



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

Interim Report 2017

**China.com Inc.**

[Incorporated in the Cayman Islands with limited liability]

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This report, for which the Directors (the “Directors”) of China.com Inc. (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.*

## **CHAIRMAN'S STATEMENT**

During the second quarter, our Portal maintained robust growth while our Mobile Value Added Service (MVAS) continue to be impacted by previously announced industry-wide regulatory changes.

Here are some financial and business highlights for the three months ended 30th June, 2007:

- Revenue was HK\$48 million, down 47% year-on-year but up 14% quarter-on-quarter.
- Gross profit was HK\$27 million, down 46% year-on-year but up 25% quarter-on-quarter.
- Profit attributable to equity holders was HK\$3.8 million, turnaround from a loss attributable to equity holders of HK\$3.7 million in Q1 2007.
- Balance sheet position remains strong, with approximately HK\$1.3 billion in net cash and available-for-sale investments.
- Further expanded strategic partnership with Google in search and advertisement services to provide better search experiences for Internet users in China.

As previously announced, we believe that the regulatory environment for the MVAS industry will continue to be challenging and we foresee conditions to remain difficult for the entire MVAS sector over the next few quarters. However, we remain confident about the long term future of the industry and our Mobile Value Added Services. We continue to work hard to explore various strategies to achieve long term growth. These strategies include: 1) Continue to move further upstream into the content provider segment of the business. 2). Continue to launch popular mobile games. 3) Develop mobile applications for enterprises and government offices in China.

As a milestone in moving further upstream into the content provider segment of the business, we have established a strategic relationship with BBMF Inc, a market leader in 3G content in Japan. BBMF has the license to publish mobile versions of more than 1,300 comic titles by 470 authors, and it also has a popular mobile online game site. This strategic relationship will position us for 'first-mover advantage' in the 3G market in China, which continues to be the largest and fast growing mobile market in the world.

In addition, in April 2007, we entered into a mobile content agreement with Jiangsu Wuxi Mobile, a subsidiary of China Mobile. The carrier will pay the Group for the mobile content as well as the content delivery. Expanding on the successful cooperation, we have subsequently entered into another WAP (Wireless Application Protocol) content contract with Jiangsu Wuxi Mobile. The two companies are continuously exploring new cooperation opportunities.

To further broaden marketing channels for our portfolio of mobile contents, we entered into a contract with China Unicom, the second largest mobile operator in China with more than 140 million mobile subscribers. Under the contract, China Unicom will issue 6 million new SIM (Subscriber Identity Module) card with embedded link to CDC Mobile's portfolio of mobile contents and services, significantly simplifies mobile subscribers' browsing and subscription process.

We are one of the first movers in mobile gaming arena in China, and currently provide dozens mobile games over various technical platforms including WAP, JAVA and Brew, and compatible to all available handset models. Moreover, we are also the pioneer of free mobile game model adopter. In the first quarter of 2007, we worked with top tier content providers (CP) on three mobile games. One of the mobile games, "Mocca Beans", has been launched as the first "free to play, pay for merchandise" mobile game in China in April 2007. We believe the fast growing mobile game market in China will provide us with long-term growth potential and we will continue to work with top tier mobile game developers to launch popular mobile games in China.

We are also actively seeking opportunities to develop mobile applications for enterprises and government offices in China. As a pilot project, we will develop mobile applications for the Ying Kou City Police Department. In addition, we have successfully completed several projects for other local governments, including SMS voting projects for Chang Tu City government and Liao Yang City government. We believe our deepening relationship with local governments and the success track of record will help our future business development.

Our portal business continues to grow robustly during the second quarter of 2007. For the three months ended 30th June, 2007, Portal revenue increased 78% year-on-year, and increased 43% quarter-on-quarter. The increasing sales were mainly attributable to enhanced brand equity, various new sales initiatives, and strategic partnerships with an increasing number of industry leaders.

In the second quarter, China.com portal formed a strategic partnership with China's number one real estate website "SouFun". Under the contract, SouFun will purchase one year exclusive rights to sell advertisements on the real estate channel of china.com and organize marketing events for advertisers across China. In addition, to strength the strategic partnership, the two companies will utilize each other's extensive resources to promote and support each other's services, increase both companies' brand equity.

China.com and Google formed a strategic partnership in July 2006. After a year of successful and deepening cooperation, in July 2007, the two companies expanded strategic partnership in search and advertisement services to provide better search experiences for Internet users in China. Under the agreement, Google's WebSearch service will be embedded in China.com's search box, allowing users to easily and conveniently switch between online content and web page search. In the near future, Google and China.com will expand their cooperation into news search, map search, image search, and blog search to provide Chinese users with an ever improving search experience. In addition, China.com will utilize Google AdSense program to deliver relevant ads that generate revenue and enhance the user experience. Through the partnership, advertisers on China.com will be able to leverage the popular www.china.com portal and Google's proven AdSense program.

In December 2006, in order to further unlock shareholder value, we sold our online games business to CDC Games Corporation for a total consideration not exceeding HK\$1,053 million (US\$135 million) with HK\$858 million (US\$110 million) paid and HK\$195 million (US\$25 million) payable upon the occurrence of certain future events.

The online game market in China is extremely competitive with hundreds of games launched each year, many well capitalized and experienced operators and constantly changing habits and tastes of players. These factors make the online game business highly risky. Having conducted a thorough and careful assessment, the Group determined to sell the online games business to concentrate its resources on its existing MVAS and portal businesses and to explore potential exciting new opportunities in the fast growing markets of China.

The proceeds of the sale of the online games business significantly strengthened the Group's balance sheet with net cash and available-for-sale investments of HK\$1.3 billion as of 30th June, 2007. To maximize our return on investment of our net cash, the Group plans to explore new investment opportunities in various high growth technology sectors and industries in China, leveraging its robust balance sheet. We have completed an investment in a high growth private equity fund in China. This private equity fund focuses on companies in the consumer products, healthcare, alternative energy, manufacturing sectors. They assist in restructuring the business and to accelerate growth of the invested projects. The team members of this fund have extensive experience in private equity and in restructuring PRC companies.

Our business' core user bases, internet users and mobile subscribers in China, are growing rapidly. According to Internet Society of China, internet users in China have reached 162 million by the end of June 2007. According to China's MII (Ministry of Information Industry), mobile subscribers in China have exceeded 500 million by the end of June 2007. We believe the fast growing internet users and mobile subscribers in China will provide our portal and MVAS business with long-term growth potential. The Group will continue to emphasize on organic growth and strategic acquisitions. We believe that this is the right strategy to assist the Group in returning to profitability and to create shareholder value in the years to come.

Thank you for your continued support of China.com Inc.

**Dr. Ch'ien Kuo Fung, Raymond**  
*Chairman*

Hong Kong, 9th August, 2007

## 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, 2007, together with the comparative unaudited figures for the corresponding periods in 2006.

