which led to a temporary slowdown of the overall SMS market, other new mobile value added services platforms such as WAP, and IVR services have seen promising developments.

Newpalm launched a number of services on WAP and IVR services during the quarter and has seen early signs of successes. We will continue to work with Chinese mobile operators as well as global content providers to add to our services offerings. Products and services developed on these new platforms are taking off in China and we expect to see growth in these segments in the next few quarters.

During the second quarter we will be co-locating our staff in Beijing from the mobile value added services group and the portal group into a single premises. This is a new milestone for the Company and reflects the Company's commitment to fully integrate acquired businesses within the group. Management expects the move will lead to further developments of synergies such as new joint product offerings and enhanced operation procedures to better serve our customers.

17game is developing according to the Company's online games strategic plan. It has successfully signed up licensing agreements and expects to launch two top ranking Korean online games into the China market this year. The outlook is bright for the online games sector and the group is well positioned to take advantage of the growth in this sector with our strategic investment in 17game.

The Company's balance sheet remains strong, with over HK\$1 billion in net cash and cash equivalents. The management of the Company plans to leverage on this cash to make additional acquisitions in companies which provide a strategic fit with our existing core operations.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of 31st March, 2004, the interests of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in rule 5.46 of the GEM Listing Rules, were as follows:

The Company

Long positions in ordinary shares and the underlying shares of equity derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of Interests/Holding Capacity	Appropriate percentage of interests (%)
Ch'ien Kuo Fung, Raymond	3,274,000	17,000,000	Personal/beneficiary	0.49%
Chan Kai Yu, Rudy	3,416,000	94,000,000	Personal/beneficiary	2.36%
Chou Kei Fong, Silas	-	2,600,000	Personal/beneficiary	0.06%
Wang Cheung Yue, Fred	-	2,000,000	Personal/beneficiary	0.05%
Wong Sin Just	-	4,100,000	Personal/beneficiary	0.10%
Yip Hak Yung, Peter	3,416,000	-	Corporate (note 1)	0.08%
Yip Hak Yung, Peter	-	12,400,000	Personal/beneficiary	0.30%
Zhou Shun Ao	5,000,000	8,400,000	Personal/beneficiary	0.32%
Kwok Yee Leen, Elaine	-	1,500,000	Personal/beneficiary	0.04%
Xiao Xiangyang, John	-	4,000,000	Personal/beneficiary	0.10%

Note:

- (1) 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 and, accordingly Mr. Yip has an interest in such shares under the SFO.

Options to subscribe for ordinary shares in the Company

Name of Directors	Date of grant	Exercise price HK\$	Number of share options outstanding as at 1st January, 2004	Number of share options outstanding as at 31st March, 2004
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000	10,000,000
	10th April, 2001	0.286	3,000,000	3,000,000
	5th June, 2003	0.626	4,000,000	4,000,000
Chan Kai Yu, Rudy	9th March, 2000	1.880	60,000,000	60,000,000
	5th October, 2000	0.582	10,000,000	10,000,000
	10th April, 2001	0.286	20,000,000	20,000,000
	5th June, 2003	0.626	4,000,000	4,000,000
Chou Kei Fong, Silas	9th March, 2000	1.880	1,000,000	1,000,000
	10th April, 2001	0.286	600,000	600,000
	5th June, 2003	0.626	1,000,000	1,000,000
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000	2,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000	1,000,000
	10th April, 2001	0.286	600,000	600,000
	5th June, 2003	0.626	2,500,000	2,500,000
Yip Hak Yung, Peter	9th March, 2000	1.880	6,000,000	6,000,000
	10th April, 2001	0.286	2,400,000	2,400,000
	5th June, 2003	0.626	4,000,000	4,000,000
Zhou Shun Ao	9th March, 2000	1.880	6,000,000	6,000,000
	10th April, 2001	0.286	2,400,000	2,400,000
Kwok Yee Leen, Elaine	5th June, 2003	0.626	1,500,000	1,500,000
Xiao Xiangyang, John	5th June, 2003	0.626	4,000,000	4,000,000

Note:

- All the share 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 of options to the year ending 10 years after the date of grant of options. The consideration for the grant was HK\$1.00. These share options vest over a period of four years.

