CDC Corporation

China.com Inc. (GEM Stock 8006) is a CDC Corp. company (NASDAQ:CHINA)

FIRST QUARTERLY REPORT 2005 ......

China.com Inc.

[incorporated in the Cayman Islands with limited liability]

(formerly known as hongkong.com Corporation)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

This report, for which the Directors (the "Directors") of China.com Inc. (formerly known as 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

This is the first time we report results of the Company and its subsidiaries (collectively the "Group") under our new name, China.com Inc. (formerly known as hongkong.com Corporation). I am delighted to report that for the first quarter of 2005 the Group has achieved a period of improved profitability as compared with the previous quarter.

Financial and business highlights for the three months ended 31st March:

- Turnover (under gross presentation) was HK$75 million, an increase of 58% (or 21% under gross presentation) compared to Q4 2004
- Gross profit was HK$41 million, up from HK$37 million in Q4 2004
- Net Profit was HK$5.6 million, an increase of 311% from HK$1.4 million in Q4 2004
- Proposed to change the company name to China.com Inc. (中華網科技公司) and the proposal was approved by the shareholders during an EGM on 27th April, 2005
- Selected as the exclusive online and Mobile Value Added Services ("MVAS") partner for the Shanghai Shenhua SVA SMEG Football Club, one of the most popular professional football teams in China
- Continued to be operating cashflow positive, balance sheet position remains strong, with over HK$1 billion in net cash and cash equivalents

During the first quarter of 2005, our MVAS platform and portal network continued to serve as the core business platforms of the Group. Performance at the MVAS division had experienced a strong rebound in revenue growth and had continued to achieve a more diversified revenue mix. This rebound was primarily generated by new products on our Wireless Application Protocol ("WAP") and Interactive Voice Response ("IVR") platforms.

For the three months ended 31st March, 2005, substantive site enhancement and content development initiatives have been undertaken to raise the popularity of the www.china.com portal. Since the beginning of the year, the www.china.com portal has been taking on a sharper vertical focus, extending the Group's competitive edges in channels such as automobile, sports and military. To-date, we have seen more than a 40% increase in overall portal traffic compared with the beginning of the year.

Sports, and in particular football, has been a major focus of our online services and MVAS business expansion since the first quarter. The Group's successful partnership with the 10th National Games of the People's Republic of China led to it being selected in March as the exclusive online and MVAS partner for the Shanghai Shenhua SVA SMEG Football Club, a top-ranked football team in China.

The partnership will further strengthen the portal's resources for sports, and is expected to further develop synergies among various business lines through cross-platform products and joint promotions.

On the online game front, the Group's new online game "Yulgang" completed its close beta test in the first quarter and has launched its open beta test on 20th April, 2005. A series of promotional events were launched, including a large-scale kickoff concert held in Beijing and an extensive advertising program covering major cities across mainland China like Shanghai, Beijing and Guangzhou, etc. Encouraging feedback has been reported with over 800,000 registered users so far.

On 21st March, the Group proposed to change its company name to China.com Inc. and adopt the Chinese name 中華網科技公司 for identification purposes. I am pleased to report that the proposal was approved by the Company's shareholders at an Extraordinary General Meeting held on 27th April, 2005. In conjunction with the name change of the Group, our ultimate parent company, chinadotcom corporation, also proposed to change its name to "CDC Corporation" during the quarter and the proposal was passed as well.

This name change marked a milestone for the Group. As is an established brand in the China market, "china.com" commands high brand awareness among mainland Chinese audience. Changing our name to China.com Inc. not only better reflects our business focus and geographical reach, but also creates stronger image for the Group in the MVAS, Internet portal and online game sectors in China. With clearer positioning, we can dedicate our full attention to furthering our vision and continue to capture the attractive market opportunities in the growing China market.

Rudy Chan
Chief Executive Officer

Hong Kong, 11th May, 2005

UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results (the "Unaudited Quarterly Results") of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months ended 31st March, 2005 (the "Quarterly Period") together with the comparative unaudited figures for the corresponding period in 2004 as follows.