	Notes	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
		2007 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	2006 HK\$'000 (restated)
<b>Continuing operations</b>					
Revenue	2	<b>47,707</b>	89,414	<b>89,465</b>	179,406
Cost of sales		<b>(20,879)</b>	(39,822)	<b>(41,197)</b>	(77,093)
Gross profit		<b>26,828</b>	49,592	<b>48,268</b>	102,313
Other income		<b>22,692</b>	5,994	<b>45,305</b>	12,866
Selling and distribution costs		<b>(12,935)</b>	(28,246)	<b>(24,693)</b>	(52,860)
Administrative expenses		<b>(27,839)</b>	(26,986)	<b>(59,191)</b>	(53,824)
Other expenses		<b>(5,259)</b>	(1,718)	<b>(10,314)</b>	(3,384)
Interest expense on bank borrowings wholly repayable within five years		<b>(678)</b>	(10)	<b>(2,093)</b>	(723)
Profit (loss) before tax		<b>2,809</b>	(1,374)	<b>(2,718)</b>	4,388
Income tax credit (expense)	5	<b>104</b>	(668)	<b>633</b>	(1,800)
Profit (loss) for the period from continuing operations	4	<b>2,913</b>	(2,042)	<b>(2,085)</b>	2,588
<b>Discontinued operation</b>					
Profit for the period from discontinued operation	6	-	19,889	-	27,978
Profit (loss) for the period		<b>2,913</b>	17,847	<b>(2,085)</b>	30,566
Attributable to:					
Equity holders of the Company		<b>3,848</b>	17,847	<b>154</b>	26,353
Minority interests		<b>(935)</b>	-	<b>(2,239)</b>	4,213
		<b>2,913</b>	17,847	<b>(2,085)</b>	30,566
<b>Earnings (loss) per share</b>	7				
From continuing and discontinued operations					
Basic		<b>0.09 cent</b>	0.41 cent	<b>0.004 cent</b>	0.62 cent
Diluted		<b>0.09 cent</b>	0.41 cent	<b>0.004 cent</b>	0.62 cent
From continuing operations					
Basic		<b>0.09 cent</b>	(0.05) cent	<b>0.004 cent</b>	0.06 cent
Diluted		<b>0.09 cent</b>	(0.05) cent	<b>0.004 cent</b>	0.06 cent

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2007

	Notes	(Unaudited) 30th June, 2007 HK\$'000	(Audited) 31st December, 2006 HK\$'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Plant and equipment		9,956	10,864
Goodwill		520,281	520,281
Other intangible assets		20,247	28,473
Other investments		1,203	–
Available-for-sale investments		374,845	525,921
Note receivable		468,000	468,000
		<b>1,394,532</b>	<b>1,553,539</b>
<b>Current Assets</b>			
Accounts receivable	9	26,966	39,366
Prepayments, deposits and other receivables		28,702	24,683
Available-for-sale investments		184,975	193,663
Amounts due from fellow subsidiaries		6,190	6,061
Amount due from ultimate holding company		697	697
Bank balances and cash		751,645	681,059
		<b>999,175</b>	<b>945,529</b>
<b>Total Assets</b>		<b>2,393,707</b>	<b>2,499,068</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share capital	11	438,114	437,926
Reserves		1,865,991	1,855,522
Equity attributable to equity holders of the Company		2,304,105	2,293,448
Minority interests		10,694	12,933
<b>Total Equity</b>		<b>2,314,799</b>	<b>2,306,381</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		3,636	4,743
<b>Current Liabilities</b>			
Accounts payable	10	10,843	16,890
Other payables and accrued liabilities		23,657	27,080
Deferred revenue		5,992	3,705
Tax liabilities		4,138	5,835
Amounts due to fellow subsidiaries		7,242	6,904
Bank borrowings		23,400	127,530
		<b>75,272</b>	<b>187,944</b>
<b>Total Equity and Liabilities</b>		<b>2,393,707</b>	<b>2,499,068</b>
<b>Total Assets less Current Liabilities</b>		<b>2,318,435</b>	<b>2,311,124</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	(Unaudited) Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2006	417,077	924,402	(31,193)	(17,097)	-	18,483	5,431	15,684	183,034	1,515,821	32,249	1,548,070
Deficit on revaluation of available-for-sale investments	-	-	-	(1,204)	-	-	-	-	-	(1,204)	-	(1,204)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	985	-	-	985	-	985
Net (expense) income recognised directly in equity	-	-	-	(1,204)	-	-	985	-	-	(219)	-	(219)
Profit for the period	-	-	-	-	-	-	-	-	26,353	26,353	4,213	30,566
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	(136)	-	-	-	-	-	(136)	-	(136)
Total recognised income and expense for the period	-	-	-	(1,340)	-	-	985	-	26,353	25,998	4,213	30,211
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	7,123	-	7,123	-	7,123
Shares issued upon exercises of share options	4	4	-	-	-	-	-	-	-	8	-	8
Transaction costs attributable to issue of new shares	-	(12)	-	-	-	-	-	-	-	(12)	-	(12)
Acquisition of additional equity interest in a subsidiary	18,113	84,589	-	-	-	-	-	-	-	102,702	(36,462)	66,240
At 30th June, 2006	<u>435,194</u>	<u>1,008,983</u>	<u>(31,193)</u>	<u>(18,437)</u>	<u>-</u>	<u>18,483</u>	<u>6,416</u>	<u>22,807</u>	<u>209,387</u>	<u>1,651,640</u>	<u>-</u>	<u>1,651,640</u>
At 1st January, 2007	437,926	1,018,727	(31,193)	(18,649)	-	24,123	18,115	33,168	811,231	2,293,448	12,933	2,306,381
Deficit on revaluation of available-for-sale investments	-	-	-	(3,379)	-	-	-	-	-	(3,379)	-	(3,379)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	774	-	-	774	-	774
Net (expense) income recognised directly in equity	-	-	-	(3,379)	-	-	774	-	-	(2,605)	-	(2,605)
Profit (loss) for the period	-	-	-	-	-	-	-	-	154	154	(2,239)	(2,085)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	280	-	-	-	-	-	280	-	280
Total recognised income and expense for the period	-	-	-	(3,099)	-	-	774	-	154	(2,171)	(2,239)	(4,410)
Transfer to share premium upon exercises of share options	-	703	-	-	-	-	-	(703)	-	-	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	11,963	-	11,963	-	11,963
Shares issued upon exercises of share options	298	1,106	-	-	-	-	-	-	-	1,404	-	1,404
Transaction costs attributable to issue of new shares	-	(2)	-	-	-	-	-	-	-	(2)	-	(2)
Shares repurchased	(110)	(427)	-	-	110	-	-	-	(110)	(537)	-	(537)
At 30th June, 2007	<u>438,114</u>	<u>1,020,107</u>	<u>(31,193)</u>	<u>(21,748)</u>	<u>110</u>	<u>24,123</u>	<u>18,889</u>	<u>44,428</u>	<u>811,275</u>	<u>2,304,105</u>	<u>10,694</u>	<u>2,314,799</u>



## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	Six months ended 30th June,	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Net cash (used in) from operating activities</b>	<b>(34,095)</b>	46,803
<b>Net cash from investing activities</b>	<b>208,565</b>	1,027
<b>Net cash used in financing activities</b>	<b>(104,655)</b>	(86,527)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>69,815</b>	(38,697)
Cash and cash equivalents at 1st January	<b>681,059</b>	402,937
Effect of foreign exchange rate changes, net	<b>771</b>	–
<b>Cash and cash equivalents at 30th June, represented by bank balances and cash</b>	<b>751,645</b>	364,240

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 of the Group have not been reviewed by the Company’s auditors. Adjustments may be identified during the course of annual audit to be performed by the Company’s auditors.

The Unaudited Interim Results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited interim 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, 2006.

