

China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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



Interim Report 2009

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This report, for which the Directors (the “Directors”) of China.com Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 no 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 business operations continued to be adversely affected by the global financial crisis. Below are the financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 30th June, 2009:

- Revenue was HK\$23.9 million, down 31% year-over-year but up 27% quarter-over-quarter.
- Gross profit was HK\$13.6 million, down 24% year-over-year but up 43% quarter-over-quarter.
- Net profit for the period was HK\$0.6 million, compared to a net loss of HK\$6.0 million in the first quarter of 2009, and a net profit of HK\$14.6 million in the second quarter of 2008.
- Financial position remained strong, with approximately HK\$767 million in net cash and cash equivalent, held-for-trading investments and available-for-sale investments.
- Pursuant to the approval of the Grand Court of Cayman Islands, the share capital of the Company was reduced by HK\$3.99 per existing ordinary share from HK\$4.00 each to HK\$0.01 each by cancelling an equivalent amount of paid-up capital per existing ordinary share effective on 19th June, 2009.
- The board of directors has on 10th August, 2009 declared an interim dividend of HK\$1.00 per share payable on or before 9th September, 2009, to shareholders whose names appear on the register of members of the Company on 28th August, 2009.

Despite the harsh economic conditions, the portal team has achieved continuous revenue growth by widening up the customer bases for the automobile and games channels. Apart from improving the community platform to attract more traffic, we rolled out two new channels, namely "Baby channel" and "Fortune Telling channel" in the second quarter to tap in new revenue. For the three months ended 30th June, 2009, portal revenue increased HK\$1 million or 16% quarter-over-quarter. During the second quarter, we signed up new advertising and promotion agreements with major clients including Haier, Hyundai Beijing, FAW Mazda, Volkswagen Shanghai, Canon China, IBM China, L'Oreal China, Honda Guangzhou, Toyota Guangzhou, Dongfeng Yueda Kia Motors, Mazda Hainan and Intel China.

In May, China.com hosted the second nationwide "Webgames Summit Forum" in the City of Jiaxing in Zhejiang Province. More than 100 webgame publishers and operators attended the summit with over 200 media covering this event. During the summit, China.com in association with Chinese Publishers Association and the Game Working Committees announced the results of the annual survey and presented awards to the winners for the most popular webgame developers and operators in China.

In May, China.com won the contract from Municipal Government of Jiaying city in Zhejiang Province to run “the Webgames Incubation Centre” in the City. This is the first incubation project in China that provides comprehensive support to promote Webgame industries in China including government financial and policy support.

In April, China.com won the prizes of “Top ten Internet Portal in China” and “The Best Content Covering Website for the Beijing Olympics Events” in the evaluation for most famous Internet Brand Event organized by Internet Society of China, China People’s Daily and the State Council Information Office of PRC.

TTG, our travel media arm continues to be profitable for the second quarter, despite of the current global economic downturn and the H1N1 outbreak. During the second quarter, TTG has successfully organized two travel trade events in Shanghai, namely Incentive Travel & Conventions, Meetings China (IT & CM China) and Corporate Travel & Technology World (CTTW). Both events yielded good turnout. Other achievements include TTG’s appointment of official media partner by Taiwan Visitors Association and collaboration projects with other National Tourists Organization as their media partners.

With the continuing global economic recession, we expect to see further cut backs in advertising spending that will impact our revenue performance in the coming quarters. The Group will stay slim and fit and will commit resources to pursue new strategic opportunities to grow our two core businesses, particularly in China.

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

Dr. Ch’ien Kuo Fung, Raymond
Chairman

Hong Kong, 10th August, 2009

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, 2009, together with the comparative unaudited figures for the corresponding periods in 2008.

