

Third 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

I am pleased to announce the results of the hongkong.com Corporation Group ("the Group") for Q3 ended 30th September, 2004.

During Q3, Mobile Value Added Service (MVAS) sector remained as the key contributor of the profitability for the Group. Despite the slow down of the Short Message Service (SMS) sector due to the industry-wide regulatory issues, we saw an increase in our Interactive Voice Response (IVR) and Wireless Application Protocol (WAP) services which representing a sequential increase of 246% and 21% respectively. We strive to develop the right blend of MVAS for different customer profiles which resulted in the launch of more than 56 new applications products in SMS, multimedia servicing (MMS) and IVR services in Q3.

To diversify marketing and promotional channels of our MVAS products, we have signed strategic partnership agreements with leading mobile phone manufacturers to embed our service menu into their mobile phones. During Q3, the company has extended its embedded services to the mobile phones of Nokia and SonyEricsson in addition to Lenovo, Bird, TCL and Motorola to a total of over 60 cell phone models.

The wireless market in China has been going through massive challenges recently. In August, China Mobile Communications Corporation ("China Mobile") imposed sanctions upon more than twenty MVAS providers in China, including Beijing He He Technology Company Limited ("Go2joy"). The move resulted in a temporary suspension of Go2joy's SMS services but not its bread and butter IVR business. We are glad to see that in mid of October Go2joy began offering its SMS services again after it has successfully connected into the Mobile Information Service Centre (MISC) platform. As a leading provider and key player in the MVAS industry, we are supportive of the emergence of a healthier and more disciplined marketplace, which we believe will most certainly favor high quality service providers like us for further growth.

We have seen positive initial response from our strategic investment in Beijing17game Network Technology Co. Ltd ("17game") in Q3 this year. During Q3, 17game launched several rounds of close beta test of the online game, Travia, and achieved positive response from gamers. Travia initiated open testing in mid October with continual strength and we look forward to seeing Travia move into commercialization early next year. With 17game's solid operating experience and its well-established distribution network across China for the games it licenses, we are confident that this strategic investment will provide an excellent opportunity for hongkong.com to be a serious player in the flourishing online games sector in China.

On the portal front, we are thrilled that our portal www.china.com (or "China Portal") was selected as the exclusive online partner of the organizing committee of the 10th National Games of the People's Republic of China ("the 10th National Games") to be held in October 2005 in Jiangsu province. This partnership fits perfectly with our portal strategic direction as sports is a key area of its focus going forward. Riding on the Olympic momentum in China, we believe sports events will generate tremendous business opportunities for us. We are proud to be selected as the exclusive online partnership for this nation-wide sports event that is considered by many as a pre-2008 Olympic showcase. As an exclusive online partner, www.china.com is authorized to develop both the official and commercial websites for this event, including the rights to develop innovative online and wireless marketing, advertising and promotional campaigns for marketers, advertisers and our business partners. Leveraging our unique domain of "china.com" and our online capabilities, we believe we'll be able to make it a win-win deal for both the Group and the organizing committee of the 10th National Games.

These are exciting times for the Group and I look forward to reporting on our progress in the upcoming Annual Report.

Rudy Chan
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 (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30th September, 2004 together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	60,765	57,170	186,970	124,659
Cost of sales		(17,318)	(14,832)	(46,660)	(38,860)
Gross profit		43,447	42,338	140,310	85,799
Other revenue and gains, net		7,707	11,736	24,862	41,184
Selling and distribution expenses		(3,309)	(3,103)	(9,251)	(5,943)
General and administrative expenses		(25,746)	(22,852)	(73,697)	(52,737)
Other operating expenses, net		(12,207)	(1,480)	(25,537)	(5,291)
Profit from operating activities		9,892	26,639	56,687	63,012
Finance cost		(557)	(661)	(1,937)	(5,672)
Share of profit of an associate		-	659	44	748
Profit before tax		9,335	26,637	54,794	58,088
Tax	3	88	3,798	28	120
Profit before minority interests		9,423	30,435	54,822	58,208
Minority interests		158	66	223	308
Net profit from ordinary activities attributable to shareholders		9,581	30,501	55,045	58,516
Earnings per share	4				
Basic		0.23 cent	0.74 cent	1.33 cents	1.42 cents
Diluted		0.23 cent	0.73 cent	1.33 cents	1.41 cents

Notes:

1. Basis of preparation and accounting policies

The unaudited consolidated results of the Group have been prepared in accordance with the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

The basis of preparation and the accounting policies adopted in the preparation of these unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31st December, 2003.

