



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

CDC Corporation

THIRD QUARTERLY 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 pleased to report that China.com Inc. and its subsidiaries (collectively the "Group") made excellent progress and achieved its 22nd consecutive quarter of profitability for the quarterly period just ended on 30th September, 2005. The success of our online game "Yulgang" began to reflect its positive revenue contribution from this quarter.

Some of our financial and business highlights for the three months ended 30th September, 2005 include:

- Turnover was HK\$108 million, an increase of 24% when compared to Q2 2005
- Gross profit was HK\$62 million, up by 38% from HK\$45 million in Q2 2005
- Net profit was HK\$5 million when compared to HK\$2 million in Q2 2005, representing a growth of 143%
- Revenue of our online game division generated by our three online game titles reached almost HK\$16 million. Peak concurrent users of "Yulgang" surged to a record high of over 250,000
- Double digit percentage sequential revenue growth of our MVAS division for the third consecutive quarter
- Announced plans to establish an American Depository Receipt program on the NASDAQ market
- Announced a share buy-back program on 31st October, 2005
- Continued to be operating cash flow positive and maintained a strong balance sheet position with over HK\$910 million in net cash and cash equivalents

Our online game "Yulgang" opened its online store on 15th July, 2005 with great fanfare and market anticipation. "Yulgang" initiated a distinctive revenue model for MMORPGs in China by generating revenue through selling value-added virtual merchandise and services, rather than charging game users for time spent. The game has been recognized as one of the popular games in China. For the three months ended 30th September, 2005, the revenue of "Yulgang" reached HK\$11 million with an average month-on-month growth rate of more than 60% and with over 1 million items sold during its first quarter of commercialization. Its online traffic surged to a record high with peak concurrent users exceeding 250,000. The Group plans to expand further in this sector and have established CDC Games as a holding company for all of its current and future game assets.

We have seen the third consecutive quarter of sequential revenue growth for our MVAS division. Our efforts of cross selling into the various customer groups of the Group as well as further expansion in new customer acquisitions have paid off and helped us achieve success even in an increasingly competitive marketplace.

Our china.com portal continued to strengthen its role as a strategic foundation for the Group. During the quarter ended 30th September, 2005, many improvements have been made to the portal, including the launch of a new BBS system as well as the development of a BLOG system. The team was extremely busy preparing for China's 10th National Game, which was successfully concluded in October 2005.

On 29th September, 2005, the Group announced plans to establish an American Depository Receipt program in the NASDAQ market. We will keep you updated on the progress of this program as it develops.

Rudy Chan
Chief Executive Officer

Hong Kong, 11th November, 2005

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30th September 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 nine months ended 30th September, 2005

	Notes	Three months ended 30th September,		Nine months ended 30th September,	
		2005 HK\$'000	2004 HK\$'000 (restated)	2005 HK\$'000	2004 HK\$'000 (restated)
Continuing operations					
Turnover	3	108,170	59,848	270,759	183,674
Cost of sales		(46,405)	(16,647)	(122,772)	(44,683)
Gross profit		61,765	43,201	147,987	138,991
Other revenue and gains, net		6,503	7,702	21,052	24,769
Selling and distribution expenses		(13,622)	(3,309)	(34,125)	(9,251)
General and administrative expenses		(42,018)	(25,742)	(112,905)	(76,246)
Other operating expenses, net		(6,495)	(6,841)	(15,581)	(18,766)
Profit from continuing operations before tax and finance costs		6,133	15,011	6,428	59,497
Finance costs		(798)	(557)	(2,403)	(1,937)
Share of profit of an associate		-	-	-	44
Profit before tax		5,335	14,454	4,025	57,604
Income tax income/(expense)	4	(1,453)	88	(4,031)	28
Profit/(loss) for the period from continuing operations		3,882	14,542	(6)	57,632
Discontinued operation					
Loss for the period from discontinued operation	5	-	(5,641)	-	(7,038)
Profit/(loss) for the period		3,882	8,901	(6)	50,594
Loss attributable to minority interests		1,092	158	12,653	223
Profit attributable to equity holders of the Company		4,974	9,059	12,647	50,817
Attributable to:					
Profit attributable to equity holders of the Company		4,974	9,059	12,647	50,817
Loss attributable to minority interests		(1,092)	(158)	(12,653)	(223)
Profit/(loss) for the period		3,882	8,901	(6)	50,594
Earnings per share for profit attributable to equity holders of the Company					
	6	HK cents	HK cents	HK cents	HK cents
- Basic for profit from continuing operations		0.12	0.35	0.31	1.39
- Basic for profit for the period		0.12	0.22	0.31	1.23
- Diluted for profit from continuing operations		0.12	0.35	0.30	1.39
- Diluted for profit for the period		0.12	0.22	0.30	1.23