	Notes	(Unaudited) Three months ended 30th June,		(Unaudited) Six months ended 30th June,	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	23,885	34,741	42,635	56,806
Cost of sales		(10,245)	(16,680)	(19,424)	(28,095)
Gross profit		13,640	18,061	23,211	28,711
Other income		2,804	21,731	5,750	44,157
Selling and distribution costs		(6,068)	(7,498)	(9,347)	(12,164)
Administrative expenses		(8,965)	(16,822)	(21,186)	(37,120)
Impairment loss on accounts receivable		(582)	(633)	(1,080)	(1,290)
Other expenses		–	–	(2,403)	–
Profit (loss) before tax		829	14,839	(5,055)	22,294
Income tax expense	4	(275)	(281)	(439)	(995)
Profit (loss) for the period	5	<u>554</u>	<u>14,558</u>	<u>(5,494)</u>	<u>21,299</u>
Attributable to:					
Owners of the Parent		<u>554</u>	<u>14,558</u>	<u>(5,494)</u>	<u>21,299</u>
Earnings (loss) per share	6				
Basic		<u>0.52 cents</u>	<u>13.36 cents</u>	<u>(5.13) cents</u>	<u>19.55 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June, 2009

	<i>Notes</i>	(Unaudited) 30th June, 2009 <i>HK\$'000</i>	(Audited) 31st December, 2008 <i>HK\$'000</i>
ASSETS			
Non-current Assets			
Plant and equipment		4,109	4,690
Goodwill		450	450
Available-for-sale investments		141,894	179,383
Deferred tax assets		726	725
		<u>147,179</u>	<u>185,248</u>
Current Assets			
Accounts receivable	8	13,661	23,679
Prepayments, deposits and other receivables		6,330	7,936
Available-for-sale investments		–	38,292
Held-for-trading investments		81,579	80,291
Amounts due from fellow subsidiaries		127	6,704
Amount due from ultimate holding company		3	697
Bank balances and cash		543,029	870,461
		<u>644,729</u>	<u>1,028,060</u>
Total Assets		<u><u>791,908</u></u>	<u><u>1,213,308</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	9	1,072	426,534
Reserves		754,987	724,951
Total Equity		<u>756,059</u>	<u>1,151,485</u>
Current Liabilities			
Accounts payable	10	11,072	15,042
Other payables and accrued liabilities		12,959	19,409
Deferred revenue		7,567	12,321
Tax liabilities		4,251	6,417
Amounts due to fellow subsidiaries		–	8,634
		<u>35,849</u>	<u>61,823</u>
Total Equity and Liabilities		<u><u>791,908</u></u>	<u><u>1,213,308</u></u>
Total assets less current liabilities		<u><u>756,059</u></u>	<u><u>1,151,485</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve 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, 2008	438,114	1,020,109	-	(31,193)	(10,336)	110	24,123	36,262	52,493	211,398	1,741,080
Deficit on revaluation of available-for-sale investments	-	-	-	-	(23,065)	-	-	-	-	-	(23,065)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	15,553	-	-	15,553
Net (expense) income recognised directly in equity	-	-	-	-	(23,065)	-	-	15,553	-	-	(7,512)
Profit for the period	-	-	-	-	-	-	-	-	-	21,299	21,299
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	-	98	-	-	-	-	-	98
Total recognised income and expense for the period	-	-	-	-	(22,967)	-	-	15,553	-	21,299	13,885
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	3,122	-	3,122
Special dividend	-	(577,112)	-	-	-	-	-	-	-	-	(577,112)
Repurchase of shares	(5,820)	(10,596)	-	-	-	5,820	-	-	-	(5,820)	(16,416)
At 30th June, 2008	<u>432,294</u>	<u>432,401</u>	<u>-</u>	<u>(31,193)</u>	<u>(33,303)</u>	<u>5,930</u>	<u>24,123</u>	<u>51,815</u>	<u>55,615</u>	<u>226,877</u>	<u>1,164,559</u>

