



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

CDC Corporation

INTERIM REPORT 2005 |

China.com Inc.

[incorporated in the Cayman Islands with limited liability]
(formerly known as hongkong.com Corporation)

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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

I am delighted to report yet another period of continual profitability for China.com Inc. and its subsidiaries (collectively the "Group") for the Interim Period ended 30th June, 2005. Despite a sometime volatile Mobile Value Added Services ("MVAS") sector in China, our MVAS revenue maintained a healthy growth. Moreover, we are glad to see a strong market reception to our third online game "Yulgang", which has just begun commercialization in July.

Here are some of our financial and business highlights for the three months ended 30th June, 2005:

- Turnover (under gross presentation) was HK\$87 million, an increase of 16% (or 10% under net presentation) when compared to Q1 2005
- Gross profit was HK\$45 million, up from HK\$41 million in Q1 2005
- Net Profit was HK\$2 million when compared to HK\$5.6 million in Q1 2005, primarily due to upfront marketing charges associated with the launch of "Yulgang"
- Online game traffic of "Yulgang" surged to a record high with peak concurrent users exceeding 160,000 and registered users over 6 million as of 12th August, 2005
- Maintained sequential growth in MVAS and portal revenue
- Appointed as the exclusive partner and provider of online and mobile services for Liverpool, the 2005 UEFA champions, in China
- Continued to be operating cash flow positive, balance sheet position remains strong, with over HK\$920 million in net cash and cash equivalents

During the second quarter, the Group's online game "Yulgang", which was operated by our subsidiary, 17game, continued to post impressive increases in traffic and registration. Following the success of open beta test on 20th April, 2005 and a series of innovative marketing campaigns covering the key cities and provinces in China, the game was commercially launched on 15th July, 2005. "Yulgang" is recognized as one of the most popular MMORPG online games in the country amongst the 40 new online games launched in China market since the beginning of 2005. As of the date of this report, its concurrent users exceeded 160,000 and we believe the growth will continue with solid momentum.

Investment into the launch and marketing of this game in Q2 has paid off in terms of user growth and market acceptance but has negatively affected the profitability of the 17game during the quarter to the tune of more than HK\$12 million. However, with the strong point card sales since the game's commercialization in mid-July we believe we will begin to reflect financial returns from this investment in the second half of this year.

Unlike traditional MMORPG business models, game players of “Yulgang” buy valued added virtual merchandise and services from the online game shop, rather than paying for time spent on the game itself as most other MMORPG games do. This distinctive model, while having proven success in Korea, is a breakthrough in China.

Our MVAS platform continued to serve as the key contributor of profitability for the Group. MVAS performance had experienced a steady growth and had continued to achieve a diversified revenue mix. Advanced Mobile Products generated through our Wireless Application Protocol (“WAP”), Multimedia Messaging Service (“MMS”), and Interactive Voice Response (“IVR”) platforms, contributed 45% to our total MVAS revenues for the quarter. Despite the tightened regulatory issues in China such as the implementation of WAP double confirmation by the mobile network operators, the revenue from our MVAS segment recorded a continuous growth of 18% as compared to last quarter. The achievement was highlighted by a sequential increase of MMS, IVR and Short Message Services (“SMS”) by 46%, 49% and 13% respectively when compared to Q1 2005.

For our portal development, substantive site enhancement and content development initiatives have been undertaken continuously to raise the popularity of the www.china.com portal. The overall portal traffic on our key channels, including news, military, sports and automobile, almost doubled since the beginning of the year. Amongst these channels, sports has been a key focus of our online and MVAS business expansion this quarter. We are thrilled to have signed exclusive partnerships agreements with several leading English Premier League (“EPL”) clubs, including Arsenal, Liverpool and Manchester United. The partnerships further strengthens the portal’s sports content, and are expected to further develop synergies among various business lines through cross-platform products and joint promotions.

We have successfully organized launch parties for Manchester United official Chinese website in Hong Kong and Beijing. The exclusive web chats with Wayne Rooney during Manchester United 2005 Asia Tour in Hong Kong and Beijing have resulted in extensive publicity being generated, and a sharp increase in the official website registration users to over 20,000 in just two weeks.

Our committed business models have begun to demonstrate signs of success. I look forward to sharing news of further improvement with you in our next quarterly report.

Rudy Chan
Chief Executive Officer

Hong Kong, 12th August, 2005

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results (the "Unaudited Interim Results") of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and six months (the "Half-Yearly Period") ended 30th June, 2005, together with the comparative unaudited figures for the corresponding periods in 2004.

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30th June, 2005

	Notes	Three months ended 30th June,		Six months ended 30th June,	
		2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)
Continuing operations					
Turnover	3	87,294	61,967	162,589	123,826
Cost of sales		(42,559)	(14,776)	(76,367)	(28,036)
Gross profit		44,735	47,191	86,222	95,790
Other revenue and gains, net		7,114	7,220	14,549	17,067
Selling and distribution expenses		(15,381)	(3,145)	(20,503)	(5,942)
General and administrative expenses		(37,083)	(25,780)	(70,887)	(50,504)
Other operating expenses, net		(3,028)	(6,312)	(9,086)	(11,925)
Profit/(loss) from continuing operations before tax and finance costs	5	(3,643)	19,174	295	44,486
Finance costs		(761)	(608)	(1,605)	(1,380)
Share of profit of an associate		-	-	-	44
Profit/(loss) before tax		(4,404)	18,566	(1,310)	43,150
Income tax expense	6	(1,362)	(126)	(2,578)	(60)
Profit/(loss) for the period from continuing operations		(5,766)	18,440	(3,888)	43,090
Discontinued operation					
Loss for the period from discontinued operation	7	-	(777)	-	(1,397)
Profit/(loss) for the period'		(5,766)	17,663	(3,888)	41,693
Loss attributable to minority interests		7,812	63	11,561	65
Profit attributable to equity holders of the Company		<u>2,046</u>	<u>17,726</u>	<u>7,673</u>	<u>41,758</u>
Attributable to:					
Profit attributable to equity holders of the Company		2,046	17,726	7,673	41,758
Loss attributable to minority interests		(7,812)	(63)	(11,561)	(65)
Profit/(loss) for the period		(5,766)	17,663	(3,888)	41,693
Earnings per share for profit attributable to equity holders of the Company					
	8	HK cents	HK cents	HK cents	HK cents
- Basic for profit from continuing operations		<u>0.05</u>	<u>0.45</u>	<u>0.19</u>	<u>1.04</u>
- Basic for profit for the period		<u>0.05</u>	<u>0.43</u>	<u>0.19</u>	<u>1.01</u>
- Diluted for profit from continuing operations		<u>0.05</u>	<u>0.45</u>	<u>0.18</u>	<u>1.04</u>
- Diluted for profit for the period		<u>0.05</u>	<u>0.43</u>	<u>0.18</u>	<u>1.01</u>