2. Turnover

Turnover represents (1) subscription revenue from the provision of mobile value-added services including short message services and other related products to mobile phone users; (2) advertising revenue from online banner advertising and offline advertising campaigns; (3) technology revenue from the sale of 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 Nine-Month Period and the corresponding periods 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 and Nine-Month Period of approximately HK\$9,581,000 and HK\$55,045,000 respectively (three months and nine months ended 30th September, 2003: HK\$30,501,000 and HK\$58,516,000 respectively) and the weighted average number of 4,137,117,199 and 4,136,334,002 (three months and nine months ended 30th September, 2003: 4,131,022,809 and 4,133,026,023 respectively) ordinary shares 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 approximately HK\$9,581,000 and HK\$55,045,000 respectively (three months and nine months ended 30th September, 2003: HK\$30,501,000 and HK\$58,516,000 respectively) and the weighted average number of 4,141,674,264 and 4,148,092,733 (three months and nine months ended 30th September, 2003: 4,169,988,001 and 4,147,802,513 respectively) ordinary shares respectively, after adjusting for the effects of all dilutive potential shares during the Quarterly Period and Nine-Month 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
Issue of shares	924	-	-	-	-	-	924
Goodwill reserve released on disposals	-	21	-	-	-	(21)	-
Investment revaluation reserve released on disposals	-	-	652	-	-	-	652
Movement in fair value	-	-	1,266	-	-	-	1,266
Exchange realignment	-	-	-	-	(39)	-	(39)
Net profit for the period	-	-	-	-	-	58,516	58,516
At 30th September, 2003	<u>914,128</u>	<u>(31,194)</u>	<u>2,513</u>	<u>-</u>	<u>(310)</u>	<u>96,128</u>	<u>981,265</u>
At 1st January, 2004	914,138	(31,193)	(3,347)	8,415	(243)	134,361	1,022,131
Issue of shares	815	-	-	-	-	-	815
Share issue expenses	(19)	-	-	-	-	-	(19)
Investment revaluation reserve released on disposals	-	-	(1,103)	-	-	-	(1,103)
Movement in fair value	-	-	(1,246)	-	-	-	(1,246)
Exchange realignment	-	-	-	-	96	-	96
Net profit for the period	-	-	-	-	-	55,045	55,045
At 30th September, 2004	<u>914,934</u>	<u>(31,193)</u>	<u>(5,696)</u>	<u>8,415</u>	<u>(147)</u>	<u>189,406</u>	<u>1,075,719</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Quarterly Period and the Nine-Month Period and the corresponding periods in 2003.

FINANCIAL REVIEW

Turnover and gross profit

A turnover of HK\$186,970,000 was recorded for the Nine-Month Period, representing a 50% increase from HK\$124,659,000 in the same period of last year. The increment in turnover was primarily attributable to (1) the increase in MVAS revenue which amounted to HK\$52,173,000 when compared to the same period of last year, as Newpalm was acquired in April 2003 and Go2joy in August this year, (2) the increase in China Portal revenue amounted to HK\$9,926,000, since the Group began operating the www.china.com portal during the third quarterly period last year.

The gross profit of the Group for the Nine-Month Period increased by 64% to HK\$140,310,000 compared to the corresponding period in 2003 of HK\$85,799,000. As a result of the higher profit margin of MVAS revenue as well as the e-commerce revenue from the China Portal operation, the gross profit margin increased to 75% from 69% in 2003.