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve 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, 2009	426,534	430,501	-	(31,193)	7,635	11,690	24,123	50,125	59,028	173,042	1,151,485
Deficit on revaluation of available-for-sale investments	-	-	-	-	(3,041)	-	-	-	-	-	(3,041)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	(55)	-	-	(55)
Net expense recognised directly in equity	-	-	-	-	(3,041)	-	-	(55)	-	-	(3,096)
Loss for the period	-	-	-	-	-	-	-	-	-	(5,494)	(5,494)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	-	708	-	-	-	-	-	708
Total recognised income and expense for the period	-	-	-	-	(2,333)	-	-	(55)	-	(5,494)	(7,882)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	1,776	-	1,776
Shares issued upon exercises of share options	2,161	775	-	-	-	-	-	-	-	-	2,936
Transfer to share premium upon exercises of share options	-	317	-	-	-	-	-	-	(317)	-	-
Capital reduction (note)	(427,623)	-	427,623	-	-	-	-	-	-	-	-
Special dividend	-	(392,256)	-	-	-	-	-	-	-	-	(392,256)
At 30th June, 2009	<u>1,072</u>	<u>39,337</u>	<u>427,623</u>	<u>(31,193)</u>	<u>5,302</u>	<u>11,690</u>	<u>24,123</u>	<u>50,070</u>	<u>60,487</u>	<u>167,548</u>	<u>756,059</u>

Note: Pursuant to the approval of the Grand Court of Cayman Islands, the share capital of the Company was reduced from HK\$1,000,000,000 divided into 250,000,000 shares of HK\$4.00 each to HK\$2,500,000 divided into 250,000,000 shares of HK\$0.01 each (the "Capital Reduction") effective on 19th June, 2009. A credit of HK\$427,623,000 arising from the Capital Reduction was transferred to capital reserve account.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	Six months ended 30th June,	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(13,409)	(3,862)
Net cash generated by investing activities	75,060	240,141
Net cash (used in) generated by financing activities	(389,320)	37,880
Net (decrease) increase in cash and cash equivalents	(327,669)	274,159
Cash and cash equivalents at 1st January	870,461	724,331
Effect of exchange rate changes on the balance of cash held in foreign currencies	237	10,117
Cash and cash equivalents at 30th June, representing bank balances and cash	<u>543,029</u>	<u>1,008,607</u>

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 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 interim 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 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, 2008.

2. REVENUE

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

An analysis of the Group's revenue is as follows:

	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Mobile services and applications revenue	43	7,393
Internet and media	42,592	49,413
	<u>42,635</u>	<u>56,806</u>

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 mobile value-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.

Segment information about these businesses is presented below.

Six months ended 30th June, 2009

	Mobile services and applications <i>HK\$'000</i>	Internet and media <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	43	42,592	–	42,635
Inter-segment sales	–	–	–	–
Total	<u>43</u>	<u>42,592</u>	<u>–</u>	<u>42,635</u>
RESULT				
Segment results	<u>(772)</u>	<u>(964)</u>	<u>–</u>	(1,736)
Interest income and unallocated other corporate income				3,347
Unallocated corporate expenses				<u>(6,666)</u>
Loss before tax				(5,055)
Income tax expense				<u>(439)</u>
Loss for the period				<u><u>(5,494)</u></u>

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2009

	Mobile services and applications <i>HK\$'000</i>	Internet and media <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Segment assets	131,338	71,736	203,074
Available-for-sale investments, held-for-trading investments and unallocated corporate assets			<u>588,834</u>
Total assets			<u><u>791,908</u></u>
LIABILITIES			
Segment liabilities	7,325	25,529	32,854
Unallocated corporate liabilities			<u>2,995</u>
Total liabilities			<u><u>35,849</u></u>

Six months ended 30th June, 2008

	Mobile services and applications <i>HK\$'000</i>	Internet and media <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	7,393	49,413	–	56,806
Inter-segment sales	<u>3,178</u>	<u>4,143</u>	<u>(7,321)</u>	<u>–</u>
Total	<u><u>10,571</u></u>	<u><u>53,556</u></u>	<u><u>(7,321)</u></u>	<u><u>56,806</u></u>
RESULT				
Segment results	<u><u>(5,088)</u></u>	<u><u>(3,455)</u></u>	<u><u>–</u></u>	<u><u>(8,543)</u></u>
Interest income and unallocated other corporate income				44,524
Unallocated corporate expenses				<u>(13,687)</u>
Profit before tax				22,294
Income tax expense				<u>(995)</u>
Profit for the period				<u><u>21,299</u></u>

