



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

Third Quarterly Report 2017

China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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

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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 third quarter, our Portal continued to grow 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 September, 2007:

- Revenue was HK\$27 million, down 58% as compared to the same period last year.
- Gross profit was HK\$13 million, down 66% as compared to the same period last year.
- Loss attributable to equity holders was HK\$48.8 million, as compared to a profit attributable to equity holders of HK\$17.5 million in the same period last year.
- Balance sheet position remains strong, with more than HK\$1.2 billion in net cash and available-for-sale investments.
- In 2006, the Group had made two principal protected structured finance investments: i) a collateralized debt obligation (CDO) that is backed by US mortgage backed securities, including sub-prime mortgages, and ii) a collateralized loan obligation (CLO) backed by corporate loan and debt obligations. Based on the decline in the market conditions of the US mortgage industry, the Group conducted an assessment on these investments. Management determined the decline in the value of the CDO, all being principal protected at maturity, was other than temporary and, according to the relevant accounting standards, was required to write down this investment to its fair market value. This resulted in the recording of an impairment charge of HK\$49,704,000 against the CDO during the third quarter.

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. Since the beginning of the regulatory changes starting in June 2006, we have significantly reduced headcount in our mobile services and applications business and the marketing and promotion expenses incurred for the mobile services and applications business amounting to HK\$44.7 million for the nine months ended 30th September, 2007, as compared to the same period last year. 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.

Expanding on the close cooperation with Jiangsu Wuxi Mobile, a subsidiary of China Mobile, we have successfully renewed the WAP content contract with Jiangsu Wuxi Mobile in the third quarter. The two companies are continuously exploring new cooperation opportunities in the future. In addition, we are also evaluating some international companies for potential gaming content.

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. 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 continuing to explore opportunities in enterprise service applications and actively seeking opportunities to develop mobile applications for enterprises and governmental offices in China. In the third quarter, we were selected by KFC China, a division of Yum! Brands, Inc. (NYSE: YUM), one of the world's largest restaurant chains, to provide wireless promotional services. We believe this win-win partnership will help both companies to expand customer bases; In addition, we have successfully completed a SMS voting project for Jin Zhou City government. We believe our deepening relationship with local governments and the success track of record will help our future business development.

For the three months ended 30th September, 2007, Portal revenue increased 39% year-on-year, but decreased 13% quarter-on-quarter. During the quarter, the Chinese government had implemented strict restrictions on online advertisements for medical treatments and pharmaceutical products. These measures had negatively impacted the growth of Portal's advertising revenue. To minimize the impact and increase Portal revenue, the portal business is actively growing its key channels and adjusting the client structure by modestly reducing clients of medical and pharmaceutical companies, and actively strengthening the cooperations with other well-known enterprises, especially those in auto, digital entertainment and IT industries.

In August 2007, the China.com portal reached a content agreement with Forbes. Under the agreement, Forbes.com will provide the China.com portal with a wide variety of contents in English and in Chinese; the China.com portal will select and publish desired contents on the English and Chinese portals while quoting Forbes.com as the source.

During the third quarter, China.com portal established a strategic partnership with www.globalsources.com (NASDAQ: GSOL), a leading business-to-business (B2B) media company and a primary facilitator of two-way trade with Greater China. In addition, the China.com portal also established a strategic partnership with www.39.net, a leading health and fitness company in China.

Recognizing the booming growth and tremendous potential of the online gaming sector in China, China.com portal is also building and strengthening its current games channel into an informational and interactive gaming platform. We are forging strategic partnership with leading domestic and international webpage games to launch webpage games, many of which are sports games, to capture a niche yet fast growing market and to capture the advertising opportunities brought on by 2008 Olympics. We are also strengthening content on gaming news and information, offering the China.com gaming channel as an attractive choice for game advertisers. In November 2007, the China.com portal signed an advertising contract with Giant Interactive Group Inc. (NYSE: GA), one of the leading online games developers and operators in China.

These initiatives enhanced China.com portal's brand equity and helped the China.com portal to acquire more advertising contracts and reputable clients, including Haier, the world's 4th largest whitegoods manufacturer and one of China's Top 100 IT Companies; and Samsung.