Notes:

1. Basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards 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 consolidated 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 consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial 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 Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by HKICPA 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 September 2005, which are pertinent to its operations and have had significant effect on these unaudited consolidated 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 instruments. 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 consolidated 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 nine months ended 30th September, 2004 and 30th September, 2005 decreased by HK\$4,228,000 and HK\$4,272,000, respectively due to the changes 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 the 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 transitional 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 the goodwill balance.

Due to the adoption of certain new HKFRSs during the Nine-Month Period, the accounting treatment and presentation of certain items and balances in the unaudited consolidated 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 Nine-Month Period by the same amount of HK\$62,400,000, representing the revenue paid to the mobile operators during the Nine-Month Period. Hence, gross profit is not affected by this change in presentation.

4. 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 and Nine-Month Period and the corresponding periods in 2004.

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

5. 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.

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

	Three months ended 30th September,		Nine months ended 30th September,	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	-	917	-	3,296
Cost of sales	-	(671)	-	(1,977)
Gross profit	-	246	-	1,319
Other revenue and gains, net	-	5	-	93
Selling and distribution expenses	-	-	-	-
General and administrative expenses	-	(526)	-	(1,679)
Other operating expenses, net	-	(5,366)	-	(6,771)
Loss before tax and finance costs	-	(5,641)	-	(7,038)
Finance costs	-	-	-	-
Loss before tax	-	(5,641)	-	(7,038)
Income tax expense	-	-	-	-
Loss for the period	-	(5,641)	-	(7,038)
Loss attributable to minority interests	-	158	-	223
Loss attributable to equity holders of the Company	-	(5,483)	-	(6,815)
Loss per share				
- Basic	-	0.13 cents	-	0.16 cents
- Diluted	-	N/A	-	N/A

6. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on profit attributable to the ordinary equity holders of the Company for the Quarterly Period and Nine-Month Period of HK\$4,974,000 and HK\$12,647,000 (three months ended and nine months ended 30th September, 2004: HK\$9,059,000 and HK\$50,817,000, respectively) and the weighted average number of 4,150,896,511 and 4,146,513,498 (three months ended and nine months ended 30th September, 2004: 4,137,117,199 and 4,136,334,002, respectively) ordinary shares in issue during the Quarterly Period and Nine-Month Period, respectively.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended and nine months ended 30th September, 2005 and 2004 were based on:

	Three months ended 30th September, 2005		Nine months ended 30th September, 2005	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings				
Profit for the period from continuing operations attributable to equity holders of the Company	<u>4,974</u>	<u>14,542</u>	<u>12,647</u>	<u>57,632</u>
Share				
	Number of shares			
	Three months ended 30th September, 2005		Nine months ended 30th September, 2005	
		2004		2004
Weighted average number of ordinary shares in issue during the period used in basic earnings per share calculation	<u>4,150,896,511</u>	<u>4,137,117,199</u>	<u>4,146,513,498</u>	<u>4,136,334,002</u>
Weighted average number of ordinary shares assumed issued at no consideration on the deemed exercise of all share options outstanding during the period	<u>2,903,438</u>	<u>4,557,065</u>	<u>2,770,135</u>	<u>11,758,731</u>
Weighted average number of ordinary shares in issue during the period used in diluted earnings per share calculation	<u>4,153,799,949</u>	<u>4,141,674,264</u>	<u>4,149,283,633</u>	<u>4,148,092,733</u>