The comparative unaudited figures have been restated mainly as the results of the adoption of new share-based compensation policy and the separate disclosure of result from discontinued operation. No adjustment of MVAS subscription revenue under gross presentation was made for the period ended 31st March, 2004. Further details are set out in notes to this announcement and financial review under the management discussion and analysis section.

		Three months ended 31st March	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
			(Restated)
Continuing operations			
Turnover	2	**75,295**	61,859
Cost of sales		**(33,808)**	(13,260)
Gross profit		**41,487**	48,599
Other revenue and gains, net		**7,435**	9,847
Selling and distribution expenses		**(5,122)**	(2,797)
General and administrative expenses		**(33,804)**	(24,724)
Other operating expenses, net		**(6,058)**	(5,613)
Profit from continuing operations before tax and finance costs		**3,938**	25,312
Finance costs		**(844)**	(772)
Share of profit of an associate		**–**	44
Profit before tax		**3,094**	24,584
Income tax income/(expense)	3	**(1,216)**	66
Profit for the period from continuing operations		**1,878**	24,650
Discontinued operation			
Loss for the period from discontinued operation	4	**–**	(620)
Profit for the period		**1,878**	24,030
Attributable to:			
Equity holders of the Company (Q4 2004 restated: HK$1,368,000)		**5,627**	24,032
Minority interests		**(3,749)**	(2)
		1,878	24,030
EARNINGS PER SHARE	5		
– Basic for profit from continuing operations		**0.14 cents**	0.60 cents
– Basic for profit for the period		**0.14 cents**	0.58 cents
– Diluted for profit from continuing operations		**0.14 cents**	0.59 cents
– Diluted for profit for the period		**0.14 cents**	0.58 cents

Notes:

1. Basis of preparation and significant accounting policies

The Unaudited Quarterly Results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. They have been prepared under historical cost convention, except for available-for-sale financial assets that have been measured at fair value. The principal accounting policies used in the preparation of the Unaudited Quarterly Results are consistent with those adopted in the preparation of the annual financial consolidated statements of the Group for the year ended 31st December, 2004, except for those mentioned below.

In the Quarterly Period, the Group has adopted, for the first time, a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for the accounting periods beginning on or after 1st January, 2005.

The major effects of the new HKFRSs, which have had a material impact on the Unaudited Quarterly Results, are set out below:

The adoption of HKFRS 2 "Share-Based Payment" requires an expense to be recognised where the Group buys goods or services in exchange for shares or rights over shares ("equity-settled transactions), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The main impact of HKFRS 2 on the Unaudited Quarterly Results is the expensing of employees' and directors' share options by using an option-pricing model. Prior to this, the provision of share options to employees and directors did not result in a charge to the profit and loss account. The Group has taken advantage of the transitional provisions of HKFRS 2 in respect of equity-settled awards and has applied HKFRS 2 only to equity-settled awards granted after 7th November, 2002 that had not vested at 1st January, 2005.

The effect of adopting HKFRS 2 has been to decrease consolidated retained profits as at 1st January 2005 by HK$10,635,000. In addition, the profit for the Quarterly Period has decreased by HK$2,058,000 (2004: HK$1,721,000) due to an increase in the employee benefits expense (included in "General and administrative expenses").

The adoptions of HKFRS 3 "Business Combinations" and HKAS 36 "Impairment of Assets" have resulted in ceasing goodwill amortisation and to test for impairment annually at the cash generating unit level (unless an event occurs during the year which requires the goodwill to be tested more frequently) from 1st January, 2005. The transition provisions of HKFRS 3 have required the Group to eliminate the carrying amount of accumulated amortisation of HK$25,583,000 with a corresponding decrease in goodwill.

Due to the adoption of certain new HKFRSs during the Quarterly Period, the accounting treatment and presentation of certain items and balances in the Unaudited Quarterly Results have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified/restated to conform with the current period's presentation.

2. Turnover

Turnover represents (1) subscription revenue from the provision of Short Messaging Services and other Mobile Value Added Services (collectively referred to as "MVAS") and other related products to mobile phone users; (2) advertising revenue from sale of online banner advertising and offline advertising campaigns; (3) e-commerce revenue from direct mailings, online sales and; (4) online games, net of business tax, where applicable.