Our business' core user bases, Internet users in China, are growing rapidly. We believe our fast growing user base will provide our portal and MVAS business with long-term growth potential. The Group will continue to emphasize on organic growth and strategic acquisitions. China.com Inc. and its parent company, CDC Corporation, have a history of investing in under-valued, attractive technology assets. We believe many companies in the MVAS sector have such characteristics today given the effect of an evolving regulatory environment. Separately, we seek opportunities to invest in companies that accelerate our growth strategies such as mobile and online games. 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, 12th November, 2007

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

	Notes	(Unaudited) Three months ended 30th September, 2007		(Unaudited) Nine months ended 30th September, 2007	
		HK\$'000	2006 HK\$'000 (restated)	HK\$'000	2006 HK\$'000 (restated)
Continuing operations					
Revenue	2	27,154	64,919	116,619	244,325
Cost of sales		(14,192)	(27,304)	(55,389)	(104,397)
Gross profit		12,962	37,615	61,230	139,928
Other income		23,892	6,228	69,197	19,094
Selling and distribution costs		(5,011)	(21,194)	(29,704)	(74,054)
Administrative expenses		(26,927)	(20,942)	(86,118)	(74,766)
Other expenses		(55,085)	(4,553)	(65,399)	(7,937)
Interest expense on bank borrowings wholly repayable within five years		(299)	–	(2,392)	(723)
(Loss) profit before tax		(50,468)	(2,846)	(53,186)	1,542
Income tax credit (expense)	3	564	(771)	1,197	(2,571)
Loss for the period from continuing operations		(49,904)	(3,617)	(51,989)	(1,029)
Discontinued operation					
Profit for the period from discontinued operation	4	–	21,100	–	49,078
(Loss) profit for the period		(49,904)	17,483	(51,989)	48,049
Attributable to:					
Equity holders of the Company		(48,782)	17,483	(48,628)	43,836
Minority interests		(1,122)	–	(3,361)	4,213
		(49,904)	17,483	(51,989)	48,049
(Loss) earnings per share	5				
From continuing and discontinued operations					
Basic		(1.11) cents	0.40 cent	(1.11) cents	1.02 cents
Diluted		(1.11) cents	0.40 cent	(1.11) cents	1.02 cents
From continuing operations					
Basic		(1.11) cents	(0.08) cent	(1.11) cents	(0.02) cent
Diluted		(1.11) cents	(0.08) cent	(1.11) cents	(0.02) cent

Notes:

1. Basis of preparation

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 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 consolidated 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 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 4).

3. Income tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Quarterly Period and Nine-Month Period and the corresponding periods in 2006.

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

4. Discontinued operation

In view of the Group's strategy to focus its effort 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.

The results of the discontinued operation were as follows:

	Three months ended 30th September, 2007		Nine months ended 30th September, 2007	
	HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
Revenue	-	66,768	-	167,158
Cost of sales	-	(22,249)	-	(55,638)
Gross profit	-	44,519	-	111,520
Other income	-	132	-	239
Selling and distribution costs	-	(5,900)	-	(15,874)
Administrative expenses	-	(9,156)	-	(23,005)
Other expenses	-	(8,495)	-	(23,802)
Profit before tax	-	21,100	-	49,078
Income tax expense	-	-	-	-
Profit for the period	-	21,100	-	49,078
Attributable to:				
Equity holders of the Company	-	21,100	-	44,865
Minority interests	-	-	-	4,213
	-	21,100	-	49,078
Earnings per share				
Basic	-	0.48 cent	-	1.04 cents
Diluted	-	0.48 cent	-	1.04 cents

5. (Loss) earnings per share

For continuing and discontinued operations

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

	Three months ended 30th September, 2007		Nine months ended 30th September, 2007	
	HK\$'000	2006 HK\$'000	HK\$'000	2006 HK\$'000
<i>Earnings</i>				
(Loss) profit for the period attributable to equity holders of the Company	(48,782)	17,483	(48,628)	43,836

	Three months ended 30th September,		Nine months ended 30th September,	
	2007	2006	2007	2006
	'000	'000	'000	'000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	4,381,139	4,351,936	4,379,961	4,294,208
Effect of dilutive potential ordinary shares:				
Options	267	815	7,317	3,270
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>4,381,406</u>	<u>4,352,751</u>	<u>4,387,278</u>	<u>4,297,478</u>