7. 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 2)	-	-	-	-	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	815	-	-	-	-	-	-	815
Share issue expenses	(19)	-	-	-	-	-	-	(19)
Share option benefits	-	-	-	-	4,228	-	-	4,228
Investment revaluation reserve released on disposals	-	-	(1,103)	-	-	-	-	(1,103)
Deficit on revaluation	-	-	(1,246)	-	-	-	-	(1,246)
Exchange realignment	-	-	-	-	-	96	-	96
Net profit for the period	-	-	-	-	-	-	50,817	50,817
At 30th September, 2004	<u>914,934</u>	<u>(31,193)</u>	<u>(5,696)</u>	<u>8,415</u>	<u>8,818</u>	<u>(147)</u>	<u>180,588</u>	<u>1,075,719</u>
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 2)	-	-	-	-	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	4,020	-	-	-	-	-	-	4,020
Share issue expenses	(13)	-	-	-	-	-	-	(13)
Share option benefits	-	-	-	-	4,272	-	-	4,272
Deficit on revaluation	-	-	(7,887)	-	-	-	-	(7,887)
Exchange realignment	-	-	-	-	-	4,477	-	4,477
Net profit for the period	-	-	-	-	-	-	12,647	12,647
At 30th September, 2005	<u>920,215</u>	<u>(31,193)</u>	<u>(16,389)</u>	<u>9,833</u>	<u>14,907</u>	<u>4,711</u>	<u>193,088</u>	<u>1,095,172</u>

8. Interim dividend

The Board does not recommend the payment of an interim dividend for the Quarterly Period and the Nine-Month Period and the corresponding periods in 2004.

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 Nine-Month Period was HK\$270,759,000 representing a HK\$87,085,000, or 47%, 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\$23,800,000 (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\$6,300,000. The change in presentation of MVAS revenue to a "gross basis" from a "net basis" resulted in an increase in MVAS revenue of HK\$62,400,000. Excluding the effect of the change in presentation, net MVAS revenue declined by HK\$3,700,000 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.

Turnover for the Quarterly Period was HK\$108,170,000 representing a HK\$20,900,000, or 24% increase as compared with Q2 2005. Such increase was primarily attributable to (1) an increase of HK\$13,100,000 in online game revenue; and (2) increase in 2.5G MVAS revenues from MMS, IVR and WAP amounting to HK\$4,600,000, HK\$8,800,000 and HK\$3,100,000 respectively, despite of a decrease in SMS revenue. The Group has built a more balanced and diversified revenue mix with SMS revenue, 2.5G MVAS revenue and online game revenue accounting for 28%, 42% and 15% respectively of the total Q3 2005 revenue, compared to 42%, 34% and 3% in Q2 2005.

Gross profit margin was 55% (or 71% under the net presentation for MVAS revenue) for the Nine-Month Period, compared to 76% when the net presentation was used for MVAS revenue 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 profit margin, the decrease in gross profit margin was mainly due to (1) the lower margin of online game business (59% for the Nine-Month 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\$21,052,000 for the Nine-Month Period, compared with HK\$24,769,000 in the corresponding period in 2004. The decrease was primarily due to a HK\$6,495,000 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\$2,778,000 increase in bank interest income during the Nine-Month Period.

Selling and distribution expenses

Selling and distribution expenses increased to HK\$34,125,000 for the Nine-Month Period, compared with HK\$9,251,000 in the corresponding period in 2004. The increase was attributable to several factors, including HK\$12,460,000 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 sports initiatives and sponsorships.

General and administrative expenses

General and administrative expenses increased by 48% to HK\$112,905,000 for the Nine-Month Period versus HK\$76,246,000 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\$12,000,000 and operating on additional MVAS platforms (including WAP, IVR and MMS) as none of which business or platform was in large-scale 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 expenses in the Nine-Month Period amounting to HK\$4,272,000 (nine months ended 30th September, 2004: HK\$4,228,000) recognized in accordance with the newly adopted HKFRS 2.

Other operating expenses, net

Other operating expenses, net, decreased by about HK\$3,185,000 to HK\$15,581,000 in the Nine-Month Period, compared to HK\$18,766,000 for the corresponding period last year. The net decrease was primarily due to a decrease in goodwill amortisation expense of HK\$16,300,000 (starting from 2005, goodwill is no longer amortised, but is subject to regular reviews for impairment) and a decrease in bad debt expenses of HK\$1,800,000. However, such decreases were offset by an increase of HK\$14,700,000 in amortisation expenses of certain intangible assets for the Group's online games titles managed by 17game as well as Go2joy MVAS business acquired in August 2004.