Other revenue and gains, net

Other revenue and gains, net decreased by 40% to HK\$24,862,000 for the Nine-Month Period, when compared with HK\$41,184,000 in the same period of last year, mainly attributed to the decrease in interest income from interest-bearing securities by HK\$16,688,000 as a result of the reduced investment in interest-bearing securities during the Nine-Month Period.

Selling and distribution expenses

On a year-to-year basis, selling and distribution expenses increased by HK\$3,308,000 for the Nine-Month Period. This was mainly attributable to the full operation of the MVAS business which was only partially operated in the same period of last year.

General and administrative expenses

General and administrative expenses increased by 40% to HK\$73,697,000 for the Nine-Month Period compared to the same period in 2003 of HK\$52,737,000. It was mainly due to (1) the full operations of both the MVAS business and the www.china.com portal this year which resulted in additional expenses of HK\$14,363,000 and HK\$11,639,000 respectively and (2) the acquisition of Go2joy, another new MVAS operation since 18th August this year with additional expenses amounted HK\$1,324,000 which were partially offset by the Group's continued effort in cost control in the personnel and general expenditures.

Other operating expenses

An increase in other operating expenses by 383% to HK\$25,537,000 was recorded for the Nine-Month Period as compared to HK\$5,291,000 for the same period of last year. This was primarily due to (1) an increase in amortization expense of HK\$14,286,000 in respect of the additional goodwill of the Group's MVAS business as a result of the full payment of the acquisition consideration of Newpalm as well as the acquisition considerations paid and payable in respect of Go2joy during the Nine-Month Period and (2) an impairment of goodwill of the Group's technology operation related to the production and sale of hardware and software after our recent reassessment of the future prospects of Times Software amounting to HK\$4,632,000.

Share of profit of an associate

The decrease was due to the disposal of an associate in the second quarter of 2004.

Tax

The net decrease was mainly attributable to the deferred tax income arising from our MVAS operations, which generated deductible temporary differences, offset by increased in local tax expense from our China Portal operation for the Nine-Month Period.

Net profit from ordinary activities attributable to shareholders

The Group's net profit from ordinary activities attributable to shareholders dropped by 6% to HK\$55,045,000 as compared to HK\$58,516,000 in the corresponding period of 2003.

BUSINESS REVIEW

Mobile Value Added Services

The tightened industry regulations imposed by the mobile operators had negatively impacted our SMS business in Q3. We believe the recent regulatory move helps create a healthier environment in the medium to the long term and accelerates industry consolidation which will ultimately benefit key players like us. We hope that after the sweeping cleanup, the whole industry will pick up again healthily in Q4 and beyond.

Our MVAS unit is one of the earliest service providers which started co-operating with China Mobile and China Unicom on their 2.5G network. We delivered 9 new WAP, K-JAVA services on 2.5G platform to our customers during this quarter. We focused on 2.5G service development and re-allocated resources to 2.5G product deployment which has resulted in significant progress. During Q3, 15 new MMS products, such as Xinhua Zone and China Daily Humor Zone, were launched and the Q3 MMS revenue recorded a strong sequential growth despite the difficult market environment.

After a successful launch of our IVR services with China Mobile and China Unicom, we have re-engineered our operating team to a more focused and specialized structure which we believe can accelerate our IVR commercialization. In Q3, 10 IVR products were successfully launched, such as “娛樂全方位” and “時尚第一線”. Leveraging on our existing direct connectivity with mobile operators and our dedicated sales force at the provincial level, we successfully became a major IVR service provider with China Mobile within a short period of time.

Our MVAS unit also started cooperating with China Xinhua News Agency through a revenue-sharing arrangement whereby we can use its content resources to develop and provide MVAS products with timely official national and international news to our customers. We expect to see further cooperation with provincial Xinhua agencies in the next quarter. In addition, we have also signed agreements with Guangdong Broadcasting Station for IVR content and M-Tech Co. Ltd. for MMS and WAP e-book content.