Associated Corporation

Long positions in Class A common shares in chinadotcom corporation and the underlying shares of equity of derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests (%)
Ch'ien Kuo Fung, Raymond	911,773	876,667	Personal/ beneficiary	1.72%
Chan Kai Yu, Rudy	–	154,265	Personal/ beneficiary	0.15%
Yip Hak Yung, Peter	16,280,586	2,981,442	Interest of children or spouse (note 1)	18.52%
Yip Hak Yung, Peter	–	90,000	Personal/ beneficiary	0.09%
Zhou Shun Ao	17,794	108,000	Personal/ beneficiary	0.12%
Zhou Shun Ao	–	60,000	Corporate (note 2)	0.06%
Kwok Yee Leen, Elaine	–	25,875	Personal/ beneficiary	0.03%
Xiao Xiangyang, John	–	319,000	Personal/ beneficiary	0.31%

Notes:

- (1) 11,835,686 Class A common shares and 2,981,442 share options were held under the name of Asia Pacific Online Limited (“APOL”), 1 share in APOL representing 50% of its issued share capital, is owned by the spouse of Mr. Yip Hak Yung, Peter. The remaining 50% of APOL is owned by a trust established for the benefit of Mr. Yip’s spouse and his children. 4,444,900 Class A common shares are held by the spouse of Mr. Yip.
- (2) These share options were granted to Golden Tripod Technology Limited in which Mr. Zhou Shun Ao is deemed to be entitled to exercise, or control the exercise of, one third or more of the voting power of general meetings and, accordingly Mr. Zhou has an interest in such shares options under the SFO.

Options to subscribe for Class A common shares in chinadotcom corporation

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options outstanding as at 1st January, 2004	Number of share options outstanding as at 31st March, 2004
Ch'ien Kuo Fung, Raymond	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	66,667	66,667
	17th October, 2000	17th January, 2001 to 16th October, 2010	6.8125	100,000	100,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000	30,000
	27th April, 2001	27th July, 2001 to 26th April, 2011	2.7400	400,000	280,000 (note 1)
	13th July, 2001	13th October, 2001 to 12th July, 2011	2.9700	400,000	400,000
Chan Kai Yu, Rudy	15th November, 1999	25th November, 2000 to 14th November, 2009	14.5000	38,000	38,000
	15th April, 2000	25th February, 2001 to 14th April, 2005	14.2375	4,500	4,500
	29th July, 2000	25th February, 2001 to 28th July, 2010	15.7500	4,500	4,500
	17th October, 2000	25th November, 2000 to 14th November, 2009	6.8125	8,265	8,265
	11th July, 2001	11th October, 2001 to 10th July, 2011	2.3810	20,000	20,000
	2nd January, 2004	28th January, 2005 to 1st January, 2014	8.0700	-	39,500
	2nd January, 2004	1st January, 2006 to 1st January, 2014	8.0700	-	39,500

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options outstanding as at 1st January, 2004	Number of share options outstanding as at 31st March, 2004
Yip Hak Yung, Peter	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	60,000	60,000
	12th July, 1999	12th July, 2000 to 11th July, 2009	5.0000	*1,881,442	*1,881,442
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000	30,000
	6th June, 2002	6th June, 2002 to 5th June, 2012	2.8200	*200,000	*200,000
	3rd June, 2003	30th June, 2003 to 2nd June, 2013	4.9500	*200,000	*200,000
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	*100,000	*100,000
	25th March, 2004	31st December, 2004 to 24th March, 2014	8.2500	-	*600,000
Zhou Shun Ao	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	**60,000	**60,000
	15th April, 2000	15th January, 2001 to 14th April, 2005	14.2375	9,000	9,000
	29th July, 2000	29th January, 2001 to 28th July, 2010	15.7500	9,000	9,000
	20th October, 2000	20th January, 2001 to 19th October, 2010	8.1250	60,000	60,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000	30,000