By the end of the year, we will conduct an annual test for impairment of assets according to HKAS 36 "Impairment of Assets".

Share of profit of an associate

There was no share of profit of an associate during the Nine-Month 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\$4,031,000 in the Nine-Month Period, compared to a tax income of HK\$28,000 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 to 2007, this MVAS operation is entitled to a 50% tax exemption only.

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 5 to this report.

Minority interests

Loss shared by minority interests increased to HK\$12,653,000 in the Nine-Month 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. In Q3 2005, the Group further increased its shareholding in 17game to 48%.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK\$12,647,000 in the Nine-Month Period, compared to HK\$50,817,000 in the corresponding period last year.

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 Mainland 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

The overall revenue of our MVAS business has experienced steady improvement over that of Q2. The quarter-on-quarter growth rates of our MMS, IVR and WAP services were 80%, 61% and 27% respectively. The Q3 growth trend over Q2 was a continuation of growth re-vitalization plan we had executed at the beginning of the year. The plan involved reorganization of our existing products and sales structure with sharper focus on products and marketing support in more provinces, coupled with spreading out our reach to more customer acquisition channels and network operators. As a result, we have achieved our third consecutive quarter-to-quarter MVAS revenue growth this year, despite an increasingly more competitive market.

One of the successful strategies the MVAS business has adopted during the Quarterly Period was the increasing level of more targeted cross-selling to selected customer groups across various product platforms. This targeted strategy has resulted in an increased ranking of some of our key WAP products on the CMCC WAP product listings.

As part of its ongoing initiatives, the Group has made tremendous efforts on the collaboration with handset vendors to embed its services and products into mobile phones in order to broaden its reach to potential subscribers. During the quarter, more products were contracted to embed in handsets from major vendors including Motorola, Bird, TCL, Sony Ericsson, KONKA, DBTel, BENQ and Lenovo.

In addition, the Group has continued to expand its geographical reach at the provincial level. As of the end of the third quarter, we partnered with China Mobile, China Unicom, China Netcom and China Telecom to provide PHS, CRBT, WAP and IVR services in over 20 provinces. This resulted in better quality of services and a higher sign-up rate for subscribers and new services. In addition to the 32 connectivity to local SMS platforms, we have todate connected to 17 local CRBT platforms, 22 local WAP portals, 18 local IVR platforms, and 9 Xiaolingtong platforms.

The overall environment in MVAS business has marked an obvious improvement over the same period last year. In this more regulated environment, we are able to provide better quality services in a more transparent ambience. The key growth drivers of the third quarter such as 2.5G, namely WAP and MMS and audio-related products, IVR are expected to continue to make meaningful contribution to our overall revenue.

Online Games

Our latest online game title Yulgang, opened its online store in mid-July this year, has proven to be one of the hottest new games in the market. The latest number of concurrent players for Yulgang exceeded 250,000 at peak hours. The number of registered users of Yulgang has exceeded 10 million.

Unlike other commercial MMORPGs in the PRC market that generate fees based on the time players spent in the game world, we have been working with the Korean game developer to adopt a different revenue model for Yulgang in which we do not charge players for time spent playing the game, but rather charges players for virtual game merchandise and services, such as armor, uniforms and magical power, that players may choose to buy for the roles they are playing in the game world. This billing model has proven to be successful as demonstrated by the continuous increase in the number of paying players.

Since the commercial launch, Yulgang has been consistently ranked as one of the most popular new online games in the PRC market. We are pleased with the promising results of Yulgang.

In addition to Yulgang, the other two online games, Droiyang and Travia, continued to contribute strong revenue during this quarter. The gross profits contributed by these two online games have increased significantly when compared with the second quarter.

Portal

During the quarterly period, the china.com portal continued to invest in content improvement and had made specific progress in the application of new technologies. In September 2005, the portal had completely revamped the BBS system in www.china.com. As the forum in the military channel of the china.com portal is the biggest BBS of its kind in China, such new revamp of the BBS received much enthusiasm and praises from users.

In addition, china.com portal's BLOG system was also launched and the XML web pages were also under intense development. At the same time, demo pages that can be viewed through RSS browsers had passed internal testings. All of these developments were designed to satisfy users' demand for customized and individualized content.