### 2. Revenue

Revenue represents: (1) subscription revenue from the provision of mobile services and applications including short messaging services and other related products to mobile phone users; and (2) internet and media revenue from online banner advertising, sponsorships, offline advertising campaigns, direct mailings and online sales.

The Group discontinued the distribution of online games in December 2006 (see note 6).

An analysis of the Group’s revenue from continuing operations is as follows:

	<b>Six months ended</b>	
	<b>30th June,</b>	
	<b>2007</b>	2006
	<b>HK\$’000</b>	HK\$’000
Mobile services and applications revenue	<b>50,418</b>	141,717
Internet and media	<b>39,047</b>	37,689
	<b>89,465</b>	179,406

### 3. Business and geographical segments

#### *Business segments*

For management purposes, the Group is currently organised into two operating divisions – mobile services and applications and internet and media. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Mobile services and applications – provision of short messaging services and other mobilevalue-added services and other related products to mobile phone users; and
- Internet and media – sale of online banner advertising, sponsorships, offline advertising campaigns, direct mailings and online sales.

The Group was also involved in the distribution of online games. That operation was discontinued in December 2006 (see note 6).

Segment information about these businesses is presented below.

Six months ended 30th June, 2007

	<b>Mobile services and applications</b> <i>HK\$'000</i>	<b>Internet and media</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>				
External sales	50,418	39,047	–	89,465
Inter-segment sales	–	4,200	(4,200)	–
Total	<u>50,418</u>	<u>43,247</u>	<u>(4,200)</u>	<u>89,465</u>
<b>RESULT</b>				
Segment results	<u>(24,521)</u>	<u>1,532</u>	<u>–</u>	(22,989)
Interest income and unallocated other corporate income				45,305
Interest expense on bank borrowings wholly repayable within five years				(2,093)
Unallocated corporate expenses				<u>(22,941)</u>
Loss before tax				(2,718)
Income tax credit				<u>633</u>
Loss for the period				<u>(2,085)</u>

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2007

	<b>Mobile services and applications</b> <i>HK\$'000</i>	<b>Internet and media</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>BALANCE SHEET</b>			
<b>ASSETS</b>			
Segment assets	693,649	56,454	750,103
Available-for-sale investments and unallocated corporate assets			<u>1,643,604</u>
Total assets			<u>2,393,707</u>
<b>LIABILITIES</b>			
Segment liabilities	15,091	31,869	46,960
Unallocated corporate liabilities			<u>31,948</u>
Total liabilities			<u>78,908</u>

Six months ended 30th June, 2006

	Continuing operations			Discontinued operation		
	Mobile services and applications HK\$'000	Internet and media HK\$'000	Elimination HK\$'000	Total HK\$'000	Online games HK\$'000	Consolidated HK\$'000
<b>REVENUE</b>						
External sales	141,717	37,689	-	179,406	100,390	279,796
Inter-segment sales	-	4,044	(4,044)	-	-	-
Total	<u>141,717</u>	<u>41,733</u>	<u>(4,044)</u>	<u>179,406</u>	<u>100,390</u>	<u>279,296</u>
<b>RESULT</b>						
Segment results	<u>11,956</u>	<u>(4,804)</u>	<u>-</u>	7,152	27,871	35,023
Interest income and unallocated other corporate income				12,866	107	12,973
Interest expense on bank borrowings wholly repayable within five years				(723)	-	(723)
Unallocated corporate expenses				<u>(14,907)</u>	<u>-</u>	<u>(14,907)</u>
Profit before tax				4,388	27,978	32,366
Income tax expense				<u>(1,800)</u>	<u>-</u>	<u>(1,800)</u>
Profit for the period				<u>2,588</u>	<u>27,978</u>	<u>30,566</u>

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2006

	Continuing operations		Discontinued operation	
	Mobile services and applications HK\$'000	Internet and media HK\$'000	Online games HK\$'000	Consolidated HK\$'000
<b>BALANCE SHEET</b>				
<b>ASSETS</b>				
Segment assets	777,972	45,994	262,051	1,086,017
Available-for-sale investments and unallocated corporate assets				<u>668,208</u>
Total assets				<u>1,754,225</u>
<b>LIABILITIES</b>				
Segment liabilities	19,311	26,822	49,095	95,228
Unallocated corporate liabilities				<u>7,357</u>
Total liabilities				<u>102,585</u>

### Geographical segments

The Group's operations are located in the PRC, Hong Kong and Singapore.

The following table provides an analysis of the Group's revenue from continuing operations by geographical market, irrespective of the origin of the services:

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
PRC	62,025	148,595
Hong Kong	293	280
Singapore	27,147	30,531
	<u>89,465</u>	<u>179,406</u>

#### 4. Profit (loss) for the period from continuing operations

The Group's profit (loss) for the period from continuing operations is arrived at after charging (crediting):

	Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Depreciation of plant and equipment	3,688	4,105
Selling and distribution costs	24,693	52,860
Amortisation of other intangible assets (included in other expenses)	8,226	3,755
Share option benefits	11,963	7,123
Interest income on available-for-sale investments	(18,436)	(9,343)
Gain on disposal of available-for-sale investments	-	(373)
Other interest income	(26,869)	(3,150)

#### 5. 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, 2006: 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.

## 6. Discontinued operation

In view of the Group's strategy to focus its effort and concentrate its resources to develop its mobile services and applications business and internet and media business, the Group discontinued the operation of Prime Leader Holdings Limited and CDC Games Limited, subsidiaries established under the laws of the British Virgin Islands, and their subsidiaries (collectively "Online Games") in December 2006. Online Games was principally engaged in the development and operations of online games in the PRC.

	Three months ended 30th June,		Six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	-	60,515	-	100,390
Cost of sales	-	(19,259)	-	(33,389)
Gross profit	-	41,256	-	67,001
Other income	-	77	-	107
Selling and distribution costs	-	(4,920)	-	(9,974)
Administrative expenses	-	(7,870)	-	(13,850)
Other expenses	-	(8,654)	-	(15,306)
Profit before tax	-	19,889	-	27,978
Income tax expense	-	-	-	-
Profit for the period	-	19,889	-	27,978
Attributable to:				
Equity holders of the Company	-	19,889	-	23,765
Minority interests	-	-	-	4,213
	-	19,889	-	27,978
Earnings per share				
Basic	-	0.46 cent	-	0.56 cent
Diluted	-	0.46 cent	-	0.56 cent

## 7. Earnings (loss) per share

*For continuing and discontinued operations*

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Three months ended 30th June, 2007</b>		<b>Six months ended 30th June, 2007</b>	
	<i>HK\$'000</i>	<i>2006 HK\$'000</i>	<i>HK\$'000</i>	<i>2006 HK\$'000</i>
<i>Earnings</i>				
Profit for the period attributable to equity holders of the Company	<b>3,848</b>	17,847	<b>154</b>	26,353
	<b>Three months ended 30th June, 2007</b>	<i>2006 '000</i>	<b>Six months ended 30th June, 2007</b>	<i>2006 '000</i>

*Number or shares*

Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>4,379,485</b>	4,351,936	<b>4,379,362</b>	4,264,865
Effect of dilutive potential ordinary shares:				
Options	<b>11,828</b>	399	<b>4,043</b>	550
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>4,391,313</b>	4,352,335	<b>4,383,405</b>	4,265,415

*From continuing operations*

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	<b>Three months ended 30th June, 2007</b>		<b>Six months ended 30th June, 2007</b>	
	<i>HK\$'000</i>	<i>2006 HK\$'000</i>	<i>HK\$'000</i>	<i>2006 HK\$'000</i>
<i>Earnings</i>				
Profit for the period attributable to equity holders of the Company	<b>3,848</b>	17,847	<b>154</b>	26,353
Less: Profit for the period from discontinued operations attributable to equity holders of the Company	-	(19,889)	-	(23,765)
Earnings (loss) for the purposes of basic earnings (loss) per share from continuing operations	<b>3,848</b>	(2,042)	<b>154</b>	2,588

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

## 8. Interim dividend

The Board does not recommend the payment of an interim dividend for the Half-Yearly Period (six months ended 30th June, 2006: Nil).