The Group's subscription revenue, net of the revenue shared by mobile operators, from the provision of SMS and MVAS was included in turnover on a net basis in the prior year's financial statements. During the Quarterly Period, the way of operating of the MVAS business has undergone a number of changes that were substantially completed/materialized in early 2005. In response to such changes, the directors consider it is more appropriate to separately disclose the gross subscription revenue received or receivable from end-users as "turnover" and the revenue shared by the mobile operators as "cost of sales", effective from Q1 2005. Details of such changes and their impacts on the presentation of our MVAS revenue are set out in the section below under the heading of "Management Discussion and Analysis." No adjustment is required in respect of MVAS subscription revenue for the same period in last year, as the changes in facts and circumstances were not yet occurred/materialised in that period.

The effect of this change in presentation was to increase the turnover and cost of sales for the Quarterly Period by the same amount of HK$16,444,000, representing the revenue shared by the mobile operators during the Quarterly Period. Hence, the gross profit will not be affected by this change in presentation.

3. Income tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Quarterly Period (2004:Nil).

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

4. Discontinued operation

In view of the Group's strategy to focus its effort in the MVAS business and the portal business, and to concentrate its resources on the development of such businesses, the Group discontinued and disposed the operation of Beijing China-Railway Times Science & Technology Company Ltd., a company registered in the People's Republic of China, and its affiliates (collectively, "Times Software") during the last quarter of 2004 and the discontinuance was completed in December 2004. Times Software was principally engaged in the sale of railway ticketing system hardware and software in Mainland China.

The turnover, expenses and results of the discontinued operation are as follows:

	Three months ended 31st March	
	2005	2004
	HK$'000	*HK$'000*
Turnover	–	1,352
Cost of sales	–	(798)
Gross profit	–	554
Other revenue and gains, net	–	74
General and administrative expenses	–	(589)
Other operating expenses, net	–	(659)
Loss before tax and finance costs	–	(620)
Finance costs	–	–
Loss before tax	–	(620)
Income tax expense	–	–
Loss for the period	–	(620)
Attributable to:		
Equity holders of parent	–	(618)
Minority interests	–	(2)
	–	(620)
Loss per share		
– Basic	–	0.02 cents
– Diluted	–	0.01 cents

5. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity holders of the Company for the Quarterly Period of HK$5,627,000 (2004: HK$24,032,000) and the weighted average number of 4,144,196,458 (2004: 4,135,632,324) ordinary shares in issue during the Quarterly Period.

(b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to the ordinary equity holders of the Company for the Quarterly Period of HK$5,627,000 (2004: HK$24,032,000). The weighted average number of ordinary shares used in calculation is the 4,144,196,458 (2004: 4,135,632,324) ordinary shares in issue during the Quarterly Period, as used in the basic earnings per share calculation, and the weighted average of 9,163,772 (2004: 10,725,450) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the Quarterly Period.

6. Movement of reserves

	Share premium account HK$'000	Goodwill reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Employee share-based compensation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January, 2004								
As previously reported	914,138	(31,193)	(3,347)	8,415	–	(243)	134,361	1,022,131
Prior year adjustment:								
– Effect of adopting HKFRS 2 *(note 1)*	–	–	–	–	4,590	–	(4,590)	–
As restated	914,138	(31,193)	(3,347)	8,415	4,590	(243)	129,771	1,022,131
Issue of shares	440	–	–	–	–	–	–	440
Share issue expenses	(5)	–	–	–	–	–	–	(5)
Share option benefits	–	–	–	–	1,721	–	–	1,721
Investment revaluation reserve released on disposals	–	–	(747)	–	–	–	–	(747)
Surplus on revaluation	–	–	4,438	–	–	–	–	4,438
Exchange realignment	–	–	–	–	–	242	–	242
Net profit for the quarter	–	–	–	–	–	–	24,032	24,032
At 31st March, 2004	**914,573**	**(31,193)**	**344**	**8,415**	**6,311**	**(1)**	**153,803**	**1,052,252**
At 1st January, 2005								
As previously reported	**916,208**	**(31,193)**	**(8,502)**	**9,833**	**-**	**234**	**191,076**	**1,077,656**
Prior year adjustment:								
– Effect of adopting HKFRS 2 *(note 1)*	–	–	–	–	10,635	–	(10,635)	–
As restated	**916,208**	**(31,193)**	**(8,502)**	**9,833**	**10,635**	**234**	**180,441**	**1,077,656**
Issue of shares	2	–	–	–	–	–	–	2
Share issue expenses	(5)	–	–	–	–	–	–	(5)
Employee share option benefit	–	–	–	–	2,058	–	–	2,058
Deficit on revaluation	–	–	(8,873)	–	–	–	–	(8,873)
Exchange realignment	–	–	–	–	–	(7)	–	(7)
Net profit for the quarter	–	–	–	–	–	–	5,627	5,627
At 31st March, 2005	**916,205**	**(31,193)**	**(17,375)**	**9,833**	**12,693**	**227**	**186,068**	**1,076,458**