In August, we acquired Go2joy, another leading MVAS provider in China with exclusive national TV in respect of selected programmes and mobile payment partnerships, from our parent company, chinadotcom corporation, to offer entertainment-oriented MVAS over multi-services platforms including IVR, SMS and MMS. By co-operating with partners including media, content providers and Union Mobile Pay (“Umpay”), we have developed innovative MVAS services to our customers.

Go2joy is one of first five IVR service providers with nation-wide IVR license with China Mobile. While we are operating our proprietary platform including IVR, SMS and MMS with China Mobile and China Unicom, Go2joy’s services are also available on the third party IVR open platform, GaoYang Platform, of China Mobile. Go2joy is authorized by China Mobile to offer monthly-based IVR services which provide for a more stable revenue stream and higher average revenue per user or ARPU.

During Q3, 17 new applications products were launched by Go2joy, of which 14 were for IVR and 3 for SMS. In August, riding on the Olympic momentum, we gained encouraging results from the related exclusive products and services launched over both China Mobile and China Unicom platforms in co-operation with the national TV station in China.

During Q3, a temporary sanction was imposed upon Go2joy’s SMS business by China Mobile due to the recent industry-wide regulatory issue. However, we are glad to see that in mid of October Go2joy began offering its services again after it has successfully connected into the MISC platform.

As an initiative to diversify its promotional and marketing channels, Go2joy has been proactively working closely with China Mobile at the provincial level by leveraging on the existing direct connectivity with local mobile operators in 27 provinces within the Group.

Portals

Since entering the partnership with the 10th National Games and the launch of the official website (<http://www.10thgames.org.cn>) during last quarter, China Portal has gained increasing support in promotion from the organizing committee of the 10th National Games. A number of activities have been carried out via the official website of the 10th National Games including online quiz and games, and that further enhanced chinadotcom's brand awareness. The commercial website (<http://titan.china.com>) of the 10th National Games was launched shortly after Q3 on 9th October and it is now gaining momentum in advertising and marketing activities.

During Q3, three new channels were launched, namely Home4U (personal homepage channel), MM show (a lady channel focusing on beauty, fashion, cosmetics and latest health-care updates) and soccer (the most comprehensive soccer channel featuring both domestic soccer league and major soccer leagues and events in Asia, Europe and around the World). Due to the targeted positioning of each of the channels associated with the strong editorial support, they are drawing increasing attention from users by means of its strong pageviews uptake. The successful enhancement of the Automobile and Entertainment channels has also contributed more pageviews to the portal. These channels provide more sales opportunities and a broader platform for cooperation with other companies, including intra-group cross-selling on MVAS products as well as external partners like media companies, TV stations, etc.

On the event front, we have participated in the Qingdao Beer Festival in August and received very positive feedback from the organizer as China Portal has played a very important role in broadcasting the real-time content to users across the nation. Another big event which is expected to draw significant attention and business opportunity is the 1st Chinastar Pop Competition, which will be held in early November and is co-sponsored by china.com and 19 other TV and radio stations.

In addition to traditional channels and online products, the portal unit has always been innovative in exploring new revenue opportunities. For instance, it began to offer various value-added services to the end users of the Personal Handy Phone in China.

Media and Travel

The Media and Travel business has done very well for Q3 with year-on-year and quarter-on-quarter improvement on revenue and bottom line respectively.

Apart from the strong advertising revenue, the Media and Travel business has also generated revenue through additional ad-hoc special publications and projects such as TTG 30th Anniversary bumper issue, revamped issue of TTG Asia, publishing of dailies at travel trade events and publishing of TTGmice directory.

During Q3, TTG, the Group's Media and Travel unit, has been awarded official media status by major travel associations and National Tourist Organizations for the following:

- (1) As official media for ASEANTA Excellence Awards 2005 (January 2005);
- (2) Official publication for PATA Annual Conference 2005 (April 2005); and
- (3) Official publisher of China International Travel Mart 2004 Travel Mart Directory (November 2004).