## 9. Accounts receivable

An aged analysis of accounts receivable as at the balance sheet date, based on invoice date, and net of impairment losses, is as follows:

	<b>(Unaudited)</b> <b>30th June,</b> <b>2007</b> <b>HK\$'000</b>	(Audited) 31st December, 2006 <i>HK\$'000</i>
Within 90 days	<b>22,037</b>	36,863
91-120 days	<b>1,259</b>	1,082
121-180 days	<b>2,122</b>	989
Over 180 days	<b>1,548</b>	432
	<b>26,966</b>	39,366

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.

## 10. Accounts payable

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

	<b>(Unaudited)</b> <b>30th June,</b> <b>2007</b> <b>HK\$'000</b>	(Audited) 31st December, 2006 <i>HK\$'000</i>
Within 90 days	<b>6,936</b>	9,913
91-120 days	<b>610</b>	713
121-180 days	<b>193</b>	2,866
Over 180 days	<b>3,104</b>	3,398
	<b>10,843</b>	16,890



## 11. Share capital

	Six months ended 30th June, 2007		Twelve months ended 31st December, 2006	
	No. of shares (Unaudited)	HK\$'000 (Unaudited)	No. of shares (Audited)	HK\$'000 (Audited)
Ordinary shares of HK\$0.10 each				
Authorised	<b>10,000,000,000</b>	<b>1,000,000</b>	10,000,000,000	1,000,000
Issued and fully paid:				
At beginning of period/year	<b>4,379,256,978</b>	<b>437,926</b>	4,170,765,645	417,077
Exercise of share options	<b>2,982,298</b>	<b>298</b>	38,748	4
Acquisition of additional equity interest in a subsidiary	-	-	181,132,095	18,113
Acquisition of subsidiaries	-	-	27,320,490	2,732
Repurchases of shares	<b>(1,100,000)</b>	<b>(110)</b>	-	-
At end of period/year	<b>4,381,139,276</b>	<b>438,114</b>	4,379,256,978	437,926

## 12. Comparative figures

Certain comparative amounts have been reclassified to conform with the current period's presentation.

## 13. Post balance sheet events

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

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### *Revenue and gross profit*

Revenue for the Half-Yearly Period was HK\$89,465,000 representing a HK\$89,941,000, or 50%, decrease as compared with the same period last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications subscription revenue of HK\$91,299,000; and (2) an increase in advertising revenue from the internet and media segment of HK\$1,358,000.

Gross profit margin maintained at a relatively stable level of 54% for the Half-Yearly Period, compared to 57% in the same period last year.

#### *Other income*

Other income increased by 252% to HK\$45,305,000 for the Half-Yearly Period, compared with HK\$12,866,000 in the corresponding period in 2006. The increase was primarily due to (1) a HK\$9,093,000 increase in interest income from available-for-sale investments as a result of increasing yield of available-for-sale investments; (2) a HK\$12,115,000 increase in bank interest income during the Half-Yearly Period as a result of an increase in cash and bank balances; and (3) a HK\$11,604,000 note interest income arising from the note receivable associated with the disposal of the online games segment.

#### *Selling and distribution costs*

Selling and distribution costs decreased to HK\$24,693,000 for the Half-Yearly Period, compared with HK\$52,860,000 in the corresponding period in 2006. The decrease was mainly attributable to the decrease in marketing and promotion expenses incurred for our mobile services and applications businesses amounting to HK\$29,559,000 during the Half-Yearly Period.

#### *Administrative expenses*

Administrative expenses increased by 10% to HK\$59,191,000 for the Half-Yearly Period versus HK\$53,824,000 for the corresponding period last year. The net increase was primarily due to the expansion of the Group's operation during the Half-Yearly Period. Administrative expenses include share option expenses in the Half-Yearly Period amounting to HK\$11,963,000 (six months ended 30th June, 2006: HK\$7,123,000) recognized in accordance with HKFRS 2.

#### *Other expenses*

Other expenses increased by about HK\$6,930,000 to HK\$10,314,000 in the Half-Yearly Period, compared to HK\$3,384,000 for the corresponding period last year. The increase was primarily due to the increase in amortization expense of intangible assets and bad debt expense.

### *Income tax*

The Group recorded an income tax credit of HK\$633,000 in the Half-Yearly Period, compared to an income tax expense of HK\$1,800,000 for the corresponding period last year. The provision of income tax was HK\$473,000 in the Half-Yearly Period which was offset by the deferred tax income of HK\$1,106,000.

### *Discontinued operation*

In December 2006, the Group discontinued its operation under the online games segment. Further details of the discontinued operation are set out in note 6.

### *Minority interests*

Loss shared by minority interests was HK\$2,239,000 in the Half-Yearly Period, compared to a profit shared by minority interests of HK\$4,213,000 in the same period last year. Loss shared by minority interests in the Half-Yearly Period represented minority interests' share of loss in the Group's mobile services and applications segment and the profit shared by minority interests in the corresponding period in 2006 represented share of profit in the Group's minority interest in 17game.

### *Profit for the period attributable to equity holders of the Company*

Profit for the period attributable to equity holders of the Company was HK\$154,000 in the Half-Yearly Period, compared to HK\$26,353,000 in the corresponding period last year, down 99%.

### *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\$2,304,105,000 shareholders' funds as at 30th June, 2007. Shareholders' funds as at 31st December, 2006 were HK\$2,293,448,000. Total assets amounted to HK\$2,393,707,000 as at 30th June, 2007 as compared to HK\$2,499,068,000 as at 31st December, 2006, of which HK\$751,645,000 were bank balances and cash versus HK\$681,059,000 as at 31st December, 2006 and HK\$559,820,000 were available-for-sale investments versus HK\$719,584,000 as at 31st December, 2006.

### *Capital structure*

Except for a decrease in the Group's bank borrowings by HK\$104,130,000 to HK\$23,400,000 during the Half-Yearly Period, there was no change in the capital structure of the Group as at 30th June, 2007 as compared with that as at 31st December, 2006.

As at 30th June, 2007, the Group's bank borrowing of HK\$23,400,000 was repayable within one year. All the bank borrowings are denominated in United States Dollars.

### *Charges on the Group's assets*

As at 30th June, 2007, an amount of HK\$4,970,000 (31st December, 2006: HK\$194,000,000) of available-for-sale investments was held by banks as collateral for securing the Group's bank borrowings of HK\$23,400,000 (31st December, 2006: HK\$127,530,000). Neither time deposits nor bank balances (31st December, 2006: nil) were pledged to banks as guarantee.