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2008

	Mobile services and applications <i>HK\$'000</i>	Internet and media <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Segment assets	145,861	90,947	236,808
Available-for-sale investments, held-for-trading investments and unallocated corporate assets			<u>1,113,027</u>
Total assets			<u><u>1,349,835</u></u>
LIABILITIES			
Segment liabilities	11,876	35,807	47,683
Unallocated corporate liabilities			<u>137,593</u>
Total liabilities			<u><u>185,276</u></u>

Geographical segments

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

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the services:

	Six months ended 30th June,	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
PRC	14,060	21,648
Singapore	28,479	35,035
Hong Kong	<u>96</u>	<u>123</u>
	<u><u>42,635</u></u>	<u><u>56,806</u></u>

4. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no significant assessable profits in Hong Kong for the Half-Yearly Period and the corresponding period in 2008.

The estimated average annual tax rate used is 16.5% (2008: 16.5%) for the Half-Yearly Period.

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

5. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

	Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000
Depreciation of plant and equipment	1,843	2,213
Auditors' remuneration	1,264	1,822
Staff costs (including directors' emoluments)	17,536	25,318
Loss on disposal of plant and equipment (included in other income)	–	47
Net foreign exchange loss	1,825	8,255
Loss on disposal of available-for-sale investments (included in other expenses)	2,403	–
Gain on held-for-trading investments (included in other income)	(1,289)	(160)
Interest income on available-for-sale investments (included in other income)	(1,954)	(20,546)
Other interest income (included in other income)	(2,507)	(23,498)
	<u> </u>	<u> </u>

6. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary owners of the Parent is based on the following data:

	Three months ended 30th June,		Six months ended 30th June,	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
<i>Earnings</i>				
Profit (loss) for the period attributable to owners of the Parent	<u>554</u>	<u>14,558</u>	<u>(5,494)</u>	<u>21,299</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>107,174</u>	<u>108,969</u>	<u>107,015</u>	<u>108,953</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No diluted earnings (loss) per share has been presented because the impact of the exercise of the share options was anti-dilutive.

7. DIVIDENDS

On 9th February, 2009, the Company declared a special dividend of HK\$3.66 per share (2008: HK\$5.34 per share) to shareholders out of the Company's share premium. The dividend was paid in March 2009 totaling HK\$392,256,000 (2008: HK\$577,112,000).

The Board has declared an interim dividend of HK\$1.00 per share for the Half-Yearly Period (2008: HK\$Nil) to the shareholders whose names appear on the register of members of the Company on 28th August, 2009. The dividend will be paid on or before 9th September, 2009.

8. ACCOUNTS RECEIVABLE

An aged analysis of trade receivables as at the end of the reporting period, based on invoice date, and net of allowance for doubtful debts, is as follows:

	(Unaudited) 30th June, 2009 HK\$'000	(Audited) 31st December, 2008 HK\$'000
Within 90 days	12,344	20,561
91-120 days	117	605
121-180 days	1,082	2,091
Over 180 days	118	422
	<u>13,661</u>	<u>23,679</u>

9. SHARE CAPITAL

	Number of shares		Share capital	
	(Unaudited) 30th June, 2009 After Capital Reduction	(Audited) 31st December, 2008 Before Capital Reduction	(Unaudited) 30th June, 2009 After Capital Reduction HK\$'000	(Audited) 31st December, 2008 Before Capital Reduction HK\$'000
Ordinary shares of HK\$0.01 each after Capital Reduction or HK\$4.00 each before Capital Reduction				
Authorised	<u>250,000,000</u>	<u>250,000,000</u>	<u>2,500</u>	<u>1,000,000</u>
Issued and fully paid				
At beginning of period/year	106,633,482	109,528,482	426,534	438,114
Repurchase of shares	-	(2,895,000)	-	(11,580)
Exercise of share options	540,160	-	2,161	-
Capital Reduction	-	-	(427,623)	-
At end of period/year	<u>107,173,642</u>	<u>106,633,482</u>	<u>1,072</u>	<u>426,534</u>

Pursuant to the approval of the Grand Court of Cayman Islands, the share capital of the Company was reduced from HK\$1,000,000,000 divided into 250,000,000 shares of HK\$4.00 each to HK\$2,500,000 divided into 250,000,000 shares of HK\$0.01 each (the "Capital Reduction") effective on 19th June, 2009. A credit of HK\$427,623,000 arising from the Capital Reduction was transferred to capital reserve account.