TTG also launched one new event, the International Travel Show ITS Thailand in Bangkok from 20th to 22nd August 2004. The result was encouraging in successfully attracting close to 30,000 visitors. The success of this event has resulted in TTG securing a contract with the Tourism Authority of Thailand to manage Thailand Travel Mart for year 2005/2006.

TTG celebrated its 30th anniversary during Q3. Activities linking to this celebration included:

1. Hosted cocktail receptions at 4 key cities (Singapore, Shanghai, Bangkok and Jakarta) for our clients and partners in the industry. Similar receptions are in the pipeline to cover 2 more cities (Hong Kong and Kuala Lumpur) during Q4;
2. Published the 30th anniversary commemorative publication; and
3. Revamped TTG Asia publication with a new design and contents to keep up with changes in the travel industry.

OUTLOOK

The Group is committed to excel in the challenging market environment. Having experienced some structural changes to the operating landscape in the MVAS sector, we are seeing gradual recovery and positive uptake in the operating results and financial performance under a more stable and healthier industry discipline.

To further strengthen our scalability in product development, business partners' negotiation and overall competitiveness, we have successfully obtained independent shareholders' approval on 18th August, 2004 and injected Go2joy into the Group, from our parent company chinadotcom corporation. With this strong addition, we are confident that we can enhance long-term values to our shareholders and customers by fully integrating Go2joy with our existing MVAS operation. We see tremendous potential synergies which can be developed by leveraging upon our MVAS business' existing strengths of product development expertise, extensive sales network and connectivity with provincial operators, Go2joy's instant connectivity to the primary IVR platform, and seamless exclusive mobile payment and TV partnerships. Our wireless strategy will be further crystallized in the next couple of quarters when more joint products are being launched by a combined force of experienced management team sharing a common goal and business objective.

In the near future, we expect to continue to execute our well-planned business strategy and take advantage of new opportunities in the market. For instance, the Group has started, via both wireless and Internet platforms, in cross selling the existing products to a new group of hand phone users in China. This initiative is totally consistent with our objective in achieving a more diversified and balanced revenue mix.

In line with the Group's strategy, diversification of marketing and promotional channels has become a critical initiative to grow the business. To this end the Group will exert more effort and resources in the coming quarters to expand our presence in these new channels.

17game, our online games investment, has launched the various beta tests of its new game, Travia, with very encouraging results. We expect to see further progress with the open test of the game and hope to see the commercialization of Travia in China soon.

The Group's financial position remains strong with close to HK\$1 billion net cash and investments in interest-bearing securities. Fuelled by the strong operating cashflows from profitable operations, the management team is always proactive to utilize this fund for operational reinvestments and synergistic acquisition opportunities.

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

As of 30th September, 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	2.35%
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	- (note 2)	8,400,000	Personal/beneficiary	0.20%
Kwok Yee Leen, Elaine	-	1,500,000	Personal/beneficiary	0.04%

Notes:

- (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.
- (2) Mr. Zhou Shun Ao sold 1,020,000 shares at HK\$0.52 and 2,780,000 shares at HK\$0.51 both on 20th September, 2004; 190,000 shares at HK\$0.52 on 21st September, 2004; 300,000 shares at HK\$0.52 on 22nd September, 2004 and 710,000 shares at HK\$0.51 on 23rd September, 2004.

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 30th September, 2004
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000
	10th April, 2001	0.286	3,000,000
	5th June, 2003	0.626	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
	5th June, 2003	0.626	4,000,000
Chou Kei Fong, Silas	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
	5th June, 2003	0.626	1,000,000
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
	5th June, 2003	0.626	2,500,000
Yip Hak Yung, Peter	9th March, 2000	1.880	6,000,000
	10th April, 2001	0.286	2,400,000
	5th June, 2003	0.626	4,000,000
Zhou Shun Ao	9th March, 2000	1.880	6,000,000
	10th April, 2001	0.286	2,400,000
Kwok Yee Leen, Elaine	5th June, 2003	0.626	1,500,000