7. Dividend

The Board does not recommend the payment of a dividend for the Quarterly Period (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and gross profit

Starting from 2005, the Company has changed the presentation for the MVAS revenue from a net (of revenue shared by mobile operators) method to the gross method in response to the significant changes in the way of operating the MVAS business in Mainland China. These changes related to the mandatory requirements by mobile operators that each MVAS services provider must connect its services platform to the Mobile Information Service Centre ("MISC platform") starting from the later part of 2004 and, on a progressively manner, must operate its services fully under the MISC platform by the end of 2005. In connection with such requirements, our MVAS business units (i) have to make it apparent/clear to the mobile phone users that they are the primary obligors in the underlying arrangements with the primarily responsibility for fulfillment of services, through direct marketing/advertising and/or through confirmations sent to the mobile phone users; (ii) have discretions over vendor selections and the product specifications; and (iii) have greater flexibilities in setting prices but at the same time bearing the increasing risk of non-payment of mobile phone end users. In light of such changes, the Board and the Audit Committee has performed an updated assessment of the criteria for gross presentation of MVAS revenue, after considering the current state of the MVAS business. In acknowledging of the changing facts and circumstances, the directors consider that it is appropriate for the Group to present the MVAS revenue on the gross basis, after such changes. The gross presentation has been applied effective from early 2005, when such changes have been substantially completed/materialised, and thus comparative amounts for the same period in last year were not changed and were presented as previously reported, as the underlying changes had not yet occurred or materialised during that period.

Turnover for the Quarterly Period was HK$75,295,000, representing a HK$13,436,000, or a 22% increase as compared with the same period in last year. The net increase was primarily attributable to (1) a net increase of HK$6,495,000 in MVAS revenue due to the change to gross presentation of MVAS revenue, which resulted in an increase in MVAS revenue of HK$16,444,000, to reflect the gross subscription revenue received and receivable from mobile phone users for the Quarterly Period, and is offset by the net decrease of HK$9,949,000 in total MVAS revenue which is the combined effect of the increase in Interactive Voice Response ("IVR") revenue, mainly from the new MVAS business acquired in the Q3 2004, Wireless Application Protocol ("WAP") revenue and Multimedia Messaging Service ("MMS") revenue and the decrease in SMS revenue because of the slow down of the SMS sector as a result of the tightened industry activities imposed by the mobile operators in Mainland China, since the second quarter of 2004; (2) the increase in online game revenue amounting to HK$5,708,000 since the Group consolidated 17game in December last year; and (3) the increase of HK$1,270,000 in advertising revenue from both the www.china.com and www.hongkong.com portals.

Gross profit margin was 55% for the Quarterly Period, when compared with 62% in the same period last year, when the gross presentation was used for the MVAS revenue (or 79% under the net presentation in the same period last year). The overall decrease in gross profit margin for the Group was mainly due to the decrease in the higher-profit-margin SMS revenue as well as the impact of the increase in revenue base under the gross presentation during the Quarterly Period.