From continuing operations

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

	Three months ended 30th September,		Nine months ended 30th September,	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Earnings</i>				
(Loss) profit for the period attributable to equity holders of the Company	(48,782)	17,483	(48,628)	43,836
Less: Profit for the period from discontinued operations attributable to equity holders of the Company	<u> </u>	<u>(21,100)</u>	<u> </u>	<u>(44,865)</u>
Loss for the purposes of basic loss per share from continuing operations	<u>(48,782)</u>	<u>(3,617)</u>	<u>(48,628)</u>	<u>(1,029)</u>

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

6. Movement of reserves

	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
At 1st January, 2006	924,402	(31,193)	(17,097)	-	18,483	5,431	15,684	183,034	1,098,744
Surplus on revaluation of available-for-sale investments	-	-	4,780	-	-	-	-	-	4,780
Exchange differences arising on translation of foreign operations	-	-	-	-	-	4,542	-	-	4,542
Net income recognised directly in equity	-	-	4,780	-	-	4,542	-	-	9,322
Profit for the period	-	-	-	-	-	-	-	43,836	43,836
Investment revaluation reserve released on disposal of available-for-sale investment	-	-	(117)	-	-	-	-	-	(117)
Total recognised income and expense for the period	-	-	4,663	-	-	4,542	-	43,836	53,041
Recognition of equity-settled share based payments	-	-	-	-	-	-	3,627	-	3,627
Shares issued upon exercises of share options	4	-	-	-	-	-	-	-	4
Transaction costs attributable to issue of new shares	(16)	-	-	-	-	-	-	-	(16)
Acquisitions of additional equity interest in a subsidiary	84,589	-	-	-	-	-	-	-	84,589
At 30th September, 2006	<u>1,008,979</u>	<u>(31,193)</u>	<u>(12,434)</u>	<u>-</u>	<u>18,483</u>	<u>9,973</u>	<u>19,311</u>	<u>226,870</u>	<u>1,239,989</u>
At 1st January, 2007	1,018,727	(31,193)	(18,649)	-	24,123	18,115	33,168	811,231	1,855,522
Deficit on revaluation of available-for-sale investments	-	-	(15,240)	-	-	-	-	-	(15,240)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	11,328	-	-	11,328
Net (expense) income recognised directly in equity	-	-	(15,240)	-	-	11,328	-	-	(3,912)
Loss for the period	-	-	-	-	-	-	-	(48,628)	(48,628)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	153	-	-	-	-	-	153
Total recognised income and expense for the period	-	-	(15,087)	-	-	11,328	-	(48,628)	(52,387)
Transfer to share premium upon exercises of share options	703	-	-	-	-	-	(703)	-	-
Recognition of equity-settled share based payments	-	-	-	-	-	-	16,104	-	16,104
Shares issued upon exercises of share options	1,106	-	-	-	-	-	-	-	1,106
Transaction costs attributable to issue of new shares	(2)	-	-	-	-	-	-	-	(2)
Shares repurchased	(427)	-	-	110	-	-	-	(110)	(427)
At 30th September, 2007	<u>1,020,107</u>	<u>(31,193)</u>	<u>(33,736)</u>	<u>110</u>	<u>24,123</u>	<u>29,443</u>	<u>48,569</u>	<u>762,493</u>	<u>1,819,916</u>

7. 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 2006.

8. Comparative figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Nine-Month Period was HK\$116,619,000 representing a HK\$127,706,000, or 52%, decrease as compared with the same period last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications revenue of HK\$131,124,000; and (2) an increase in advertising revenue from the internet and media segment of HK\$3,418,000.

Gross profit margin maintained at a relatively stable level of 53% for the Nine-Month Period, compared to 57% in the same period last year.

Other income

Other income increased by 262% to HK\$69,197,000 for the Nine-Month Period, compared with HK\$19,094,000 in the corresponding period in 2006. The increase was primarily due to (1) a HK\$13,348,000 increase in interest income from available-for-sale investments as a result of increasing yield of available-for-sale investments; (2) a HK\$19,073,000 increase in bank interest income during the Nine-Month Period as a result of an increase in cash and bank balances; and (3) a HK\$17,502,000 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\$29,704,000 for the Nine-Month Period, compared with HK\$74,054,000 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\$44,695,000 during the Nine-Month Period.