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2005

	Notes	(Unaudited) 30th June, 2005 HK\$'000	(Audited) 31st December, 2004 HK\$'000 (restated)
Assets			
<i>Non-current assets</i>			
Fixed assets		19,108	18,727
Goodwill		515,017	498,311
Intangible assets		80,472	93,873
Available-for-sale financial assets		–	61,776
Deferred tax assets		1,094	938
		<u>615,691</u>	<u>673,625</u>
<i>Current assets</i>			
Amount due from the ultimate holding company		697	697
Amount due from fellow subsidiaries		4,401	5,424
Accounts receivable	10	50,880	49,193
Prepayment, deposits and other receivables		23,759	18,145
Available-for-sale financial assets		637,263	540,605
Pledged available-for-sale financial assets		100,188	137,461
Cash and cash equivalents		268,124	390,104
		<u>1,085,312</u>	<u>1,141,629</u>
Total assets		<u>1,701,003</u>	<u>1,815,254</u>
Equity and liabilities			
<i>Capital and reserves</i>			
Issued capital	12	414,485	414,419
Other reserves		898,063	897,215
Retained profits		188,114	180,441
Equity attributable to equity holders of the Company		<u>1,500,662</u>	<u>1,492,075</u>
Minority interest		16,503	30,670
Total equity		<u>1,517,165</u>	<u>1,522,745</u>
<i>Non-current liabilities</i>			
Deferred tax liabilities		7,606	7,606
<i>Current liabilities</i>			
Amount due to fellow subsidiaries		4,357	4,013
Accounts payable	11	16,451	13,156
Other payables and accrued liabilities		44,814	42,223
Deferred revenue		11,458	10,170
Acquisition consideration payable		11,734	97,961
Interest-bearing bank borrowing		85,800	117,293
Tax payable		1,618	87
		<u>176,232</u>	<u>284,903</u>
Total liabilities		<u>183,838</u>	<u>292,509</u>
Total equity and liabilities		<u>1,701,003</u>	<u>1,815,254</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2005

	Unaudited Attributable to equity holders of the Company										
	Share capital HK\$'000	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	Minority interest HK\$'000	Total equity HK\$'000
At 1st January, 2004											
as previously reported	413,523	914,138	(31,193)	(3,347)	8,415	-	(243)	134,361	1,435,654	5,525	1,441,179
Effect of changes in accounting policies											
-adoption of HKFRS2 (note2)	-	-	-	-	-	4,590	-	(4,590)	-	-	-
At 1st January, 2004 as restated	413,523	914,138	(31,193)	(3,347)	8,415	4,590	(243)	129,771	1,435,654	5,525	1,441,179
Deficit on revaluation	-	-	-	(10,031)	-	-	-	-	(10,031)	-	(10,031)
Exchange realignment	-	-	-	-	-	-	96	-	96	-	96
Net income/(expense) recognised directly in equity	-	-	-	(10,031)	-	-	96	-	(9,935)	-	(9,935)
Net profit/(loss) for the period	-	-	-	-	-	-	-	41,758	41,758	(65)	41,693
Total income/(expense) for the period	-	-	-	(10,031)	-	-	96	41,758	31,823	(65)	31,758
Investment revaluation reserve released on disposals	-	-	-	(967)	-	-	-	-	(967)	-	(967)
Issue of shares	105	453	-	-	-	-	-	-	558	-	558
Share issue expenses	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Share option benefits	-	-	-	-	-	3,706	-	-	3,706	-	3,706
At 30th June, 2004	<u>413,628</u>	<u>914,586</u>	<u>(31,193)</u>	<u>(14,345)</u>	<u>8,415</u>	<u>8,296</u>	<u>(147)</u>	<u>171,529</u>	<u>1,470,769</u>	<u>5,460</u>	<u>1,476,229</u>
At 1st January, 2005	414,419	916,208	(31,193)	(8,502)	9,833	-	234	191,076	1,492,075	30,670	1,522,745
Effect of changes in accounting policies											
- adoption of HKFRS2 (note2)	-	-	-	-	-	10,635	-	(10,635)	-	-	-
At 1st January, 2005 as restated	414,419	916,208	(31,193)	(8,502)	9,833	10,635	234	180,441	1,492,075	30,670	1,522,745
Deficit on revaluation	-	-	-	(2,391)	-	-	-	-	(2,391)	-	(2,391)
Exchange realignment	-	-	-	-	-	-	(7)	-	(7)	-	(7)
Net income/(expense) recognised directly in equity	-	-	-	(2,391)	-	-	(7)	-	(2,398)	-	(2,398)
Net profit/(loss) for the period	-	-	-	-	-	-	-	7,673	7,673	(11,561)	(3,888)
Total income/(expense) for the period	-	-	-	(2,391)	-	-	(7)	7,673	5,275	(11,561)	(6,286)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	(2,606)	(2,606)
Issue of shares	66	121	-	-	-	-	-	-	187	-	187
Share issue expenses	-	(13)	-	-	-	-	-	-	(13)	-	(13)
Share option benefits	-	-	-	-	-	3,138	-	-	3,138	-	3,138
At 30th June, 2005	<u>414,485</u>	<u>916,316</u>	<u>(31,193)</u>	<u>(10,893)</u>	<u>9,833</u>	<u>13,773</u>	<u>227</u>	<u>188,114</u>	<u>1,500,662</u>	<u>16,503</u>	<u>1,517,165</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2005

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
Net cash inflow from operating activities	5,337	25,819
Net cash outflow from investing activities	(95,581)	(68,083)
Net cash (outflow)/inflow from financing activities	(31,708)	84,973
Net (decrease)/increase in cash and cash equivalents	(121,952)	42,709
Cash and cash equivalents at the beginning of period	390,104	137,154
Effect of foreign exchangerate changes, net	(28)	481
Cash and cash equivalents at 30th June	268,124	180,344
Analysis of balances of cash and cash equivalents		
Cash and bank balances	218,413	137,926
Non-pledged time deposits with original maturity of less than 3 months when acquired	49,711	42,418
	268,124	180,344

Notes:

1. Basis of preparation

The unaudited interim consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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.