### *Gearing ratio*

The Group's gearing ratio, representing total bank borrowings divided by shareholders' funds, decreased from 6% as at 31st December, 2006 to 1% as at 30th June, 2007. The change was due to the repayment of bank borrowings of HK\$104,130,000 during the Half-Yearly Period.

As at 30th June, 2007, the Group's net cash and available-for-sale investments was HK\$1,288,065,000 (31st December, 2006: HK\$1,273,113,000), comprising of bank balances and cash of HK\$751,645,000 (31st December, 2006: HK\$681,059,000), available-for-sale investments of HK\$559,820,000 (31st December, 2006: HK\$719,584,000) and bank borrowings of HK\$23,400,000 (31st December, 2006: HK\$127,530,000).

### *Exposure to fluctuations 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 were considered to be minimal. As at 30th June, 2007, no related hedges were made by the Group.

### *Contingent liabilities*

The directors of the Company assess the contingent tax liability that may arise from the disposal of Online Games as detailed in note 6 and consider such contingent tax liability is possible and will be confirmed only when the Inland Revenue Department concludes that the gain arising from the disposal is taxable. The directors of the Company do not consider such contingent tax liability is probable based on the information currently available and therefore no tax provision has been made in the consolidated financial statements. If such tax provision is recorded, the profit for the period will decrease approximately by HK\$110,000,000.

### *Material acquisitions and significant investments*

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

### *Employee information*

As at 30th June, 2007, the Group had 364 (2006: 735) full-time employees of which 8 (2006: 11) were based in Hong Kong, 315 (2006: 685) in China and 41 (2006: 39) in Singapore. The Group has introduced share option schemes to recognize the contributions of the 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**

### ***Mobile Value Added Services***

As noted in prior announcements, the Group was alerted in June 2006 to policy changes for all subscription services on China Mobile's ("CMCC") Monternet platform which affected the Company's MVAS subscription services. The changes, which were implemented under the policy directives of China's Ministry of Information Industry, aim to address industry-wide objectives, including reducing customer complaints, increasing customer satisfaction and promoting the healthy development of the MVAS industry and CMCC's Monternet.

As the result of this prolonged, industry wide impact, for the quarter ended 30th June, 2007, our total mobile services and applications revenue was HK\$24.7 million, dropped 66% year-on-year. During the quarter, SMS and MMS were our major revenue generators, representing 42% and 29% respectively of the total mobile services and applications revenue. Remaining was mainly shared by our WAP and IVR services.

In order to minimize the industry wide impact and to prepare for the 3G's arrival in China, the Group emphasizes on three strategies to achieve long-term growth: 1). Continue to move further upstream into the content provider segment of the business. 2). Continue to launch popular mobile games. 3). Develop mobile applications for enterprises and government offices in China.

### *Continue to move further upstream into the content provider segment of the business*

As a milestone in moving further upstream into the content provider segment of the business, we have established a strategic relationship with BBMF Inc. BBMF is considered the market leader in 3G content in Japan with one of the largest mobile comic sites and mobile online game sites in the country. It also has one of the largest libraries and fastest growing number of files and titles available for download. BBMF has also licensed the right to publish mobile versions of more than 1,300 comic titles by 470 authors. The strategic relationship positions us for 'first-mover advantage' in the 3G market in China, the largest and fast growing mobile market in the world and will help us in our drive to become the dominant provider of mobile on-line games and mobile comics in China.

In addition, in April 2007, we entered into a mobile content agreement with Jiangsu Wuxi Mobile, a subsidiary of China Mobile. Under the terms of the agreement, we will provide the carrier with rich MMS (Multimedia Message Service) and WAP (Wireless Application Protocol) content, including ring tones, graphics, weather forecast, and more. We will also send the content on behalf of the carrier to designated mobile subscribers. The carrier will pay the Group for the mobile content as well as the content delivery. Expanding on the successful cooperation, we have subsequently entered into another WAP content contract with Jiangsu Wuxi Mobile. The two companies are continuously exploring new cooperation opportunities.

To further broaden marketing channels for our portfolio of mobile contents, we entered into a contract with China Unicom, the second largest mobile operator in China with more than 140 million mobile subscribers. Under the contract, China Unicom will issue 6 million new SIM (Subscriber Identity Module) cards with embedded link to our portfolio of mobile contents and services. Through the mobile carrier's over-the-air technology, these new subscribers can access a continuously updated menu of mobile entertainment contents from trusted providers, with prominent positions featuring content from our mobile services and applications business, on their mobile phones. Subscribers can then download desired contents wirelessly to their mobile phones with touch of a button. The simplified browsing and subscription process, among other benefits, are gaining increasing popularity among subscribers.

#### *Continue to launch popular mobile games*

We are one of the first movers in mobile gaming arena in China, and currently provide dozens mobile games over various technical platforms including WAP, JAVA and Brew, and compatible to all available handset models. In addition to traditional "treasure box" download portal launched by China Mobile, we are actively seeking other innovative ways to promote high quality mobile games to end users, such as handset embedded channels and other industry alliance channels.

According to each mobile game title's characteristic, we have a variety of charging methods for game players to choose from, including monthly payment, single time downloading, single time downloading in limited time using, single time play, etc. Moreover, we are also the pioneer of free mobile game model adopter. In the first quarter of 2007, we worked with top tier content providers (CP) on three mobile games. One of the mobile games, "Mocca Beans", has been launched as the first "free to play, pay for merchandise" mobile game in China in April 2007. The game provides players with different block sets, each producing endless combinations in different stages. The game is free to play but players can purchase useful tools to achieve desired combinations and reach higher levels, thus increasing satisfaction in this mind-stimulating game. As a multiplayer mobile game, it can be played by a large number of concurrent users online using mobile phones.

Although not as graphically advanced as PC-based online games, well-designed mobile games are increasingly being accepted by more and more mobile phone users. According to a survey by a leading professional market research company in China, 92.8 percent of mobile phone users had played games on mobile phones. By the end of June 30, 2007, mobile subscribers in China had exceeded 500 million and the mobile penetration rate had reached 38.3 percent, according to statistics from China's Ministry of Information Industry (MII). We believe the fast growing mobile game market in China will provide us with long-term growth potential and we will continue to work with top tier mobile game developers to launch popular mobile games in China.

#### *Develop mobile applications for enterprises and government offices in China*

We are also actively seeking opportunities to develop mobile applications for enterprises and government offices in China. As a pilot project, we will develop a SMS alert system for the Ying Kou City Police Department to aid mobile subscribers when they cannot call the police. With the planned system, mobile subscribers can send an alert message that will sound the alarm at the police department, so police can respond to the emergency quickly. The system will also enable the police department to obtain valuable statistics and reports from the system database according to different classifications.

In addition, we have successfully completed several projects for other local governments, including SMS voting projects for Chang Tu City government and Liao Yang City government. We believe our deepening relationship with local governments and the success track of record will help our future business development.

Despite the short-term decline in revenue, we continue to believe that the industry will consolidate towards a smaller group of more stable service providers which will ultimately provide opportunities to our mobile services and applications business in the long run. Mobile services and applications is our core business unit and provides us growth opportunities. The Group will employ the strong cash position to selectively acquire synergistic and earnings accretive companies in the industry.