Administrative expenses

Administrative expenses increased by 15% to HK\$86,118,000 for the Nine-Month Period versus HK\$74,766,000 for the corresponding period last year. Administrative expenses include share option expenses in the Nine-Month Period amounting to HK\$16,104,000 (nine months ended 30th September, 2006: HK\$3,627,000) recognized in accordance with HKFRS 2.

Other expenses

Other expenses increased by about HK\$57,462,000 to HK\$65,399,000 for the Nine-Month Period, compared to HK\$7,937,000 for the corresponding period last year. The increase was primarily due to the impairment loss of available-for-sale investments amounting to HK\$49,704,000 and the increase in amortization expense of intangible assets.

The Group's available-for-sale investments include investments in principal protected collateralized debt obligations (CDO) that are backed by US mortgages, including sub-prime mortgages. Based on the decline in the market conditions of the US mortgage industry, the Group conducted an assessment on this investment. Management determined the decline in the value of the CDO was other than temporary and, according to the relevant accounting standards, was required to record a charge of HK\$49,704,000 against this CDO.

Income tax

The Group recorded an income tax credit of HK\$1,197,000 in the Nine-Month Period, compared to an income tax expense of HK\$2,571,000 for the corresponding period last year. The provision of income tax was HK\$463,000 in the Nine-Month Period which was offset by the deferred tax income of HK\$1,660,000.

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 4.

Minority interests

Loss shared by minority interests was HK\$3,361,000 in the Nine-Month 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 Nine-Month 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.

(Loss) profit for the period attributable to equity holders of the Company

Loss for the period attributable to equity holders of the Company was HK\$48,628,000 in the Nine-Month Period, compared with profit attributable to equity holders of the Company of HK\$43,836,000 in the same period last year.

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 September, 2007, our total mobile services and applications revenue was HK\$8.8 million, down 82% year-on-year. During the quarter, SMS and MMS continued to be our major revenue generators, representing 62% 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 continues to emphasize 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

Expanding on the close cooperation with Jiangsu Wuxi Mobile, a subsidiary of China Mobile, we have successfully renewed the WAP content contract with Jiangsu Wuxi Mobile in the third quarter. 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. The two companies are continuously exploring new cooperation opportunities in the future. In addition, we are also evaluating some international companies for potential gaming content.

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 usage, single time play, etc. Moreover, we are also the pioneer of free mobile game model adopter. We are currently discussing potential cooperation with several leading mobile game developers.

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 August 2007, mobile subscribers in China had exceeded 515 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 continuing to explore opportunities in enterprise service applications and actively seeking opportunities to develop mobile applications for enterprises and government offices in China. In the third quarter, we were selected by KFC China, a division of Yum! Brands, Inc. (NYSE: YUM), one of the world's largest restaurant chains, to provide wireless promotional services. Under the agreement, the Group will host and maintain a SMS (Short Message Service) platform for KFC enabling the company to promote its new products in China. With this platform, KFC can proactively inform mobile subscribers of company information, such as new products and promotional programs. Mobile subscribers also can send text messages (SMS) to participate in a variety of KFC programs that include promotions, e-coupons and prizes.

With more than 1,800 KFC restaurants in over 400 cities in mainland China, KFC is the number one quick-service restaurant brand in China. After an extensive selection process, KFC chose our MVAS business to help to expand their promotional services and reach out to millions of mobile subscribers that could further strengthen its dominant China brand. We believe this win-win partnership will help both parties to expand their customer bases. For instance, our large base of mobile subscribers will contribute to KFC's growing popularity, and in turn, KFC's increasing customer base will be introduced to our MVAS services.

During the third quarter, we have successfully completed a SMS voting project for Jin Zhou 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

For the three months ended 30th September, 2007, Portal revenue increased 39% year-on-year, but decreased 13% quarter-on-quarter. During the quarter, the Chinese government had implemented strict restrictions on online advertisements for medical treatments and pharmaceutical products. These measures had negatively impacted the growth of Portal's advertising revenue. To minimize the impact and increase Portal revenue, our Portal is actively growing its key channels and adjusting the client structure by modestly reducing clients of medical and pharmaceutical companies, and actively strengthening cooperations with other well-known enterprises.