The Unaudited Interim Results have been prepared under historical cost convention, except for available-for-sale financial assets that have been measured at their fair value. The principal accounting policies used in the preparation of the unaudited interim financial statement 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 the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKAS and Interpretations) as disclosed in note 2 below.

2. Impact of new HKFRSs and HKASs

The HKICPA has issued and revised a number of HKFRSs and HKASs, which are generally effective for the accounting periods beginning on or after 1st January, 2005. The Group has adopted, for the first time, the following HKFRSs and HKASs issued up to 30th June, 2005, which are pertinent to its operations and have had significant effect on these unaudited interim financial statements.

HKAS 1	Presentation of Financial Statements
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-Based Payment
HKFRS 3	Business Combinations

The adoption of HKAS 1 has resulted in a change of the requirements to present the post-tax profit and loss of discontinued operations on the face of profit and loss accounts and to present the minority interests within equity.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial statements. Following adoption of HKAS 32 and HKAS 39, the financial instruments have been classified into available-for-sale financial assets and loans and receivables. Available-for-sale financial assets are measured at fair value, and loans and receivables are measured at amortised cost where the carrying amount of the asset is computed by discounting the future cash flows to present value using the original effective interest rate. There is no financial impact on the balance sheet and profit and loss account.

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 Interim 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 on or before 31st December, 2004.

The effect on the adoption of HKFRS 2 has been to decrease consolidated retained profits as at 1st January, 2004 and 1st January, 2005 by HK\$4,590,000 and HK\$10,635,000, respectively. In addition, profit for the six months ended 30th June, 2004 and 30th June, 2005 decreased by HK\$3,706,000 and HK\$3,138,000, respectively due to an increase in share option benefits (included in "General and administrative expenses").

The adoption of HKFRS 3 "Business Combinations", HKAS 27 "Consolidated and Separate Financial Statements" and HKAS 36 "Impairment of Assets" have resulted in a cessation of goodwill amortisation and, in its place, an annual test for impairment of goodwill at the cash generating unit level (unless an event occurs during the year which requires 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 by HK\$25,583,000 with a corresponding adjustment to goodwill.

Due to the adoption of certain new HKFRSs during the Half-Yearly Period, the accounting treatment and presentation of certain items and balances in the Unaudited Interim 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.

3. 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 and online sales; and (4) revenue from online games, net of business tax, where applicable.

The Group's subscription revenue from the provision of MVAS was reported in the prior year's financial statements on a "net basis" (excluding from turnover the portion of MVAS revenue paid to the mobile network operators). Significant changes in the operation of the mobile services and applications business in Mainland China had taken effect by early 2005. In response to such changes, the directors considered it is more appropriate to report subscription revenue from the provision of MVAS on a "gross basis" (including in turnover the portion of the mobile services and applications revenue paid to mobile network operators, and reporting such amounts paid to mobile network operators as an additional cost of sales), effective from 1st January, 2005. Details of such changes and their impact on the presentation of the Group's MVAS revenue are set out below under "Management Discussion and Analysis". Because the changes in the operation of the mobile services and applications business in Mainland China had not yet occurred or materialized, comparative amounts for the corresponding periods in 2004 have not been changed, and are presented as previously reported.

The effect of this change in presentation was to increase the turnover and cost of sales for the Half-Yearly Period by the same amount of HK\$38,900,000, representing the revenue paid to the mobile operators during the Half-Yearly Period. Hence, gross profit is not affected by this change in presentation.

An analysis of turnover from continuing operations is as follows:

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Turnover:		
Mobile value-added services and applications revenue	123,901	98,519
Advertising services revenue	28,800	22,690
e-commerce services revenue	1,649	2,617
Revenue from sales of online game	8,239	–
	<u>162,589</u>	<u>123,826</u>

4. Segmental information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services and products they provide. Each of the Group's business segments represents a strategic business unit that offers services and products which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

Continuing operations

- (a) the subscription segment engages primarily in the provision of short messaging services and other mobile value-added services and applications to mobile phone users;
- (b) the advertising segment engages primarily in the sale of online banner advertising, sponsorships and offline advertising campaigns;
- (c) the e-commerce segment engages primarily in direct mailings and online sales; and
- (d) the online games segment engages primarily in the distribution of online games.

Discontinued operation

The technology segment was engaged primarily in the sale of railway ticketing system hardware and software. Further details of the discontinued operation are set out in note 7 of this report.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of customers.

Intersegment sales and transfers are transacted with reference to the selling prices that would have been used for sales made to third parties at then prevailing market prices or at mutually agreed terms.

(a) *Business segments*

The following table presents revenue, profit/(loss) and certain assets, liability and expenditure information for the Group's business segments, from continuing operations.

Group	For the six months ended 30th June,										Consolidated		
	Subscription		Advertising		e-Commerce		Online games		Eliminations		2005	2004	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(restated)												
Segment revenue:													
Sales to external customers	123,901	98,519	28,800	22,690	1,649	2,617	8,239	-	-	-	162,589	123,826	
Intersegment sales	-	-	-	-	657	867	-	-	(657)	(867)	-	-	
Total	123,901	98,519	28,800	22,690	2,306	3,484	8,239	-	(657)	(867)	162,589	123,826	
Segment results	18,285	42,601	(6,060)	(5,827)	(908)	(1,706)	(18,868)	-	-	-	(7,551)	35,068	
Interest income and unallocated other revenue and gains											14,549	17,067	
Unallocated expenses											(6,703)	(7,649)	
Profit from continuing operations before tax and finance costs											295	44,486	
Finance costs											(1,605)	(1,380)	
Share of profit of an associate											-	44	
Profit/(loss) before tax											(1,310)	43,150	
Income tax expense											(2,578)	(60)	
Profit/(loss) for the period from continuing operations											(3,888)	43,090	
Segment Assets	758,331	569,253	40,043	103,325	2,879	35,478	79,980	-	(13,718)	(95,735)	867,515	612,321	
Unallocated Assets											833,488	1,001,925	
Total Assets											1,701,003	1,614,246	
Segment liabilities	605,952	15,012	89,689	464,509	4,892	160,139	73,145	-	(680,720)	(634,719)	92,958	4,941	
Unallocated liabilities											90,880	129,806	
Total liabilities											183,838	134,747	
Other segment information:													
Depreciation and amortisation	6,129	11,739	1,274	2,506	174	292	5,941	-	-	-	13,518	14,537	
Other non-cash expenses/(incomes), net	(506)	1,215	(140)	62	44	-	-	-	-	-	(602)	1,277	
Share option benefits	-	-	-	-	-	-	-	-	-	-	3,138	3,706	

(b) *Geographical segments*

The following table presents revenue information for the Group's geographical segments from continuing operations.