10. ACCOUNTS PAYABLE

An aged analysis of accounts payables as at the end of the reporting period, based on invoice date is as follows:

	(Unaudited) 30th June, 2009 <i>HK\$'000</i>	(Audited) 31st December, 2008 <i>HK\$'000</i>
Within 90 days	5,358	10,796
91-120 days	50	104
121-180 days	65	133
Over 180 days	5,599	4,009
	<u>11,072</u>	<u>15,042</u>
	<u><u>11,072</u></u>	<u><u>15,042</u></u>

11. COMPARATIVE FIGURES

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

12. POST REPORTING PERIOD EVENTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Half-Yearly Period was HK\$42,635,000 representing a HK\$14,171,000, or 25% decrease compared to the same period last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications revenue of HK\$7,350,000; and (2) a decrease in advertising revenue from the internet and media segment of HK\$6,821,000.

Gross profit margin maintained at a relatively stable level of 54% for the Half-Yearly Period, compared to 51% in the same period last year.

Other income

Other income decreased by 87% to HK\$5,750,000 for the Half-Yearly Period, compared to HK\$44,157,000 for the corresponding period in 2008. The decrease was primarily due to (1) a HK\$18,592,000 decrease in interest income from available-for-sale investments; (2) a HK\$9,483,000 decrease in interest income from cash and bank balances; and (3) the maturity of a US\$60 million promissory note on 27th June, 2008, which used to generate an interest income of approximately HK\$5,850,000 per quarter.

Selling and distribution costs

Selling and distribution costs decreased to HK\$9,347,000 for the Half-Yearly Period, compared to HK\$12,164,000 for the corresponding period in 2008. The decrease was mainly attributable to the decrease in sales and marketing personnel expenses amounting to HK\$2,540,000 during the Half-Yearly Period.

Administrative expenses

Administrative expenses decreased by 43% to HK\$21,186,000 for the Half-Yearly Period, compared to HK\$37,120,000 for the corresponding period last year. The net decrease was primarily due to the effectiveness of cost control initiatives during the Half-Yearly Period. Administrative expenses include share option expenses for the Half-Yearly Period amounting to HK\$1,776,000 (2008: HK\$3,122,000) recognised in accordance with HKFRS 2.

Impairment loss on accounts receivable

An impairment loss of HK\$1,080,000 (2008: HK\$1,290,000) has been provided for accounts receivable for the Half-Yearly Period since the Group considered the amount will not be collectible.

Other expenses

Other expenses increased to HK\$2,403,000 (2008: HK\$Nil) for the Half-Yearly Period. The increase was primarily due to the loss on disposal of an available-for-sale investment amounting to HK\$2,403,000 during the Half-Yearly Period.

Income tax

The Group recorded an income tax expense of HK\$439,000 for the Half-Yearly Period, compared to HK\$995,000 for the corresponding period last year. The income tax expense for the Half-Yearly Period represented provision for income tax.

Minority interests

Profit (loss) shared by minority interests was HK\$Nil for the Half-Yearly Period and corresponding period last year.

Profit (loss) for the period attributable to owners of the Parent

Loss for the period attributable to owners of the Parent was HK\$5,494,000 for the Half-Yearly Period, compared to a profit attributable to owners of the Parent of HK\$21,299,000 for the corresponding period last year.

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group continued to be in a strong financial position with HK\$756,059,000 shareholders' funds as at 30th June, 2009 (2008: HK\$1,151,485,000). Total assets amounted to HK\$791,908,000 as at 30th June, 2009 (2008: HK\$1,213,308,000), of which HK\$543,029,000 (2008: HK\$870,461,000) was bank balances and cash, HK\$81,579,000 (2008: HK\$80,291,000) was held-for-trading investments and HK\$141,894,000 (2008: HK\$217,675,000) was available-for-sale investments.