#### **Portal**

During the second quarter of 2007, our portal business continues to grow robustly. For the three months ended 30th June, 2007, Portal revenue increased 78% year-on-year, and increased 43% quarter-on-quarter. The increasing sales were mainly attributable to enhanced brand equity, various new sales initiatives, and strategic partnerships with an increasing number of industry leaders.

China.com's enhanced brand equity and news sales initiatives helped the China.com portal to acquire more advertising contracts and reputable clients in the second quarter, including China Mobile, Google, China FAW (First Automotive Works) Group Corporation, Weichai Power Co.,Ltd.

In the second quarter, China.com portal formed a strategic partnership with China's number one real estate website "SouFun". Under the contract, SouFun will purchase one year exclusive rights to sell advertisements on the real estate channel of china.com and organize marketing events for advertisers across China. SouFun will be given the priority to extend the lease of China.com portal's real estate channel after the contract ends. In addition, to strength the strategic partnership, the two companies will utilize each other's extensive resources to promote and support each other's services, increase both companies' brand equity.

China.com and Google formed a strategic partnership in July 2006. After a year of successful and deepening cooperation, in July 2007, the two companies expanded strategic partnership in search and advertisement services to provide better search experiences for Internet users in China. Under the agreement, Google's WebSearch service will be embedded in China.com's search box, allowing users to easily and conveniently switch between online content and web page search. In the near future, Google and China.com will expand their cooperation into news search, map search, image search, and blog search to provide Chinese users with an ever improving search experience. In addition, China.com will utilize Google AdSense program to deliver relevant advertisements that generate revenue and enhance the user experience. Through the partnership, advertisers on China.com will be able to leverage the popular China.com portal and Google's proven AdSense program.

Overall, we will continue to focus on increasing China.com's brand equity, deepening strategic cooperation's with industry leaders. We believe this strategic focus, combined with various new sales initiatives, will help the portal business to maintain the robust growth.

### ***Media and Travel***

TTG successfully launched two travel trade events during the quarter – IT&CM China and CT&TW in Shanghai. IT&CM China is an exhibition platform for buyers and sellers from the Meetings, Incentives, Convention & Exhibition (MICE) sector of the travel industry to meet and conduct business; whereas CT&TW is a conference for corporate travel managers in China. Both events were very well received by delegates and exhibitors.

Other significant activities undertaken by TTG include publishing of the Official 2007 Great Singapore Sale Guide and managing the roadshows on behalf of Accor Hotel Groups and Dubai Department of Tourism.

TTG has been awarded media partner status by Xin Lu (inhouse agency of China National Tourist Administration) to publish the international section of the China International Travel Mart (CITM) 2007 Official Directory and CITM 2007 Picture Daily. CITM is the biggest travel event in China which is scheduled to take place in Kunming in November this year and is expected to attract over 1,900 exhibiting companies.



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

As at 30th June, 2007, 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  
Options to subscribe for ordinary shares in the Company*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Chen Xiaowei	–	22,700,000	Personal/beneficiary	0.52%
Chia Kok Onn	–	2,500,000	Personal/beneficiary	0.06%
Ch'ien Kuo Fung, Raymond	5,716,000	18,000,000	Personal/beneficiary	0.54%
Fang Xin	–	1,000,000	Personal/beneficiary	0.02%
Lam Lee G.	–	–	–	–
Wang Anson	–	–	–	–
Wang Cheung Yue, Fred	–	6,000,000	Personal/beneficiary	0.14%
Wong Sin Just	–	4,500,000	Personal/beneficiary	0.10%
Yip Hak Yung, Peter	3,416,000	–	Corporate*	0.08%
Yip Hak Yung, Peter	900,000	17,000,000	Personal/beneficiary	0.41%
Yip Hak Yung, Peter	–	239,356,507	Interest of children or spouse**	5.46%

\* *These shares were beneficially owned by Asia Internet Holdings Limited, a company 100% owned by Mr. Yip Hak Yung, Peter.*

\*\* *These options were granted to Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.*

*Options to subscribe for ordinary shares in the Company*

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Exercise price HK\$</b>	<b>Number of share options outstanding as at 30th June, 2007</b>
Chen Xiaowei	15th September, 2005	0.560	4,000,000
	3rd January, 2006	0.526	11,200,000
	1st July, 2006	0.460	7,500,000
Chia Kok Onn	15th September, 2005	0.560	2,500,000
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000
	5th June, 2003	0.626	4,000,000
	10th October, 2005	0.630	4,000,000
Fang Xin	10th October, 2005	0.630	1,000,000
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000
	15th September, 2005	0.560	4,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000
	10th April, 2001	0.286	Nil (note 1)
	5th June, 2003	0.626	2,500,000
	15th September, 2005	0.560	1,000,000
Yip Hak Yung, Peter	5th June, 2003	0.626	4,000,000
	10th October, 2005	0.630	4,000,000
	3rd January, 2006	0.526	9,000,000
	14th August, 2006	0.445	239,356,507 (note 2)

*Notes:*

1. Mr. Wong Sin Just exercised 600,000 options to subscribe for ordinary shares at an exercise price of HK\$0.286 on 8th June, 2007 and such shares were all sold on 12th June, 2007.
2. These options were granted to Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. The grant of 239,356,507 options was approved by the shareholders of the Company at the extraordinary general meeting held on 18th September, 2006.

108,798,412 of such options shall vest quarterly over 2 years effective from 1st October, 2006 to 1st July, 2008 subject to the terms and conditions as set out in the Executive Services (Acting CEO) Agreement (the "Services Agreement") as follows:

- 12.5% options shall vest from 1st October, 2006
- 12.5% options shall vest from 1st January, 2007.
- 12.5% options shall vest from 1st April, 2007.
- 12.5% options shall vest from 1st July, 2007.
- 12.5% options shall vest from 1st October, 2007.
- 12.5% options shall vest from 1st January, 2008.
- 12.5% options shall vest from 1st April, 2008.
- 12.5% options shall vest from 1st July, 2008.

Of the 130,558,095 options, 50% shall vest upon the occurrence of an event (the date of occurrence shall be the vesting date for such options) pursuant subject to the terms and conditions as set out in the Services Agreement as described below provided (i) Mr. Yip Hak Yung, Peter remains at China.com Inc. to provide the services on the day vesting of the relevant portion of those options takes place and (ii) the Services Agreement has not otherwise been terminated:

- Event 1: The grant by the relevant authorities in the People's Republic of China of an asset management license or equivalent that would allow China.com Inc. or its affiliate or associate to raise and manage a Renminbi denominated fund or funds which will invest in any of the following: a) "A" shares listed on a recognized stock exchange in the People's Republic of China; b) pre-initial public offering "A" shares; and c) convertible loans. For Event 1, the vesting date shall be the date of the grant of the license.
- Event 2: The completion of a real estate development project in the People's Republic of China which will comprise of both residential and commercial units for use by China.com Inc. and CDC Corporation and for rental to third parties. For Event 2, the vesting date shall be the date of the completion of the real estate development project, such date to be determined by the Board of China.com Inc. in their absolute discretion.

Save as disclosed herein, all the above 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 and ending 10 years after the date of grant of the options. These options vest over a period of four years commencing on the first anniversary at the date of grant.

Save as disclosed herein, no option has been granted to the directors and none of the above options have been exercised or lapsed during the Half-Yearly Period.