Group	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Mainland China	141,354	105,514
Hong Kong	1,001	958
Other Asian Countries*	20,234	17,354
	<hr/>	<hr/>
Total external sales	162,589	123,826
	<hr/> <hr/>	<hr/> <hr/>

* Other Asian Countries mainly from Singapore

5. Profit/(loss) from continuing operations before tax and finance costs

The Group's profit/(loss) from continuing operations before tax and finance costs is arrived at after charging/(crediting):

	Six months ended	
	30th June,	
	2005	2004
	HK\$'000	HK\$'000
		(restated)
Depreciation	4,219	3,888
Selling and distribution expenses	20,503	5,942
Amortisation of intangible assets	9,299	473
Amortisation of goodwill	-	10,176
Share option benefits	3,138	3,706
Interest income on debt securities	(11,788)	(16,490)
Other interest income	(2,761)	(577)
	<hr/>	<hr/>
	(14,549)	(17,067)
	<hr/> <hr/>	<hr/> <hr/>

6. Income tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Half-Yearly Period (six months ended 30th June, 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.

7. Discontinued operation

In view of the Group's strategy to focus its efforts and concentrate its resources to develop its MVAS and the portal businesses, the Group discontinued the operations and disposed 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. The discontinuance and disposal was completed in December 2004. Times Software was principally engaged in the sale of railway ticketing system hardware and software in Mainland China and was reported under the technology segment for the year ended 31st December, 2004.

There were no carrying amounts of the total assets and liabilities of the discontinued operation at 30th June, 2005 and 31st December, 2004, respectively.

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

	Three months ended 30th June,		Six months ended 30th June,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	-	1,027	-	2,379
Cost of sales	-	(508)	-	(1,306)
Gross profit	-	519	-	1,073
Other revenue and gains, net	-	14	-	88
Selling and distribution expenses	-	-	-	-
General and administrative expenses	-	(564)	-	(1,153)
Other operating expenses, net	-	(746)	-	(1,405)
Loss before tax and finance costs	-	(777)	-	(1,397)
Finance costs	-	-	-	-
Loss before tax	-	(777)	-	(1,397)
Income tax expense	-	-	-	-
Loss for the period	-	(777)	-	(1,397)
Loss attributable to minority interests	-	63	-	65
Loss attributable to equity holders of the Company	-	(714)	-	(1,332)
Attributable to:				
Equity holders of the Company	-	(714)	-	(1,332)
Minority interests	-	(63)	-	(65)
Loss for the period	-	(777)	-	(1,397)
Loss per share				
- Basic	-	0.02 cents	-	0.03 cents
- Diluted	-	N/A	-	N/A

9. Interim Dividend

The Board does not recommend the payment of an interim dividend for the Half-Yearly Period (six months ended 30th June, 2004: Nil).

10. Accounts receivable

An aging analysis of accounts receivable as of the balance sheet date, based on invoice date, is as follows:

	(Unaudited) 30th June, 2005 HK\$'000	(Audited) 31st December, 2004 HK\$'000
Within 90 days	43,719	47,675
91-120 days	1,667	963
121-180 days	3,770	555
Over 180 days	1,724	-
	<u>50,880</u>	<u>49,193</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are reviewed regularly by senior management.

11. Accounts payable

An aging analysis of accounts payable as of the balance sheet date, based on invoice date, is as follows:

	(Unaudited) 30th June, 2005 HK\$'000	(Audited) 31st December, 2004 HK\$'000
Within 90 days	11,892	9,599
91-120 days	699	1,431
121-180 days	729	1,691
Over 180 days	3,131	435
	<u>16,451</u>	<u>13,156</u>

12. Issued capital

	Six months ended 30th June, 2005		Twelve months ended 31st December, 2004	
	No. of shares	HK\$'000	No. of shares (Audited)	HK\$'000 (Audited)
Authorized:				
Ordinary shares of HK\$0.10 each	<u>10,000,000,000</u>	<u>1,000,000</u>	<u>10,000,000,000</u>	<u>1,000,000</u>
Issued and fully paid:				
Beginning of period/year	4,144,186,053	414,419	4,135,226,833	413,523
Exercise of share options	664,580	66	8,959,220	896
End of period/year	<u>4,144,850,633</u>	<u>414,485</u>	<u>4,144,186,053</u>	<u>414,419</u>

13. Post Balance Sheet Event

There is no significant post balance sheet event for the Half-Yearly period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover and gross profit

As of 1st January, 2005, in response to significant changes in the operation of the mobile services and applications business in Mainland China, the Group commenced recording revenues from its MVAS business on a "gross basis" (including the portion of MVAS revenue paid to mobile network operators as an addition to revenues and as an additional cost of revenues) rather than a "net basis" (excluding the portion of MVAS revenue paid to the mobile network operators). The significant changes in the operation of the mobile services and applications business in Mainland China included the following: (i) beginning in 2005, a large portion of the Group's revenues are being generated on a new transmission platform which requires direct confirmation of every service ordered by customers and makes it clear to customers that the Group is responsible for providing such services; (ii) a substantial increase in direct advertising of the Group's services; (iii) enhanced ability of the Group to select suppliers due to a shift from primarily using internally-produced content to purchasing content; and (iv) changes in mobile operators' practices such as shifting their credit risk to the Group by taking an additional percentage of revenues from the Group's arrangement with them to cover expected bad debts. The Board and the Audit Committee adopted the change in presentation after considering such changes in the operation of the mobile services and applications business in Mainland China. The change in presentation is applied effective January 2005. Because the changes in the operation of the mobile services and applications business in Mainland China had not yet occurred or materialized, comparative amounts for the corresponding periods in 2004 have not been changed, and are presented as previously reported.