Capital structure

There was no change in the capital structure of the Group as at 30th June, 2009, compared to that as at 31st December, 2008.

Charges on the Group's assets

There was no charge on the Group's assets as at 30th June, 2009 and 31st December, 2008.

Gearing ratio

The Group has a zero gearing ratio as at 30th June, 2009 and 31st December, 2008 as calculated by net debts divided by shareholders' equity.

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, 2009, no related hedges were made by the Group.

Contingent liabilities

The directors of the Company have assessed the contingent tax liability that may arise from the disposal of Online Games during the year ended 31st December, 2006 and considered 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 loss for the Half-Yearly Period will increase approximately by HK\$110,000,000.

Material acquisitions, disposals and significant investments

There were no material acquisitions, disposals or significant investments during the Half-Yearly Period.

Employee information

As at 30th June, 2009, the Group had 214 (2008: 230) full-time employees, of which 8 (2008: 6) were based in Hong Kong, 160 (2008: 178) in China, 44 (2008: 43) in Singapore, 1 (2008: 2) in Thailand and 1 (2008: 1) in Malaysia. The Group has introduced share option schemes to recognise 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

Portal

Despite the harsh economic conditions, the portal team has achieved continuous revenue growth by widening up the customer bases in the automobile and games channels. Apart from improving the community platform to attract higher traffic, we rolled out two new channels, namely "Baby channel" and "Fortune Telling" channel in the second quarter to tap in new revenue. For the three months ended 30th June, 2009, portal revenue increased HK\$1 million or 16% quarter-over-quarter. During the second quarter, we signed up new advertising and promotion agreements with major clients including Haier, Hyundai Beijing, FAW Mazda, Volkswagen Shanghai, Canon China, IBM China, L'Oreal China, Honda Guangzhou, Toyota Guangzhou, Dongfeng Yueda Kia Motors, Mazda Hainan, Intel China, etc.

In May, China.com hosted the second nationwide "Webgames Summit Forum" in the City of Jiaxing in Zhejiang Province. More than 100 webpage publishers and operators attended the summit with over 200 media covering this event. During the summit, China.com in association with Chinese Publishers Association and the Game Working Committees announced the results of the annual survey and presented awards to the winners for the most popular webpage developers and operators in China.

In May, China.com won the contract from Municipal Government of Jiaxing city in Zhejiang Province to run “the Webgames Incubation Centre” in the City. This is the first incubation project in China that provides comprehensive support to promote Webgame industries in China including government financial and policy support.

In April, China.com won the prizes of “Top ten Internet Portal in China” and “The Best Content Covering Website for the Beijing Olympics Events” in the evaluation for most famous Internet Brand Event organized by Internet Society of China, China People’s Daily and the State Council Information Office of PRC.

Media and Travel

TTG, our travel media arm continues to be profitable for the second quarter, despite of the current global economic downturn and the H1N1 outbreak. During the second quarter, TTG has successfully organized two travel trade events in Shanghai, namely Incentive Travel & Conventions, Meetings China (IT & CM China) and Corporate Travel & Technology World (CTTW). Both events yielded good turnout. Other achievements include TTG’s appointment of official media partner by Taiwan Visitors Association and collaboration projects with other National Tourists Organization as their media partners.

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

As at 30th June, 2009, 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")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were 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 Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

The Company

Long positions in ordinary shares and the underlying shares of equity derivatives

Name of Directors	Number of shares Note (4)	Number of underlying shares Note (4)	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	450,000	Personal/ beneficiary	0.55%
Lam, Lee G.	–	–	–	–
Anson Wang	–	–	–	–
Li On-kwok, Victor	–	–	–	–
Cheng Loi	–	37,875	Corporate Note (3)	0.04%
Wang Cheung Yue, Fred	–	150,000	Personal/ beneficiary	0.14%
Wong Sin Just	–	112,500	Personal/ beneficiary	0.11%
Wong Sin Just	615,000	–	Corporate Note (5)	0.57%
Yip Hak Yung, Peter	85,400	–	Corporate Note (1)	0.08%
Yip Hak Yung, Peter	22,500	425,000	Personal/ beneficiary	0.42%
Yip Hak Yung, Peter	540,160 Note (10)	6,524,072 Note (9) & Note (10)	Interest of children or spouse Note (2)	6.59%