Other revenue and gains, net

Other revenue and gains, net fell by 24% to HK$7,435,000 for the Quarterly Period, compared with HK$9,847,000 in the corresponding period in 2004. The reduction was primarily due to the decrease in interest income from interest-bearing debt securities by HK$3,606,000 as a result of decreasing balances of debt securities after payments of various acquisitions and repayments of bank loans, offset by an HK$1,191,000 increase in bank interest income during the period, as a result of additional cash generated from operations in the Quarterly Period.

Selling and distribution expenses

Selling and distribution expenses increased by 83% to HK$5,122,000 for the Quarterly Period, compared with HK$2,797,000 for the same period last year. This was mainly attributable to the operation of the online game businesses during the Quarterly Period and the increase in sponsorship marketing expenses of the www.china.com portal.

General and administrative expenses

General and administrative expenses increased by 37% to HK$33,804,000 for the Quarterly Period versus HK$24,724,000 for the corresponding quarterly period in last year. The increase was primarily due to operations of additional MVAS platforms and the online game businesses which were not in operation during the same period in 2004 and also an increase in personnel expense as a result of the increase in headcount and share option expense. Share option expense amounting to HK$2,058,000 (2004: HK$1,721,000) was recognised for the Quarterly Period in accordance with the newly adopted HKFRS 2.

Other operating expenses, net

Other operating expenses, net, increased by HK$445,000 to HK$6,058,000 in the Quarterly Period, compared to other operating expenses, net, of HK$5,613,000 in the same period last year. The net increase was primarily due to (1) a decrease in goodwill amortisation expense of HK$5,109,000, as starting from 2005, goodwill is no longer amortised, but is subjected to regular reviews for impairment and (2) offset by an increase in the amortisation expense of certain intangible assets of HK$5,875,000 for an MVAS business (Go2joy) acquired in August 2004 and the commencement of operation of certain new online games titles of 17game.

Share of profit of an associate

There was no share of profit of an associate during the Quarterly Period as the associate was disposed of subsequent to the corresponding period in 2004.

Income tax

The Group recorded a tax expense of HK$1,216,000 in the Quarterly Period, when compared with a tax income of HK$66,000 in the same period last year. The net increase in tax expense was mainly attributable to the provision of income tax for the Group's MVAS businesses in Mainland China. In 2004, one of the Group's MVAS operations in Mainland China obtained a full exemption from paying corporate income tax. Starting from 2005, this MVAS operation is entitled to a 50% tax exemption, subject to the local tax authority's final approval.

Discontinued operation

During Q4 2004, the Group discontinued its operation under the technology segment. Further details of the discontinued operation are set out in note 4 to this report.

Minority interests

Loss shared by minority interests increased to HK$3,749,000 in the Quarterly Period. The increase represented minority interests' share of loss of 17game. The Group increased its shareholding in 17game to 36.5% during Q4 2004 and has since then started consolidating the results of 17game due to the fact that it owns certain potential voting rights in a company which controls 17game, in form of share call options, that are presently exercisable, in accordance with HKAS 27 "Consolidated and Separate Financial Statements" issued by the HKICPA.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK$5,627,000 in the Quarterly Period, when compared with HK$24,032,000 in the same period last year.

BUSINESS REVIEW

In March 2005, the Board of Directors of the Company proposed to change the Company's name to China.com Inc. and adopt the Chinese name 中華網科技公司 for identification purposes. The name change proposal was approved by the Company's shareholders at an Extraordinary General Meeting on 27th April, 2005. Concurrently with the name change of the Company, its ultimate parent company, chinadotcom corporation, also proposed to change its company name to "CDC Corporation" during the quarter and the proposal was also passed in April 2005.

The new name China.com Inc. reflects the fact that the Group's business operations, revenues, customers and staff are all predominately based in China. The Group currently operates in MVAS, Internet portal and online game businesses in China, whereas the ultimate parent company has more diverse business lines and a more geographically diversified revenue and customer mix, particularly in the enterprise software sector. The change of company name clarifies confusions among investors relating to the different business lines between the Group and its ultimate parent company. Moreover, it would make more sense and easier for investors to compare the Group with those NASDAQ listed Chinese portal companies, given its business nature and geographical reach is more focused on the MVAS and Internet areas in China.