The china.com portal also held launching ceremonies for Arsenal and Liverpool football clubs' official Chinese websites in Guangzhou, with active participation and coverage by local media. Content from the Manchester United, Arsenal and Liverpool official Chinese websites has not only enriched www.china.com's sports verticals, but also attracted more of our younger male core viewers and broadened our users age group. As a prelude to the official opening of the 10th National Game of China, an online torch relay was held alongside the traditional torch relay. The opening ceremony of the online torch relay was successfully held at the State Administration of Sports and the event was well covered by local and national media.

Media and Travel

TTG continued to achieve good performance in Q3 with better year on year results. In addition, TTG's profitability for Q3 has increased significantly compared to Q2. Such good performance was attributed to the better than expected contribution from special projects during the quarter. These special projects included the printing and production of Great Singapore Sale Official Guide, TTGmice Planner and the publishing of daily newspapers at major travel trade events across Asia.

During Q3, TTG managed to secure contracts from the following associations and government agencies for the coming year:

1. Pacific Asia Travel Association (PATA) – to produce and publish the PATA Annual Conference 2006 Official Daily in Pattaya.
2. Philippines Department of Tourism – to manage ASEAN Tourism Forum 2006 in January 2006 on behalf of the government of Philippines who is the host country.

During the quarter, TTG hosted three networking functions to promote its services, one in Jogjakarta, Indonesia and two in Kuala Lumpur, Malaysia. In addition, TTG organized one successful event during the quarter – DM Asia 2005 at Meritus Mandarin Hotel, Singapore. The partnership with Gifts Association of Singapore had helped to attract twice the number of visitors to this event compared to the previous year.

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

As of 30th September, 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	74,000,000	Personal/beneficiary	1.86%
Chia Kok Onn	–	2,500,000	Personal/beneficiary	0.06%
Chou Kei Fong, Silas (resigned on 3rd October, 2005)	–	3,600,000	Personal/beneficiary	0.09%
Lam Kwok Tai, Anthony (resigned on 29th August, 2005)	200,000	1,680,000	Personal/beneficiary	0.05%
Wang Cheung Yue, Fred	–	6,000,000	Personal/beneficiary	0.14%
Wang Xiaohui (resigned on 28th July, 2005)	–	1,000,000	Personal/beneficiary	0.02%
Wong Sin Just	–	5,100,000	Personal/beneficiary	0.12%
Yip Hak Yung, Peter	10,054,000	–	Corporate [#]	0.24%
Yip Hak Yung, Peter	–	12,400,000	Personal/beneficiary	0.30%
Zhou Shun Ao (resigned on 28th July, 2005)	–	6,000,000	Personal/beneficiary	0.14%

[#] *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 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 September, 2005
Ch'ien Kuo Fung, Raymond*	9th March, 2000	1.880	10,000,000
	10th April, 2001	0.286	3,000,000 (note 1)
	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	– (note 2)
	5th June, 2003	0.626	4,000,000
Chia Kok Onn	15th September, 2005	0.560	2,500,000
Chou Kei Fong, Silas (resigned on 3rd October, 2005)	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	600,000
	5th June, 2003	0.626	1,000,000
	15th September, 2005	0.560	1,000,000
Lam Kwok Tai, Anthony (resigned on 29th August, 2005)	9th March, 2000	1.880	180,000
	5th June, 2003	0.626	1,500,000
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000
	15th September, 2005	0.560	4,000,000
Wang Xiaohui (resigned on 28th July, 2005)	15th September, 2005	0.560	1,000,000
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
	15th September, 2005	0.560	1,000,000
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 (resigned on 28th July, 2005)	9th March, 2000	1.880	6,000,000

* On 10th October, 2005, 4 million share options were granted at an exercise price of HK\$0.630 to each of Dr. Ch'ien Kuo Fung, Raymond, Mr. Chan Kai Yu, Rudy and Mr. Yip Hak Yung, Peter and 1 million share options were granted at an exercise price of HK\$0.630 to Mr. Fang Xin.

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 annually over a period of four years.

Notes:

1. Dr. Ch'ien Kuo Fung, Raymond exercised 3 million share options at an exercise price of HK\$0.286 each on 5th October, 2005.
2. Mr. Chan Kai Yu, Rudy exercised 5 million and 10 million share options at an exercise price of HK\$0.286 each on 17th August, 2005 and 31st August, 2005 respectively.