Notes:

- (1) These shares were beneficially owned by Asia Internet Holdings Limited which is 100% owned by Mr. Yip Hak Yung, Peter.
- (2) These options were beneficially owned by Asia Pacific On-Line Limited, a company 50% owned by Mr. Yip Hak Yung, Peter's spouse and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (4) Adjustments were made to the previous balances (before 27th June, 2008) of the number of shares and the number of underlying shares resulting from the consolidation ("Share Consolidation") of every 40 existing ordinary shares of HK\$0.10 each in the issued and unissued share capital into one (1) consolidated share of HK\$4.00 each in the issued and unissued share capital of the Company duly approved at the extraordinary general meeting held on 26th June, 2008 by the shareholders and become effective 27th June, 2008. The par value of share capital was reduced from HK\$4.00 per share to HK\$0.01 per share effective 19th June, 2009 ("Capital Reduction"). The Capital Reduction was approved by special resolution at the extraordinary general meeting held on 16th January, 2009 and confirmed by court order granted by the Grand Court of the Cayman Islands on 19th June, 2009.
- (5) During the Half Yearly Period, these shares were purchased and beneficially owned by Pan Asian Young Corporation Opportunities Fund, Ltd. which is 34.08% owned by Fine High Investments Limited, a company 100% owned by Dato' Dr Wong Sin Just.

Options to subscribe for ordinary shares in the Company pursuant to the pre-IPO share option scheme, the post-IPO share option scheme and the 2002 share option scheme

Name of Directors	Date of grant <i>Note (7)</i>	Exercise price <i>Note (6)</i> HK\$	Number of share options outstanding as at 30th June, 2009 <i>Note (6)</i>
Ch'ien Kuo Fung, Raymond	9th March, 2000	75.20	250,000
	5th June, 2003	25.04	100,000
	10th October, 2005	25.20	100,000
Wang Cheung Yue, Fred	5th June, 2003	25.04	50,000
	15th September, 2005	22.40	100,000
Cheng Loi	26th March, 2008	11.00	37,500
	26th March, 2008	11.00	<i>Note (8)</i> 375
Wong Sin Just	9th March, 2000	75.20	25,000
	5th June, 2003	25.04	62,500
	15th September, 2005	22.40	25,000
Yip Hak Yung, Peter	5th June, 2003	25.04	100,000
	10th October, 2005	25.20	100,000
	3rd January, 2006	21.04	225,000
	14th August, 2006	17.80	5,983,912
	19th August, 2008	5.436	<i>Note (9)</i> 540,160 <i>Note (10)</i>

Notes:

- (6) Before the Share Consolidation effective 27th June, 2008, adjustments were made to the previous exercise prices and balances (before 27th June, 2008) of the number of share options. Resulting from the Capital Reduction effective 19th June, 2009, the par value of share capital was reduced from HK\$4.00 per share to HK\$0.01 per share.
- (7) All the share options may be exercised in accordance with the terms of the relevant share option schemes at any time during the period commencing from one year after the date of grant of options to the year ending 10 years after the date of grant of options. The consideration for the grant was HK\$1.00. These share options other than those set out in Notes (8), (9) and (10) below shall vest over a period of four years.
- (8) These options shall vest over a period of three years. The vesting Schedule of 37,500 options is as follows:
- 12,500 options shall vest from 26th March, 2009
 - 12,500 options shall vest from 26th March, 2010
 - 12,500 options shall vest from 26th March, 2011

- (9) These options were granted to Asia Pacific On-Line 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. Before Share Consolidation, 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 and the number of such options was adjusted to 5,983,912 after Share Consolidation effective 27th June, 2008.