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	1,116,667	Personal/beneficiary	1.83%
Chan Kai Yu, Rudy	–	154,265	Personal/beneficiary	0.14%
Yip Hak Yung, Peter	16,280,586	2,981,442	Interest of children or spouse (<i>note 1</i>)	17.40%
Yip Hak Yung, Peter	–	90,000	Personal/beneficiary	0.08%
Zhou Shun Ao	17,794	108,000	Personal/beneficiary	0.11%
Zhou Shun Ao	–	60,000	Corporate (<i>note 2</i>)	0.05%
Kwok Yee Leen, Elaine	–	19,625	Personal/beneficiary	0.02%

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. Accordingly Mr. Zhou has an interest in such share 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 30th September, 2004
Ch'ien Kuo Fung, Raymond	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	66,667
	17th October, 2000	17th January, 2001 to 16th October, 2010	6.8125	100,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000
	27th April, 2001	27th July, 2001 to 26th April, 2011	2.7400	220,000
	13th July, 2001	13th October, 2001 to 12th July, 2011	2.9700	400,000
	11th May, 2004	27th July, 2004 to 10th May, 2014	7.7000	300,000
Chan Kai Yu, Rudy	15th November, 1999	25th November, 2000 to 14th November, 2009	14.5000	38,000
	15th April, 2000	25th February, 2001 to 14th April, 2005	14.2375	4,500
	29th July, 2000	25th February, 2001 to 28th July, 2010	15.7500	4,500
	17th October, 2000	25th November, 2000 to 14th November, 2009	6.8125	8,265
	11th July, 2001	11th October, 2001 to 10th July, 2011	2.3810	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 30th September, 2004
Yip Hak Yung, Peter	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	60,000
	12th July, 1999	12th July, 2000 to 11th July, 2009	5.0000	*1,881,442
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000
	6th June, 2002	6th June, 2002 to 5th June, 2012	2.8200	*200,000
	3rd June, 2003	30th June, 2003 to 2nd June, 2013	4.9500	*200,000
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	*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
	15th April, 2000	15th January, 2001 to 14th April, 2005	14.2375	9,000
	29th July, 2000	29th January, 2001 to 28th July, 2010	15.7500	9,000
	20th October, 2000	20th January, 2001 to 19th October, 2010	8.1250	60,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options outstanding as at 30th September, 2004
Kwok Yee Leen, Elaine	11th September, 2002	11th September, 2003 to 10th September, 2012	2.0600	6,250 (note 1)
	11th October, 2002	11th January, 2003 to 10th October, 2012	1.9500	1,250 (note 1)
	16th June, 2003	16th June, 2004 to 15th June, 2013	5.1600	9,000
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	3,125

* These share options were granted to APOL.

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

Note:

- (1) Ms. Kwok Yee Leen, Elaine exercised her right to subscribe for 1,250 Class A common shares at a subscription price of US\$1.95 each on 12th July, 2004 and 782 Class A common shares at a subscription price of US\$2.06 each on 13th September, 2004. These shares were all sold.

Save as disclosed above, as at 30th September, 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 30th September, 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.

Mr. Xiao Xiangyang, John resigned as an executive director and chief executive officer of the Company effective as of 15th July, 2004, all his outstanding share options in the Company and in chinadotcom corporation have lapsed during the Q3.

Ms. Kwok Yee Leen, Elaine resigned as an executive director of the Company effective as of 26th October, 2004. Mr. Wang Xiaohui and Mr. Keith Geoffrey Oliver were appointed as executive directors of the Company effective as of 26th October, 2004.

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

As of 30th September, 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	81.26%

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 30th September, 2004, the Company had not been notified of any substantial shareholders' interests or short positions representing 5% or more of the Company's issued share capital.

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.

COMPETING INTERESTS

Currently, the Board is not aware of any Director or the management shareholder of the Company (as defined under the GEM Listing Rules) having 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 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 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

Beijing, 29th October, 2004