## Associated Corporation

*Long positions in Class A common shares in CDC Corporation and the underlying shares of equity of derivatives*

<b>Name of Directors</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Nature of interests/ Holding capacity</b>	<b>Approximate percentage of interests</b>
Chen Xiaowei	–	300,000	Personal/ beneficiary	0.26%
Chia Kok Onn	–	42,293	Personal/ beneficiary	0.04%
Ch'ien Kuo Fung, Raymond	853,773	506,667	Personal/ beneficiary	1.18%
Fang Xin	–	70,000	Personal/ beneficiary	0.06%
Lam Lee G.	–	10,000	Personal/ beneficiary	0.01%
Wang Anson	–	–	–	–
Wang Cheung Yue, Fred	–	90,000	Personal/ beneficiary	0.08%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	15,979,589	6,044,999	Interest of children or spouse*	19.02%
Yip Hak Yung, Peter	–	90,000	Personal/ beneficiary	0.08%

\* 11,927,653 Class A common shares and 6,044,999 stock appreciation rights/options to subscribe for Class A common shares were held under the name of Asia Pacific Online Limited ("APOL"). APOL, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. 4,051,936 Class A common shares were held by the spouse of Mr. Yip.

*Options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation*

<b>Name of Directors</b>	<b>Date of grant</b>	<b>exercise period</b>	<b>Exercise price US\$</b>	<b>Number of share options/stock appreciation rights outstanding as at 30th June, 2007</b>
Chen Xiaowei	19th July, 2005	19th July, 2006 to 18th July, 2015	2.7600	40,000
	27th September, 2005	27th September, 2006 to 26th September, 2015	3.2100	40,000
	14th July, 2006	14th October, 2006 to 13th July, 2013	3.9500	120,000 <i>Note (1)</i>
	25th August, 2006	25th November, 2006 to 24th August, 2013	5.2500	100,000 <i>Note (1)</i>
Chia Kok Onn	1st September, 2005	1st September, 2005 to 31st August, 2015	2.9760	21,875
	1st September, 2005	1st September, 2006 to 31st August, 2015	2.9760	20,418
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	Nil <i>Note (2)</i>
	13th July, 2001	13th October, 2001 to 12th July, 2011	2.9700	280,000 <i>Note (2)</i>
	27th April, 2005	27th July, 2005 to 26th April, 2015	2.6860	Nil <i>Note (2)</i>
	1st January, 2006	1st July, 2006 to 31st December, 2015	3.2200	30,000 <i>Note (2)</i>
Fang Xin	16th November, 2005	16th November, 2006 to 15th November, 2015	3.3000	70,000
Lam Lee G.	22nd December, 2006	22nd March, 2007 to 21st December 2013	8.5100	10,000 <i>Note (1)</i>
Wang Cheung Yue, Fred	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	90,000

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30th June, 2007
Wong Sin Just	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	20,000 <i>Note (1)</i>
Yip Hak Yung, Peter	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	60,000
	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 <i>Note (3)</i>
	3rd June, 2003	30th June, 2003 to 2nd June, 2013	4.9500	200,000 <i>Note (3)</i>
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	100,000 <i>Note (3)</i>
	15th September, 2005	15th September, 2005 to 14th September, 2015	2.9940	50,000 <i>Note (3)</i>
	15th September, 2005	15th December, 2005 to 14th September, 2015	2.9940	50,000 <i>Note (3)</i>
	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	45,000 <i>Note (3)</i>
	3rd January, 2006	3rd April, 2006 to 2nd January, 2013	3.2200	600,000 <i>Notes (1) &amp; (3)</i>
	12th April, 2006	12th July, 2006 to 11th April, 2013	3.9900	2,400,000 <i>Note (3)</i>
	12th April, 2006	As per Executive Services (CEO) Agreement	3.9900	2,399,999 <i>Note (3)</i>

**Notes:**

- (1) This represents stock appreciation rights to subscribe for Class A common shares in CDC Corporation granted under the 2005 Stock Incentive Plan.
- (2) During the Half-Yearly Period, Dr. Ch'ien Kuo Fung, Raymond exercised an aggregate of 220,000 options to subscribe for Class A common shares at an exercise price of US\$2.7400; 120,000 options to subscribe for Class A common shares at an exercise price of US\$2.9700; 62,500 options to subscribe for Class A common shares at an exercise price of US\$2.686 and 15,000 options to subscribe for Class A common shares at an exercise price of US\$3.22. Out of these options to subscribe for Class A common shares, 40,000 Class A common shares were held and the remaining were sold on the respective days of the exercise of options.
- (3) These options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation were granted to Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

Except as disclosed above, as at 30th June, 2007, none of the directors, chief executive and their associates was aware of any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations having been granted to them.

After the Half-Yearly Period, the spouse of Mr. Yip Hak Yung, Peter sold and bought and aggregate of 245,000 and 300,000 Class A common shares respectively during the period from 5th July, 2007 to 7th August, 2007. Dr Ch'ien exercised an aggregate of 10,000 and 50,000 options to subscribe for Class A common shares at an exercise price of US\$2.9700 on 11th and 25th July, 2007 respectively. Out of the 50,000 options to subscribe for Class A common shares exercised on 25th July, 2007, 30,000 Class A common shares were held and the remaining were sold on the date of the exercise of options.

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

As at 30th June, 2007, 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*

<b>Name</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Capacity and nature of interest</b>	<b>Approximate percentage of interests</b>
China M Interactive (BVI) Limited	3,361,828,000	–	Direct beneficial owner	76.73%
Yip Hak Yung, Peter	3,416,000 900,000	– 17,000,000	Corporate Direct beneficial owner	0.08% 0.41%
	–	239,356,507	Interest of children or spouse	5.46%
				total: 5.95%
Asia Pacific Online Limited	–	239,356,507	Direct beneficial owner	5.46%

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 taken to be interested in the 3,361,828,000 ordinary shares in the Company under the SFO.

During the Half-Yearly Period, CDC Corporation has acquired an aggregate of 7,058,000 shares representing 0.16% of the issued share capital of the Company. Such shares were sold during the Half-Yearly Period.

Mr. Yip Hak Yung, Peter holds 3,416,000 ordinary shares via Asia Internet Holdings Limited, a company 100% owned by him. Mr. Yip beneficially holds 900,000 shares and 17,000,000 options to subscribe for ordinary shares in the Company. Mr. Yip is taken to be interested in 239,356,507 options to subscribe for ordinary shares in the Company which are held under the name of Asia Pacific Online Limited ("APOL"). APOL is a company 50% owned by the spouse of Mr. Yip and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

Except as disclosed above, as at 30th June, 2007, 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

### Pre-IPO Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1st January, 2007	Number of share options			As at 30th June, 2007
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
<b>Directors</b>							
Ch'ien Kuo Fung, Raymond	9th March, 2000	1.880	10,000,000	-	-	-	10,000,000
Wong Sin Just	9th March, 2000	1.880	1,000,000	-	-	-	1,000,000
<b>Employees</b>							
In aggregate	9th March, 2000	1.880	58,120	-	-	(12,920)	45,200
<b>Other Eligible Persons</b>							
In aggregate	9th March, 2000	1.880	980,000	-	-	-	980,000
			<u>12,038,120</u>	<u>-</u>	<u>-</u>	<u>(12,920)</u>	<u>12,025,200</u>