Turnover for the Half-Yearly Period was HK\$162,589,000 representing a HK\$38,763,000, or 31%, increase as compared with the same period last year. The net increase was attributable to several factors, including the change in presentation of MVAS revenue to a "gross basis", as well as an increase in online game revenue of HK\$8,200,000 (due principally to the contribution of 17game which the Group commenced consolidating in December 2004) and an increase in advertising revenue from both portals and TTG of HK\$5,300,000. The change in presentation of MVAS revenue to a "gross basis" from a "net basis" resulted in an increase in MVAS revenue of HK\$38,900,000. Excluding the effect of the change in presentation, net MVAS revenue declined by HK\$13,600,000 as a result of a decrease in SMS revenue attributable to a slow down in the SMS sector due to tightened industry oversight by the mobile network operators in Mainland China since the second quarter of 2004 which decline was offset by an increase in revenues from the Group's IVR, WAP and MMS platforms.

Gross profit margin was 53% (or 70% under the net presentation) for the Half-Yearly Period, compared to 60% in the same period last year, when the gross presentation was used for MVAS revenue (or 77% under the net presentation in the same period last year). Apart from the general tightening of market regulations in the MVAS section starting from the 2nd half of 2004 which resulted in some negative impacts to the overall gross margin, the decrease in gross profit margin was mainly due to (1) the lower margin of online game business (52% for the Half Yearly Period); (2) the decline of the Group's SMS business which typically generates higher profit margins than the Group's other MVAS services and businesses and (3) the change in presentation to a "gross basis" which results in a higher revenue base to calculate gross profit margin, thereby decreasing gross profit margin.

Other revenue and gains, net

Other revenue and gains, net, fell by 15% to HK\$14,549,000 for the Half-Yearly Period, compared with HK\$17,067,000 in the corresponding period in 2004. The decrease was primarily due to a HK\$4,702,000 decrease in interest income from interest-bearing debt securities as a result of decreasing balances of debt securities after payments in connection with various acquisitions and repayments of bank loans. The decrease was offset by a HK\$2,184,000 increase in bank interest income during the Half-Yearly Period.

Selling and distribution expenses

Selling and distribution expenses increased to HK\$20,503,000 for the Half-Yearly Period, compared with HK\$5,942,000 in the corresponding period in 2004. The increase was attributable to several factors, including HK\$9,990,000 marketing and promotion expenses in connection with operating the new online game business. Besides, there were also additional expenses incurred in connection with new 2.5G products and applications (including WAP, IVR and MMS) and an increase in marketing expenses at the www.china.com portal as a result of new sponsorships.

General and administrative expenses

General and administrative expenses increased by 40% to HK\$70,887,000 for the Half-Yearly Period versus HK\$50,504,000 for the corresponding period last year. The increase was primarily due to expenses in connection with operating the Group's online game businesses amounting HK\$7,700,000 and operating on additional MVAS platforms (including WAP, IVR and MMS) amounting to HK\$5,700,000 as none of which business or platforms was in operation during the corresponding period in 2004. In addition, an increase in personnel expense as a result of an increase in headcount contributed to increased general and administrative expenses. General and administrative expenses include share option benefits in the Half-Yearly Period amounting to HK\$3,138,000 (six months ended 30th June, 2004: HK\$3,706,000) recognized in accordance with the newly adopted HKFRS 2.

Other operating expenses, net

Other operating expenses, net, decreased by about HK\$2,800,000 to HK\$9,086,000 in the Half-Yearly Period, compared to HK\$11,925,000 for the corresponding period last year. The net decrease was primarily due to a decrease in goodwill amortisation expense of HK\$10,000,000 (starting in 2005, goodwill is no longer amortised, but is subject to regular reviews for impairment) and a decrease in bad debt expenses of HK\$1,700,000. However, such decreases were offset by an increase of HK\$8,900,000 in amortisation expense of certain intangible assets for the Group's certain new online games titles for 17game as well as Go2joy MVAS business acquired in August 2004.

Share of profit of an associate

There was no share of profit of an associate during the Half-Yearly Period, compared to HK\$44,000 for the corresponding period last year. The associate was disposed of prior to 2005.

Income tax

The Group recorded a tax expense of HK\$2,578,000 in the Half-Yearly Period, compared to HK\$60,000 for the corresponding 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 7 to this report.

Minority interests

Loss shared by minority interests increased to HK\$11,561,000 in the Half-Yearly Period. The increase represented the share of loss in the Group's minority interest in 17game. The Group increased its shareholding in 17game to 36.5% during Q4 2004, and has since then started consolidating the results of 17game in accordance with Interpretation 18 "Consolidation and Equity Method – Potential Voting Rights and Allocation of Ownership Interests"/HKAS 27 "Consolidated and Separate Financial Statements" issued by the HKICPA due to the fact that the Group owns certain potential voting rights in the form of share call options in a company which controls 17game that are presently exercisable.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK\$7,673,000 in the Half-Yearly Period, compared to HK\$41,758,000 in the corresponding period last year.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group continued to be in a strong financial position with HK\$1,517,165,000 total equity (including a minority interest of HK\$16,503,000, due to adoption of HKAS 1) as at 30th June, 2005. The total equity as at 31st December, 2004 was HK\$1,522,745,000 (including a minority interest of HK\$30,670,000). Total assets amounted to HK\$1,701,003,000 as at 30th June, 2005 (compared to HK\$1,815,254,000 as at 31st December, 2004), of which HK\$268,124,000 were cash and cash equivalents (compared to HK\$390,104,000 as at 31st December, 2004) and HK\$737,451,000 were interest-bearing debt securities (compared to HK\$739,842,000 as at 31st December, 2004).

Capital structure

Except for a HK\$31,493,000 decrease in the Group's bank borrowings to HK\$85,800,000, there was no change in the capital structure of the Group as at 30th June, 2005 as compared to 31st December, 2004.

As at 30th June, 2005, the Group's bank borrowing of HK\$85,800,000 was repayable within one year. All the bank borrowings are denominated in United States Dollars.

Charges on group assets

As at 30th June, 2005, an amount of HK\$100,188,000 (31st December, 2004: HK\$137,461,000) of investments in interest-bearing securities was held by banks as collateral for securing the Group's bank borrowings of HK\$85,800,000 (31st December, 2004: HK\$117,293,000). Neither time deposits nor bank balances (31st December, 2004: nil) were pledged to banks to guarantee borrowings.

Gearing ratio

The Group's gearing ratio, representing total bank borrowings divided by total equity, decreased from 8% as at 31st December, 2004 to 6% as at 30th June, 2005. The change was due to the repayment of bank borrowings of HK\$31,493,000 during the Half-Yearly Period.