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options outstanding as at 1st January, 2004	Number of share options outstanding as at 31st March, 2004
Kwok Yee Leen, Elaine	11th September, 2002	11th September, 2003 to 10th September, 2012	2.0600	9,500	9,500
	11th October, 2002	11th January, 2003 to 10th October, 2012	1.9500	5,500	4,250 (note 2)
	16th June, 2003	16th June, 2004 to 15th June, 2013	5.1600	9,000	9,000
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	5,000	3,125 (note 2)
Xiao Xiangyang, John	16th June, 2003	16th June, 2004 to 15th June, 2013	5.1600	19,000	19,000
	2nd January, 2004	28th January 2004 to 1st January, 2014	8.0700	-	300,000

* These share options were granted to APOL.

** These share options were granted to Golden Tripod Technology Limited.

Notes:

- (1) Dr. Ch'ien Kuo Fung, Raymond exercised his right to subscribe for 20,000 Class A common shares at a subscription price of US\$2.7400 each on 14th January, 2004, 28th January, 2004, 11th February, 2004, 25th February, 2004, 10th March, 2004, 24th March, 2004 respectively of which 80,000 Class A common shares were sold.
- (2) Ms. Kwok Yee Leen, Elaine exercised her right to subscribe for 1,250 Class A common shares at a subscription price of US\$1.9500 each on 29th March, 2004 and 1,875 Class A common shares at a subscription price of US\$5.1600 each on 31st March, 2004. These shares were all sold.

Save as disclosed above, as at 31st March, 2004, none of the directors, chief executive and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

As at 31st March, 2004, no person other than a director or chief executive had any interests or short positions in the shares and underlying shares of the Company as required to be recorded in the register pursuant to section 336 of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31st March, 2004, the interests and short positions of the substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in ordinary shares

Name	Number of shares	Nature of interests	Appropriate percentage of interests (%)
China M Interactive (BVI) Limited	3,361,828,000	Beneficial Owner	81.30%

China M Interactive (BVI) Limited is a wholly owned subsidiary of chinadotcom Mobile Interactive Corporation. chinadotcom Mobile Interactive Corporation is a wholly owned subsidiary of chinadotcom corporation, the ultimate holding company of the Company. Each of chinadotcom Mobile Interactive Corporation and chinadotcom corporation are deemed to be interested in the 3,361,828,000 shares in the Company under the SFO.

Save as disclosed above, as at 31st March, 2004, the Company had not been notified of any substantial shareholders' interests or short positions which are required to be kept under section 336 of the SFO.

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.

COMPETING INTERESTS

None of the directors 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.

Beijing He He Technology Company Limited ("Beijing He He") is 100% beneficially owned by Double Keen Limited, an indirect wholly owned subsidiary of chinadotcom Mobile Interactive Corporation ("CMIC"). Newpalm (China) Information Technology Co. Ltd. ("Newpalm") is an indirect wholly owned subsidiary of the Company, which is in turn an indirect subsidiary of CMIC. CMIC, a wholly owned subsidiary of our ultimate holding company, chinadotcom corporation, indirectly holds the majority of the Company's issued share capital.

Beijing He He is a mobile value-added service provider in the PRC with direct connectivity IVR platform with the mobile phone operators in the PRC. It principally engages in the business of providing mobile value-added Services ("MVAS") in the PRC and has licenses to conduct all types of MVAS businesses.

Newpalm is a leading SMS and other mobile value-added services and application provider in the PRC.

Though the Company is actively seeking to develop operating synergies with Beijing He He, the Directors believe that the business of Beijing He He may potentially compete with the Company's business.

Save as disclosed above, none of 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 5.34 to 5.45 of the GEM Listing Rules during the Quarterly Period.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2000 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has four members comprising four independent non-executive directors, Messrs. Wong Sin Just (Committee Chairman), Chou Kei Fong, Silas, Wang Cheung Yue, Fred, and Chia Kok Onn. 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, 10 May, 2004