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Recognizing the booming growth and tremendous potential of the online gaming sector in China, China.com portal is also building and strengthening its current games channel into an informational and interactive gaming platform. We are forging strategic partnership with leading domestic and international webpage games to launch webpage games, many of which are sports games, to capture a niche yet fast growing market and to capture the advertising opportunities brought on by 2008 Olympics. We are also strengthening content on gaming news and information, offering the China.com gaming channel as an attractive choice for game advertisers. In November 2007, the China.com portal signed an advertising contract with Giant Interactive Group Inc. (NYSE: GA), one of the leading online games developers and operators in China.

These initiatives enhanced China.com portal's brand equity and helped the China.com portal to acquire more advertising contracts and reputable clients, including Haier, the world's 4th largest whitegoods manufacturer and one of China's Top 100 IT Companies; and Samsung.

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

Media and Travel

TTG had performed well in Q3 2007 with revenues and profit marginally up compared to Q3 2006. Such good result can be attributed to the better than expected advertising revenues across the board.

The Pacific Asia Travel Association (PATA) has awarded TTG's editor as "PATA Travel Journalist of the Year". This prestigious award recognized journalist who has raised the bar of quality reporting and consistently provided unique insights of the travel trade and championed the Asia Pacific travel and tourism industry. This award presented during PATA Travel Mart event in September, will contribute to increasing TTG's brand awareness in the industry.

During the quarter, TTG successfully organized the Gift & Stationary Show in Singapore. This event was supported by Gifts Association, Book Sellers & Stationers Association with marketing seminars conducted by Marketing Institute of Singapore to draw visitors to the event.

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

As at 30th September, 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.	–	–	–	–
Anson Wang	–	–	–	–
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

Name of Directors	Date of grant	Exercise price HK\$	Number of share options outstanding as at 30th September, 2007
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
	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 1)

Note:

1. 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.

During the Nine Month Period, 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. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.616.

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 Nine Month Period.

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	Approximate percentage of interests
Chen Xiaowei	–	199,164	Personal/ beneficiary	0.17%
Chia Kok Onn	–	42,293	Personal/ beneficiary	0.04%
Ch'ien Kuo Fung, Raymond	973,773	231,667	Personal/ beneficiary	1.04%
Fang Xin	–	70,000	Personal/ beneficiary	0.06%
Lam Lee G.	–	10,000	Personal/ beneficiary	0.01%
Anson Wang	–	–	–	–
Wang Cheung Yue, Fred	–	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,100,289	6,044,999	Interest of children or spouse*	18.90%
Yip Hak Yung, Peter	–	90,000	Personal/ beneficiary	0.08%

* 11,987,653 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 is 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. 4,112,636 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

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at
				30th September, 2007
Chen Xiaowei	19th July, 2005	19th July, 2006 to 18th July, 2015	2.7600	20,000 <i>Note (2)</i>
	27th September, 2005	27th September, 2006 to 26th September, 2015	3.2100	22,500 <i>Note (2)</i>
	14th July, 2006	14th October, 2006 to 13th July, 2013	3.9500	90,000 <i>Notes (1) & (2)</i>
	25th August, 2006	25th November, 2006 to 24th August, 2013	5.2500	66,664 <i>Notes (1) & (2)</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	36,667 <i>Note (3)</i>
	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
	13th July, 2001	13th October, 2001 to 12th July, 2011	2.9700	50,000 <i>Note (3)</i>
	1st January, 2006	1st July, 2006 to 31st December, 2015	3.2200	15,000 <i>Note (3)</i>
Fang Xin	16th November, 2005	16th November, 2006 to 15th November, 2015	3.3000	70,000

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30th September, 2007
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
	18th December, 2006	18th December, 2007 to 18th December, 2013	8.5200	25,000 <i>Note (1)</i>
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 (4)</i>
	3rd June, 2003	30th June, 2003 to 2nd June, 2013	4.9500	200,000 <i>Note (4)</i>
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	100,000 <i>Note (4)</i>
	15th September, 2005	15th September, 2005 to 14th September, 2015	2.9940	50,000 <i>Note (4)</i>
	15th September, 2005	15th December, 2005 to 14th September, 2015	2.9940	50,000 <i>Note (4)</i>
	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	45,000 <i>Note (4)</i>
	3rd January, 2006	3rd April, 2006 to 2nd January, 2013	3.2200	600,000 <i>Notes (1) & (4)</i>