As at 30th June, 2005, the Group's net cash and investments in interest-bearing securities was HK\$919,775,000 (31st December, 2004: HK\$1,012,653,000), comprised of cash and cash equivalents of HK\$268,124,000 (31st December, 2004: HK\$390,104,000), interest-bearing debt securities of HK\$737,451,000 (31st December, 2004: HK\$739,842,000) and interest-bearing bank borrowings of HK\$85,800,000 (31st December, 2004: HK\$117,293,000).

Exposure to fluctuation in exchange rates and any related hedges

As most of the Group's monetary assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, the exchange rate risks of the Group are considered minimal. As at 30th June, 2005, no related hedges were made by the Group.

Contingent liabilities

The Internet web site address or Uniform Resources Locator (“URL”) china.com (formerly known as hongkong.com) was licensed from a related company, China Internet Corporation (“CIC”), for no fee or cost pursuant to an exclusive 20-year licensing agreement (the “Licensing Agreement”). During the year ended 31st December, 2001, the Licensing Agreement was assigned to and assumed by a fellow subsidiary, chinadotcom Strategic, Inc. (“CSI”), pursuant to a transaction whereby CSI acquired all of the rights, title and interest in the hongkong.com URL and the related intellectual property rights from CIC. CSI has informed the Group that it reserves its right to levy additional charges on the Group for the use of any intellectual property rights not otherwise covered by the Licensing Agreement.

Material acquisitions, significant investments

The Group did not make any material acquisitions or significant investments during the Half-Yearly Period.

Employee information

As at 30th June, 2005, the Group had 717 (2004: 617) full-time employees of which 17 (2004: 15) are based in Hong Kong, 660 (2004: 563) in China and 40 (2004: 39) in Singapore. The Group has introduced share option schemes to recognize the contributions of its employees to the growth of the Group. The schemes have been or will be amended from time to time to take into account changes in market conditions and the GEM Listing Rules.

BUSINESS REVIEW

In April 2005, the shareholders of the Company approved a proposal to change the Company’s name to “China.com Inc.” and adopt the Chinese name “中華網科技公司”. Concurrently with the change of the Company’s name, in April 2005 shareholders of the Company’s parent company approved a proposal to change its name from “chinadotcom corporation” to “CDC Corporation”.

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 MVAS, Internet portal and online game businesses in China, whereas the Company’s parent company has more diverse business lines (including a significant enterprise software business) and a more geographically diversified revenue and customer mix. In addition, the concurrent changes in name of the Company and its parent allows investors to more easily distinguish the Group from its parent, and helps clarify to investors that when they look to compare operations and results with other NASDAQ listed Chinese portal companies they should look to the operations and results of the Group, given its focus on the MVAS, Internet portal and online game businesses in China, rather than to the more highly diversified operations and results of the parent company.

Mobile Value Added Services

Our group MVAS business continued to experience healthy recovery from the 2004 regulatory impact. Following the positive trend from the Q1 and continuing to benefit from the transition from a SMS focused service provider to a more balanced one that offers a blend of Advanced Mobile Products, the Group's MVAS business continued to make good progress in Q2 2005 with a quarter on quarter revenue increment of 18% despite a tightened regulatory environment in 2005. In particular, the Group experienced strong growth in audio-related MVAS services as a result of promotion campaigns on various national and provincial newspapers and magazines. Accordingly, revenue generated from the IVR platform grew significantly by 49% from Q1. Our MMS revenues also increased significantly by 46% despite China Mobile Communications Corporation's ("China Mobile") requirement for us to connect to the subscriber and billing management platform (MISC) in order to deliver our MMS services during the second quarter of the year.

Starting from Q1 2005 and continued to the Q2 of the year, we noticed a resume in demand for our SMS. This further proved the fact that the implementation process of the SMS MISC commenced in Q4 2004 had stabilized and helped to cultivate a more service oriented business environment for the steady improvement of our SMS revenue. Accordingly, SMS revenue grew 13% from Q1 2005.

In Q2 2005, China Mobile continued to implement various regulatory measures including double confirmation on the WAP platform which requires WAP users to double confirm in order to subscribe for the WAP applications before billing can occur. As a result, WAP revenue declined by 3% comparing with Q1 2005 and this was partly attributable to the effects of the double confirmation requirement on the WAP platform. We believe our WAP revenue will continue to improve once consumers become accustomed to such double confirmation requirement.

Portal

In Q2, the china.com portal began to reap rewards from investments made in improved content and the commitment of additional resources in the form of increased pageviews and browsing rates. In order to increase its appeal, www.china.com portal also launched and is promoting a brand-new home page.

The portal continued to focus on its sports channel, and made significant strides in bringing top notch soccer content to the China market. During Q2, the Group made announcements that it has entered into arrangements with each of Arsenal Football Club, Liverpool Football Club and Manchester United. Under these arrangements, each of these clubs have appointed the Group as its exclusive partner and provider of Internet and MVAS services in Mainland China, and its exclusive partner and provider of Internet applications and services in the Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan. The official Chinese websites for each of these clubs will be operated, hosted and promoted by china.com portal and will be part of the worldwide

online network of each respective club. The websites will provide fans of these clubs across Greater China with the latest team news, match scores, statistics and player profiles, as well as exclusive player interviews and photo galleries. Interactive sections will include chatrooms, a video clip library, online games, downloads, an online forum and an e-shopping platform. In addition, www.china.com portal will also offer the Chinese public access to live scores, event related news, pictures, audio and video contents, downloads, ringtones and mobile games via its wireless platform through SMS, WAP, MMS and IVR.

The portal's alliance Shanghai Shenhua SVA soccer club, announced in Q1, has continued to grow during Q2 as the portal offered fans a pre-game meet-and-greet prior to every match. The portal has also benefited from the team's success in the Chinese Tournament league this season.

Representatives from the www.china.com portal attended the 2005 Chinese Science and Technology Exposition, along with representatives from several of China's other major portals. Participation in the Exposition, as well as other forums organized by the Chinese Internet Association, allows the portal to keep abreast of the latest developments in technology, content, products and services, and increases its visibility among its peers.

Media and Travel

TTG had a successful Q2 with year on year and quarter on quarter improvements in revenue and net profit. In addition to the strong advertising revenues for the quarter, TTG was successful in generating additional revenues from publishing of special projects and supplements.