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%
Chia Kok Onn	–	185,000	Personal/beneficiary	0.17%
Lam Kwok Tai, Anthony (resigned on 29th August, 2005)	1,000	144,000	Personal/beneficiary	0.13%
Keith Geoffrey Oliver (resigned on 31st October, 2005)	–	250,000	Personal/beneficiary	0.23%
Yip Hak Yung, Peter	16,149,065	3,081,442	Interest of children or spouse [†]	17.30%
Yip Hak Yung, Peter	–	90,000	Personal/beneficiary	0.08%
Zhou Shun Ao (resigned on 28th July, 2005)	–	99,000	Personal/beneficiary	0.09%

[†] 11,835,686 Class A common shares and 3,081,442 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. 4,313,379 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 September, 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 (note 1)
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 September, 2005
Chia Kok Onn	1st September, 2005	1st September, 2005 to 31st August, 2015	2.9760	50,000
	1st September, 2005	1st September, 2006 to 31st August, 2015	2.9760	35,000
	15th September, 2005	15th September, 2005 to 14th September, 2015	2.9940	50,000
	15th September, 2005	15th December, 2005 to 14th September, 2015	2.9940	50,000
Lam Kwok Tai, Anthony (resigned on 29th August, 2005)	16th September, 1999	16th September, 2000 to 15th September, 2009	11.4219	31,000
	29th July, 2000	16th March, 2001 to 28th July, 2010	15.7500	6,000
	11th October, 2002	11th January, 2003 to 10th October, 2012	1.9500	2,500
	18th January, 2003	18th January, 2003 to 17th January, 2013	2.7700	12,500
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	15,000
	16th June, 2003	2nd December, 2003 to 15th June, 2013	5.1600	5,000
	11th December, 2003	1st July, 2004 to 10th December, 2013	7.4300	22,000
	3rd May, 2004	3rd May, 2005 to 2nd May, 2014	6.7300	50,000
Keith Geoffrey Oliver (resigned on 31st October, 2005)	28th January, 2004	28th January, 2005 to 27th January, 2014	11.7500	38,000
	19th August, 2004	19th February, 2005 to 18th August, 2014	4.3300	212,000

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options outstanding as at 30th September, 2005
Yip Hak Yung, Peter (note 2)	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*
	15th September, 2005	15th September, 2005 to 14th September, 2015	2.9940	50,000*
	15th September, 2005	15th December, 2005 to 14th September, 2015	2.9940	50,000*
* These share options were granted to APOL.				
Zhou Shun Ao (resigned on 28th July, 2005)	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

Notes:

1. 187,500 share options granted to Dr. Ch'ien Kuo Fung, Raymond on 27th April, 2005 at an exercise price of US\$2.6860 were cancelled on 31st October, 2005.
2. 45,000 share options were granted to APOL on 24th October, 2005 at an exercise price of US\$3.2100 share with an exercise period from 24th October, 2006 to 23rd October, 2015. As at 7th November, 2005, Mr. Yip Hak Yung, Peter's spouse held 4,299,379 Class A common shares.
3. 90,000 share options were granted to Mr. Wang Cheung Yue, Fred on 24th October, 2005 at an exercise price of US\$3.2100 with an exercise period from 24th October, 2006 to 23rd October, 2015.

Except as disclosed above, as at 30th September, 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 September, 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	80.77%

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 September, 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 Nine-Month Period.

On 31st October, 2005, the Company announced that the Board has approved a share repurchase program to buyback up to HK\$100 million of the Company's shares from the market.

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.

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 (ceased to be a member on 3rd October, 2005), 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.

By Order of the Board
Chan Kai Yu, Rudy
Executive Director

Hong Kong, 11th November, 2005

As at the date of this report, the executive director of the Company is Mr. Chan Kai Yu, Rudy, the non-executive directors are Dr. Ch'ien Kuo Fung, Raymond, Mr. Yip Hak Yung, Peter, Mr. Fang Xin, the independent non-executive directors are Mr. Wong Sin Just, Mr. Wang Cheung Yue, Fred and Mr. Chia Kok Onn.