## Post-IPO Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1st January, 2007	Number of share options			As at 30th June, 2007	Weighted average closing price of the shares immediately before the date of exercise HK\$
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
<b>Directors</b>								
Wong Sin Just	10th April, 2001	0.286	600,000	-	(600,000)	-	-	0.616
<b>Employees</b>								
In aggregate	18th August, 2000	0.870	96,872	-	-	-	96,872	
	24th November, 2000	0.518	1,149,920	-	(67,010)	-	1,082,910	0.600
	10th April, 2001	0.286	206,675	-	(32,290)	-	174,385	0.616
<b>Other Eligible Persons</b>								
In aggregate	28th February, 2002	0.347	62,080	-	-	-	62,080	
			<u>2,115,547</u>	<u>-</u>	<u>(699,300)</u>	<u>-</u>	<u>1,416,247</u>	

## 2002 Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1st January, 2007	Number of share options			As at 30th June, 2007	Weighted average closing price of the shares immediately before the date of exercise HK\$
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
<b>Directors</b>								
Ch'ien Kuo Fung, Raymond	5th June, 2003	0.626	4,000,000	-	-	-	4,000,000	-
	10th October, 2005	0.630	4,000,000	-	-	-	4,000,000	-
Wong Sin Just	5th June, 2003	0.626	2,500,000	-	-	-	2,500,000	-
	15th September, 2005	0.560	1,000,000	-	-	-	1,000,000	-
Yip Hak Yung, Peter	5th June, 2003	0.626	4,000,000	-	-	-	4,000,000	-
	10th October, 2005	0.630	4,000,000	-	-	-	4,000,000	-
	3rd January, 2006	0.526	9,000,000	-	-	-	9,000,000	-
	14th August, 2006	0.445	239,356,507 Note (a)	-	-	-	239,356,507	-
Wang Cheung Yue, Fred	5th June, 2003	0.626	2,000,000	-	-	-	2,000,000	-
	15th September, 2005	0.560	4,000,000	-	-	-	4,000,000	-
Chia Kok Onn	15th September, 2005	0.560	2,500,000	-	-	-	2,500,000	-
Fang Xin	10th October, 2005	0.630	1,000,000	-	-	-	1,000,000	-
Chen Xiaowei	15th September, 2005	0.560	4,000,000	-	-	-	4,000,000	-
	3rd January, 2006	0.526	11,200,000	-	-	-	11,200,000	-
	1st July, 2006	0.460	7,500,000	-	-	-	7,500,000	-

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options				As at 30th June, 2007	Weighted average closing price of the shares immediately before the date of exercise HK\$
			As at 1st January, 2007	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
<b>Other employees</b>								
In aggregate	19th August, 2002	0.200	38,748	-	(38,748)	-	0.540	
	24th February, 2003	0.171	32,290	-	-	32,290		
	29th May, 2003	0.716	142,080	-	-	(77,500)	64,580	
	5th June, 2003	0.626	150,000	-	-	-	150,000	
	22nd December, 2003	0.634	103,320	-	-	-	103,320	
	7th September, 2004	0.510	303,535	-	(56,750)	(77,500)	169,285	0.600
	26th November, 2004	0.528	245,420	-	-	-	245,420	
	15th September, 2005	0.560	13,100,000	-	(875,000)	(1,200,000)	11,025,000	0.632
	10th October, 2005	0.630	-	-	-	-	-	
	3rd January, 2006	0.526	2,250,000	-	-	-	2,250,000	
	1st July, 2006	0.460	-	-	-	-	-	
	11th September, 2006	0.464	3,000,000 Note (b)	-	(750,000)	(1,125,000)	1,125,000	0.525
<b>Others</b>								
In aggregate	29th May, 2003	0.716	90,420	-	-	-	90,420	
	5th June, 2003	0.626	1,400,000	-	-	-	1,400,000	
	15th September, 2005	0.560	5,950,000	-	(500,000)	-	5,450,000	0.632
	10th October, 2005	0.630	-	-	-	-	-	
	3rd January, 2006	0.526	16,250,000	-	(62,500)	-	16,187,500	0.660
	25th August, 2006	0.450	5,000,000 Note (c)	-	-	-	5,000,000	
			<u>348,112,320</u>	<u>-</u>	<u>(2,282,998)</u>	<u>(2,480,000)</u>	<u>343,349,322</u>	

Notes:

- (a) Please refer to note 2 under the section **“INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS”** for the vesting schedule.
- (b) Out of the 3 million options granted on 11th September, 2006, the vesting schedule of 1.5 million (“Option I”) of such options is as follows:
- no Option I shall vest from date of grant to end of 28th February, 2007.
  - up to 25% of Option I shall vest from 1st March, 2007 to 29th February, 2008.
  - up to 50% of Option I, less such options which were exercised previously shall vest from 1st March, 2008 to 28th February, 2009.
  - up to 75% of Option I, less such options which were exercised previously shall vest from 1st March, 2009 to 28th February, 2010.
  - all such Option I which were not previously exercised shall vest from 1st March, 2010 to the end of 10th September, 2016.

375,000 of Option I were exercised on 22nd March, 2007 and the remaining 1,125,000 options lapsed upon resignation of the employee.

Out of the 3 million options granted on 11th September, 2006, the vesting schedule of 1.5 million (“Option II”) of such options is as follows:

- no Option II shall vest from date of grant to end of 30th October, 2006.
- up to 25% of Option II shall vest from 1st November, 2006 to 30th October, 2007.
- up to 50% of Option II, less such options which were exercised previously shall vest from 1st November, 2007 to 30th October, 2008.
- up to 75% of Option II, less such options which were exercised previously shall vest from 1st November, 2008 to 30th October, 2009.
- all such Option II which were not previously exercised shall vest from 1st November, 2009 to the end of 10th September, 2016.

375,000 of Option II were exercised on 11th April, 2007.

- (c) These options shall vest in equal installments, every three months, over a period of three years.

Save as disclosed herein, 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**

The Company has repurchased a total of 1,100,000 ordinary shares of the Company on the Stock Exchange in February 2007 for an aggregate amount of HK\$534,980. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase were as follows: –

<b>Date of repurchase</b>	<b>Number of shares repurchased</b>	<b>Price per share repurchased</b>	
		<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>
2nd February, 2007	700,000	0.4850	0.4800
5th February, 2007	200,000	0.4950	–
6th February, 2007	200,000	0.4950	–
Total:	<u>1,100,000</u>		

The repurchased shares have been cancelled during the quarter ended 31st March, 2007.

Save as disclosed herein, neither the Company, nor any of its subsidiaries purchased, sold or redeemed 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 but has applied the principles of the required of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the Half-Yearly Period.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the Half-Yearly Period with the Code.

## **AUDIT COMMITTEE**

The Company established an audit committee on 25th February, 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The audit committee four members comprising all the independent non-executive directors, Messrs. Wong Sin Just (Committee Chairman), Wang Cheung Yue, Fred, Chia Kok Onn and Dr. Lam Lee G. 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, 9th August, 2007

*As at the date of this report, the executive directors of the Company are Mr. Yip Hak Yung, Peter, Dr. Chen Xiaowei, the non-executive directors are Dr. Ch'ien Kuo Fung, Raymond, Mr. Fang Xin and the independent non-executive directors are Mr. Wong Sin Just, Mr. Wang Cheung Yue, Fred, Mr. Chia Kok Onn, Dr. Lam Lee G. and Mr. Wang Anson.*