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at
				30th September, 2007
	12th April, 2006	12th July, 2006 to 11th April, 2013	3.9900	2,400,000 Note (4)
	12th April, 2006	As per Executive Services (CEO) Agreement	3.9900	2,399,999 Note (4)

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 Nine Month Period, Dr. Chen Xiaowei exercised an aggregate of 20,000 options to subscribe for Class A common shares at an exercise price of US\$2.7600; 17,500 options to subscribe for Class A common shares at an exercise price of US\$3.2100; 30,000 options to subscribe for Class A common shares at an exercise price of US\$3.9500 and 33,336 options to subscribe for Class A common shares at an exercise price of US\$5.2500.
- (3) During the Nine Month Period, Dr. Ch'ien Kuo Fung, Raymond exercised an aggregate of 30,000 options to subscribe for Class A common shares at an exercise price of US\$3.3750; 220,000 options to subscribe for Class A common shares of an exercise price of US\$2.7400; 350,000 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\$2.6860 and 30,000 options to subscribe for Class A common shares at an exercise price of US\$3.2200. Out of these options to subscribe for Class A common shares, 160,000 Class A common shares were held and the remaining were sold on the respective days of the exercise of options.
- (4) 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.

Long positions in common shares in CDC Software Corporation and the underlying shares of equity of derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	–	25,000	Personal/ beneficiary	0.08%
Wang Cheung Yue, Fred	–	20,000	Personal/ beneficiary	0.07%
Yip Hak Yung, Peter	–	330,000	Interest of children or spouse*	1.10%

* These options to subscribe for common shares were held under the name of 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 common shares in CDC Software Corporation

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options outstanding as at 30th September, 2007
Ch'ien Kuo Fung, Raymond	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.330	25,000
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.330	20,000
Yip Hak Yung, Peter	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.330	330,000

Long positions in common shares in CDC Games Corporation and the underlying shares of equity of derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Chen Xiaowei	–	128,000	Personal/ beneficiary	0.43%
Wang Cheung Yue, Fred	–	120,000	Personal/ beneficiary	0.40%
Wong Sin Just	–	50,000	Personal/ beneficiary	0.17%
Yip Hak Yung, Peter	–	900,000	Interest of children or spouse*	3.00%

* These options to subscribe for common shares were held under the name of 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 common shares in CDC Games Corporation

Name of Directors	Date of grant	exercise period	Exercise price US\$	Number of share options outstanding as at 30th September, 2007
Chen Xiaowei	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	128,000
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	120,000
Wong Sin Just	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	50,000
Yip Hak Yung, Peter	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	900,000

Except as disclosed above, as at 30th September, 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 Nine Month Period, Asia Pacific Online Limited transferred 200,000 options to subscribe for Class A common shares in CDC Corporation granted on 6th June, 2002 at an exercise of US\$2.8200 and 100,000 options to subscribe for Class A common shares in CDC Corporation granted on 15th September, 2005 at an exercise of US\$2.9940 to C W Chu Foundation on 8th October, 2007. The spouse of Mr. Yip Hak Yung, Peter sold and bought an aggregate of 307,240 and 172,500 Class A common shares of CDC Corporation respectively during the period from 1st October, 2007 to 6th November, 2007. Dr. Ch'ien Kuo Fung, Raymond exercised 30,000 and 10,000 options to subscribe for Class A common shares in CDC Corporation at an exercise of US\$2.970 on 10th October, 2007 and 24th October, 2007 respectively and an aggregate of 20,000 options to subscribe for Class A common shares in CDC Corporation at an exercise of US\$3.375 on 10th October, 2007 and 24th October, 2007 respectively, an aggregate of 30,000 of such Class A common shares were held and the remaining were sold on the respective days of the exercise of options. Mr. Wong Sin Just gave up 50,000 options to subscribe for common shares in CDC Games Corporation on 29th October, 2007.

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

As at 30th September, 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

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

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 September, 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.

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:-

Date of repurchase	Number of shares repurchased	Price per share repurchased	
		Highest (HK\$)	Lowest (HK\$)
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 Nine Month Period.

COMPETING INTERESTS

Currently, the Board is not aware of any Director or the management shareholder of the Company (as defined under the GEM Listing Rules) having any interests in a business which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

During the Nine Month 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 Nine Month 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 Nine Month 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 has 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, 12th November, 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. Anson Wang.