During Q2, TTG achieved wins with the following associations and government agencies:

- Taiwan Visitors Association – Producing the International Taipei Fair 2005 Official Daily
- Department of Tourism, Indonesia – Producing the Official TIME 2005 Daily
- Singapore Retailers Association/Singapore Tourism Board – Producing the Great Singapore Sale Official Guide
- Beijing Xin Lu Advertising (inhouse subsidiary of China National Tourist Administration) – Appointed media partner for producing the CITM 2005 Official Directory

During Q2, TTG hosted two networking events for the travel trade, one in Singapore at M Hotel (sponsored by M Hotel and OAG) and the other in Bangkok during Thailand Travel Mart/International Travel Show (sponsored by Holiday Inn Bangkok). In addition, TTG organized one exhibition during the quarter — the Thailand Travel Mart/International Travel Show (“TTM/ITS”) at the IMPACT

Exhibition Centre in Bangkok, Thailand. This exhibition was the first time that these two travel shows were co-located as a single event. TTM is a trade event which belongs to Tourism Authority of Thailand, while ITS is a consumer travel fair owned by TTG. The TTM trade event took place during the first two days and was attended by approximately 1,300 members from the travel trade worldwide, while the consumer travel fair attracted approximately 40,000 visitors over the weekends.

Online Games

Both Droiyon and Travia, 17game's two online games continued to contribute positive cash flows during Q2. 17game also launched open beta testing of its third online game, Yulgang, during Q2. Experience gained from the operation of its two other online games assisted in the open beta test launch. As a result of strong player growth during open beta testing, 17game accelerated the commercial launch of Yulgang, and brought the game to market in mid-July 2005.

As of the date of this report, the number of concurrent players on Yulgang exceeded 160,000 at peak hours, and 17game believes that the number of concurrent players will continue to increase with additional investments into marketing, technical enhancements to the game, and increased support. The number of registered users of Yulgang has exceeded 6,000,000.

Unlike other commercial MMORPG in the PRC market that generate fees based on the time players spend in the game world, 17game has been working with the Korean game developer to adopt a different revenue model for Yulgang in which 17game does not charge players for time spent playing the game, but rather charges players for virtual game merchandise and services, such as armor, and uniforms and magical power, that players may choose to buy for the roles they are playing in the game world. 17game believes market response to this billing model is positive as demonstrated by the growth in the number of concurrent players and strong demand to purchase game point cards from distributors.

Yulgang is currently ranked as one of the most popular online games in the China market according to a online survey conducted by Baidu.com. In addition to 17game, other entities within the Group, such as the portal and MVAS business, may benefit from crossover opportunities from the success of Yulgang thorough activities like marketing and promotion and building online and wireless communities for players. During the launch of Yulgang, www.china.com portal played a significant role in marketing the game to the its users and successfully referred many users to become registered users of Yulgang. We hope to see more of such synergies developed amongst our various business properties, including the MVAS business.

We are encouraged by the momentum of Yulgang. Investment into the launch and marketing of this game in Q2 has paid off in terms of user growth and market acceptance but has negatively affected the profitability of the 17game during the quarter to the tune of more than HK\$12 million. However, with the strong point card sales since the game's commercialization in mid-July we believe we will begin to reflect financial returns from this investment in the second half of this year.

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

As of 30th June, 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*	0.08%
Yip Hak Yung, Peter	-	12,400,000	Personal/ beneficiary	0.30%
Zhou Shun Ao	2,400,000	6,000,000	Personal/ beneficiary	0.20%

* 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 at 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 30th June, 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

Associated Corporation

Long positions in Class A common shares in CDC 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	1,366,667	Personal/ beneficiary	2.05%
Chan Kai Yu, Rudy	–	149,765	Personal/ beneficiary	0.14%
Yip Hak Yung, Peter	16,060,686	2,981,442	Interest of children or spouse*	17.14%
Yip Hak Yung, Peter	–	90,000	Personal/ beneficiary	0.08%
Zhou Shun Ao	–	99,000	Personal/ beneficiary	0.09%
Keith Geoffrey Oliver	–	250,000	Personal/ beneficiary	0.23%

* 11,835,686 Class A common shares and 2,981,442 share options were held under the name of Asia Pacific Online Limited (“APOL”). APOL is owned by the spouse of Mr. Yip Hak Yung, Peter and a trust established for the benefit of Mr. Yip’s spouse and his children. 4,225,000 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 30th June, 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
	27th April, 2005	27th July, 2005 to 26th April, 2015	2.6860	250,000
Chan Kai Yu, Rudy	15th November, 1999	25th November, 2000 to 14th November, 2009	14.5000	38,000
	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 June, 2005
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	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 18th August, 2014	4.330	212,000

* These share options were granted to APOL.

Except as disclosed above, as at 30th June, 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 30th June, 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	81.11%

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, the ultimate holding company of the Company. Each of chinadotcom Mobile Interactive Corporation and CDC Corporation are deemed to be interested in the 3,361,828,000 shares in the Company under the SFO.

Except as disclosed above, as at 30th June, 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.

SHARE OPTION SCHEMES

(a) Pre-IPO Share Option Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options		
			At 1st Jan, 2005	Lapsed during the period	At 30th June, 2005
Directors					
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000	-	10,000,000
Chan Kai Yu, Rudy	9th March, 2000	1.880	60,000,000	-	60,000,000
Chou Kei Fong, Silas	9th March, 2000	1.880	1,000,000	-	1,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000	-	1,000,000
Yip Hak Yung, Peter	9th March, 2000	1.880	6,000,000	-	6,000,000
Zhou Shun Ao	9th March, 2000	1.880	6,000,000	-	6,000,000
Employees					
In aggregate	9th March, 2000	1.880	12,920	-	12,920
Other Eligible Persons					
In aggregate	9th March, 2000	1.880	11,040,540	(61,300)	10,979,240
			<u>95,053,460</u>	<u>(61,300)</u>	<u>94,992,160</u>

(b) Post-IPO Share Option Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options			
			At 1st Jan, 2005	Exercised during the period	Lapsed during the period	At 30th June, 2005
Directors						
Ch'ien Kuo Fung, Raymond	10th April, 2001	0.286	3,000,000	-	-	3,000,000
Chan Kai Yu, Rudy	5th October, 2000	0.582	10,000,000	-	-	10,000,000
	10th April, 2001	0.286	15,000,000	-	-	15,000,000
Chou Kei Fong, Silas	10th April, 2001	0.286	600,000	-	-	600,000
Wong Sin Just	10th April, 2001	0.286	600,000	-	-	600,000
Yip Hak Yung, Peter	10th April, 2001	0.286	2,400,000	-	-	2,400,000
Zhou Shun Ao	10th April, 2001	0.286	600,000	(600,000)	-	-
Other employees						
In aggregate	18th August, 2000– 28th March, 2002	0.286 – 0.870	1,899,108	(32,290)	(32,290)	1,834,528
Others						
In aggregate	29 June, 2000	1.176	129,160	-	(129,160)	-
	28th February, 2002	0.347	219,580	-	(77,500)	142,080
			<u>34,447,848</u>	<u>(632,290)</u>	<u>(238,950)</u>	<u>33,576,608</u>