Mobile Value Added Services

Though the operating environment for the MVAS industry was harsh in 2004 with various sanctions and new restrictions imposed by the regulators and mobile operators, the overall MVAS business has started to turn positive after the mobile operators' implementation of the subscriber and billing management platform in Q4 last year. We believe the new management platform is more customer-centric and has paved the way for a more service oriented business environment. The Group's MVAS business has made progressive improvement in Q1 2005 with 32% increase in total revenue over Q4 last year. We expect that the positive trend will continue for the overall industry.

We continued to reap the benefits from our transformation from a SMS focused service provider to a more balanced one that offers a blend of 2.5G products. In particular, revenue generated from WAP platform in Q1 2005 grew substantially by 107% from Q4 last year. Our MMS business has also successfully entered into Jiang Su and Guangdong provinces via China Mobile. MMS revenue in Q1 2005 also increased by 21% and the Group is ready to allocate more resources in the related product development to provide more compelling products to the users. Along with our tactical marketing focus, the IVR revenue has also reported an encouraging growth of 140% in Q1 2005 from Q4 last year.

In Q1 2005, Go2joy recovered its SMS billing function with China Mobile and also signed SMS service contracts with 31 provincial operators of China Mobile. To secure its core competitive edge in the media-driven revenue stream, it also successfully renewed the contract with the state-owned TV station with respect to certain selected popular TV programmes regarding China Mobile IVR and China Unicom SMS services.

To broaden our product portfolio, more than 30 new application products were launched during the period. We have also started our product offerings to users of China Netcom and China Telecom on their IVR platforms during the quarter and we expect other MVAS services through China Netcom and China Telecom will be launched in the next couple of quarters.

Looking forward, we will continue to invest in compelling content and marketing promotions to reach a wider audience base. The Group believes 2005 will be a transformational year for our MVAS business unit. With more and more handsets being capable to deliver multimedia services and impending grant of 3G licenses in China, we will continue to work diligently to capitalize on the upcoming market opportunities.

Portal

Since the Group began allocating more resources to enhance and strengthen our www.china.com portal, we've made solid improvements in content development, market recognition, and portal traffic.

During the quarter, the www.china.com portal launched its automobile community forum concurrently with the formation of a member club. The portal participated in the 11th International Automobile & Manufacturing Technology Exhibition held from 22nd to 28th April in Shanghai to increase market exposure of our newly improved offerings. We are pleased to have received excellent feedback and encouraging customers' participation on the related promotional activities. As a result of the improved content and marketing efforts, traffic for the Automobile Channel increased by nearly 70% at the end of the auto exhibition compared with the beginning of the year. Ten new auto manufacturers became our new advertising customers during the Quarterly Period.

Sports and Football Channels continued to be another major focus in our vertical strategy and the revamp exercise, on which significant feature enhancement were done during the quarter. The revamp included the enrichment of the second-level columns, an addition of a new lottery column and the launch of a live score broadcast, etc. In addition, our www.china.com portal was selected as the exclusive online and MVAS partner for the Shanghai Shenhua SVA SMEG Football Club, a top-ranked and one of the most popular football teams based in Shanghai, China. The partnership further strengthened the portal's focus on sports and stimulated a big jump in associated traffic.

A photo gallery and a database under the Military Channel were launched in March, with great success. Other military related database and information engines will be launched later this year to capture the growing interest in military/ political related content amongst audience in China. According to a market study by iResearch (Feb 2005), the Military Channel of www.china.com portal was recognized as the number one military related channels amongst all Chinese Internet Media, affirmed the portal's leading position in the market.

In conjunction with all upgrade and revamp of various content channels, a number of promotional and marketing programs were launched to raise the public awareness, and resulted in further strengthening the "china.com" brand.

Media and Travel

Despite of the impact from the Tsunami tragedy which affected the travel and tourism sector in the Asia Pacific region, TTG has managed to maintain a stable performance for the first quarter. This was due to the Group's abilities to refocus our efforts on special projects and advertising supplements to make up for revenue shortfall from run-of-page advertising revenue source.