(c) 2002 Share Option Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	At 1st Jan, 2005	Number of share options			At 30th June, 2005
				Granted during the period	Exercised during the period	Lapsed during the period	
Directors							
Ch'ien Kuo Fung, Raymond	5th June, 2003	0.626	4,000,000	-	-	-	4,000,000
Chan Kai Yu, Rudy	5th June, 2003	0.626	4,000,000	-	-	-	4,000,000
Chou Kei Fong, Silas	5th June, 2003	0.626	1,000,000	-	-	-	1,000,000
Wong Sin Just	5th June, 2003	0.626	2,500,000	-	-	-	2,500,000
Yip Hak Yung, Peter	5th June, 2003	0.626	4,000,000	-	-	-	4,000,000
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000	-	-	-	2,000,000
Other employees							
In aggregate	19th August, 2002	0.200	129,156	-	-	(51,660)	77,496
	24th February, 2003	0.171	145,305	-	(32,290)	(25,830)	87,185
	29th May, 2003	0.716	322,900	-	-	(51,660)	271,240
	5th June, 2003	0.626	300,000	-	-	-	300,000
	22nd December, 2003	0.634	219,560	-	-	-	219,560
	7th September, 2004	0.510	24,490,820	-	-	-	24,490,820
	26th November, 2004	0.528	671,660	-	-	(245,420)	426,240
Others							
In aggregate	29th May, 2003	0.716	90,420	-	-	-	90,420
	5th June, 2003	0.626	9,950,000	-	-	(1,000,000)	8,950,000
			<u>53,819,821</u>	<u>-</u>	<u>(32,290)</u>	<u>(1,374,570)</u>	<u>52,412,961</u>

(a) Pre-IPO Share Option Scheme

As at 30th June, 2005, 94,992,160 share options granted under the Pre-IPO Share Option Scheme to subscribe for shares in the Company at an exercise price of HK\$1.880 for each share (granted on 9th March, 2000) were outstanding. Details of the grants of Pre-IPO share options to the Directors are set out in the previous section headed "INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" in this report. No share options have been granted during the Half-Yearly Period under the Pre-IPO Share Option Scheme as the right to grant additional options under this scheme was terminated upon listing of the Company on GEM.

Details of the share options outstanding under the Pre-IPO Share Option Scheme during the Half-Yearly Period are set out in the table of Pre-IPO Share Option Scheme.

During the Half-Yearly Period, no share options granted under the Pre-IPO Share Option Scheme have been exercised or cancelled. 61,300 share options were lapsed following the cessation of employment of certain grantees.

(b) Post-IPO Share Option Scheme

As at 30th June, 2005, 33,576,608 share options granted under the Post-IPO Share Option Scheme to subscribe for shares in the Company at a range of exercise price between HK\$0.286 to HK\$0.870 for each share were outstanding. Details of grants of Post-IPO share options to the Directors are set out in the previous section headed "INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" in this report. The Post-IPO Share Option Scheme was terminated on 30th April, 2002 and replaced by the 2002 Share Option Scheme. Accordingly, no share options have been granted during the Half-Yearly Period under the Post-IPO Share Option Scheme.

Details of the share options outstanding under the Post-IPO Share Option Scheme during the Half-Yearly Period are set out in the table of Post-IPO Share Option Scheme.

During the Half-Yearly Period, 600,000 and 32,290 share options granted under the Post-IPO Share Option Scheme were exercised at an exercise of HK\$0.286 per share and HK\$0.326 per share respectively. The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.435. 238,950 share options were lapsed following the cessation of employment of certain grantees. During the Half-Yearly Period, no share options granted under the Post-IPO Share Option Scheme have been cancelled.

(c) 2002 Share Option Scheme

As at 30th June, 2005, 52,412,961 share options granted under the 2002 Share Option Scheme to subscribe for shares in the Company at a range of exercise price between HK\$0.171 to HK\$0.716 for each share were outstanding. Details of grants under the 2002 Share Option Scheme to the Directors are set out in the previous section headed "INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS" in this report.

Details of the share options outstanding under the 2002 Share Option Scheme during the Half-Yearly Period are set out in the table of 2002 Share Option Scheme.

During the Half-Yearly Period, an aggregate of 32,290 share options granted under the 2002 Share Option Scheme were exercised at an exercise price of HK\$0.171 per share. The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$0.475. 1,374,570 share options were lapsed following the cessation of employment of certain grantees. No share options have been granted or cancelled.

All the above outstanding options granted under each of the Pre-IPO Scheme, Post-IPO Scheme and 2002 Share Option Scheme may be exercised in accordance with the terms of the respective schemes at any time during the period commencing from one year after the date of grant of the share options to the year ending 10 years after the date of grant of the share options. The share options vest over a period of 4 years.

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 Half-Yearly 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.

SECURITIES TRANSACTIONS BY DIRECTORS

During the Half-Yearly Period, the Company has not adopted a code of conduct regarding the directors' securities transactions. Having made specific enquiry of all directors of the Company, all directors of the Company confirmed that they have complied with, or they are not aware of any non-compliance with, the required standard as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied throughout the Half-Yearly Period with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

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, 12th August, 2005

Mr. Yip Hak Yung, Peter, an executive director of the Company, has been re-designated as a non-executive director with effect from 7th February, 2005. Mr. Wang Xiaohui and Mr. Zhou Shun Ao have resigned as executive directors of the Company both with effect from 28th July, 2005. Mr. Lam Kwok Tai, Anthony has been appointed as an executive director and Mr. Fang Xin has been appointed as a non-executive director of the Company both with effect from 28th July, 2005.

As at the date of this report, the executive directors of the Company are Dr. Ch'ien Kuo Fung, Raymond, Mr. Chan Kai Yu, Rudy, Mr. Lam Kwok Tai, Anthony and Mr. Keith Geoffrey Oliver, the non-executive directors are Mr. Yip Hak Yung, Peter and Mr. Fang Xin, the independent non-executive directors are Mr. Wong Sin Just, Mr. Chou Kei Fong, Silas, Mr. Wang Cheung Yue, Fred and Mr. Chia Kok Onn.