Projects that the Group embarked on to generate additional revenues included:

1. Publishing of dailies at major travel trade shows such as Asean Tourism Forum in Langkawi and ITB in Berlin.

2. Publishing of Tsunami Recovery Supplement.

3. Working with a major hotel group to support their road shows with special advertising campaign in TTG's publications.

As a result of merging the fortnightly publication, This Week Singapore, into the newly launched monthly publication, Official Guide & Map, in January this year, the tourism team managed to generate higher sales and forward bookings during the quarter compared to a year ago.

TTG was also appointed publisher of the Official Daily by Pacific Asia Travel Association for PATA Travel Mart 2005 which is scheduled to take place in Kuala Lumpur in September this year. PATA Travel Mart is a major travel trade event organized by PATA which usually attracts about 2,000 delegates from the travel industry.

Online Games

In Q1 2005, several major milestones have been reached on the online game sector which we believe to be a solid foundation for future growth opportunities. Leveraging the in-depth industry knowledge with the 1st title, Droiyan, which has been in operation for almost three years, the Group commercially launched its 2nd game, Travia on 21st January, 2005 and managed to draw strong market attention in driving the user's level to exceed the initial target.

The Group's experienced operations management team successfully launched a centralized online gaming platform during the Quarterly Period which allows users to enjoy our online game portfolio (i.e. Droiyan and Travia) under the same login account with the identical set of virtual currency. Such initiative will greatly enhance the flexibility for users to select online games according to their own preference and help building a long-term brand loyalty towards the Group as a quality gaming operator. Additional offerings will be injected into this centralized gaming platform to further increase the variety of choice and hence customers' participation and eventually the average revenue from each customer.

Encouraged by the highly popular awareness and huge success in Korea, 17game has accelerated the close beta test for its 3rd game, Yulgang, a MMORPG game based on a very popular comic book published in Korea. It has recently launched the open beta test on 20th April, in association with a large scale launching ceremony and concert held in Beijing on 19th April. Encouraging feedback has been reported with over 800,000 registered users. The Group targets to commercially launch the game during Q3 of this year.

To date, though the financial contribution of the online game pillar to the Group is still at its primitive stage, we are confident that the Group will be able to capitalize on these initiatives as the business develops. The Group will also further ride on crossover opportunities with other business divisions in marketing and promotion, online and wireless community building and product sales, in establishing the most comprehensive 3-dimensional offerings to our valued customers.

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

As of 31st March, 2005, 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	89,000,000	Personal / beneficiary	2.23%
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	1,800,000	6,600,000	Personal / beneficiary	0.20%

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 31st March 2005**
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	15,000,000
	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	600,000

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 CDC Corporation (formerly known as 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 *(note 1)*	17.34%
Yip Hak Yung, Peter	–	90,000	Personal/beneficiary	0.08%
Zhou Shun Ao	–	108,000	Personal/beneficiary	0.10%
Keith Geoffrey Oliver	–	250,000	Personal/beneficiary	0.23%

Note:

(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.

Options to subscribe for Class A common shares in CDC Corporation

Name of Directors	Date of grant	Option exercise period	Exercise price *US$*	Number of share options outstanding as at 31st March, 2005
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	7.7700	300,000

Name of Directors	Date of grant	Option exercise period	Exercise price *US$*	Number of share options outstanding as at 31st March, 2005
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
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

Name of Directors	Date of grant	Option exercise period	Exercise price US$	Number of share options outstanding as at 31st March, 2005
Zhou Shun Ao	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
Keith Geoffrey Oliver	28th January, 2004	28th January, 2005 to 27th January, 2014	11.750	38,000
	19th August, 2004	19th February, 2005 to August 18, 2014	4.330	212,000

* *These share options were granted to APOL.*

Save as disclosed above, as at 31st March, 2005, 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.

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

As of 31st March, 2005, 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	81.12%

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 CDC Corporation (formerly known as chinadotcom corporation), the ultimate holding company of the Company. Each of chinadotcom Mobile Interactive Corporation and CDC Corporation (formerly known as 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, 2005, 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

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.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company is in the process of reviewing its corporate governance practice and will report in its half-year financial announcement on the compliance of the Code on Corporate Governance Practices.

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 oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. 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, 11th May, 2005