108,798,412 (2,719,960 after Share Consolidation) 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 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 (3,263,952 options after Share Consolidation), 50% shall vest upon the occurrence of one of the below events (the date of occurrence shall be the vesting date for such options) pursuant to the terms and conditions as set out in the Services Agreement as described below provided (i) Mr. Yip Hak Yung, Peter remains at the Company 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 the Company 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 the Company 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 the Company in their absolute discretion.
- (10) On 19th August, 2008, the board of directors of the Company resolved to grant Asia Pacific On-Line Limited ("APOL") an aggregate number of 1,080,320 options representing not exceeding 1% of the total issued shares of the Company as at the date of the grant 19th August, 2008. APOL is a company 50% owned by the spouse of Mr. Yik Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children as remuneration for the services provided by Mr. Yip under the Services Agreement and shall vest quarterly over one year effective from 1st October, 2008 to 1st July, 2009. The vesting schedule of 1,080,320 options is as follows:

- 270,080 options shall vest from 1st October, 2008
- 270,080 options shall vest from 1st January, 2009
- 270,080 options shall vest from 1st April, 2009
- 270,080 options shall vest from 1st July, 2009

On 23rd February, 2009, 540,160 new ordinary shares of the Company were issued and allotted to APOL resulting from the exercise of 540,160 out of 1,080,320 options by APOL.

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
Ch'ien Kuo Fung, Raymond	1,023,773	355,000	Personal/ beneficiary	1.17%
Lam Lee G.	–	10,000	Personal/ beneficiary	0.01%
Cheng Loi	–	92,000	Corporate Note (2)	0.08%
Wang Cheung Yue, Fred	–	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,866,251	6,809,999	Interest of children or spouse Note (1)	20.01%
Yip Hak Yung, Peter	–	190,000	Personal/ beneficiary	0.16%

Notes:

- (1) 11,987,253 Class A common shares and 6,809,999 stock appreciation rights/options to subscribe for Class A common shares were held under the name of Asia Pacific On-Line Limited ("APOL"). APOL, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter ("Mr. Yip") and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. 4,878,998 Class A common shares were held by the spouse of Mr. Yip.
- (2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation pursuant to its share option scheme

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30th June, 2009
Ch'ien Kuo Fung, Raymond	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
	9th November, 2007	9th February, 2008 to 8th November, 2014	6.1800	25,000 <i>Note (1)</i>
	18th September, 2008	18th September, 2008 to 17th September, 2015	2.170	180,000 <i>Note (1)</i>
	19th March, 2009	19th June, 2009 to 18th March, 2016	1.000	20,000
Lam Lee G.	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	10,000 <i>Note (1)</i>
Cheng Loi	29th October, 2008	29th April, 2009 to 29th October, 2015	1.2700	40,000 <i>Note (1)</i>
	29th October, 2008	28th October, 2015	1.2700	15,000 <i>Note (1)</i>
	23rd April, 2009	23rd April, 2009 to 22nd April, 2016	1.2000	2,000 <i>Note (1) & Note (3)</i>
	4th May, 2009	4th August, 2009 to 3rd May, 2016	1.2000	35,000 <i>Note (1) & Note (4)</i>

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30th June, 2009
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 17th 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	29th July, 2008	29th April, 2009 to 28th July, 2015	2.660	165,000* <i>Note (1)</i>
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	600,000* <i>Note (1)</i>
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	345,000*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700 0.8700	2,400,000* 2,399,999*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	190,000
	19th December, 2008	19th March, 2009 to 18th December, 2015	1.2900	900,000*

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)* These options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation were granted to Asia Pacific On-Line 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.
- (3) These are stock appreciation rights granted by CDC Corporation on 23rd April, 2009. 10% of these 2,000 stock appreciation rights vest immediately as of the grant date and the vesting schedule of the other portion will be contingent on the achievement of milestone events as agreed by CDC Corporation.
- (4) These are stock appreciation rights granted by CDC Corporation on 4th May, 2009. 20,000 stock appreciation rights vest quarterly over 3 years and the vesting schedule of the other 15,000 stock appreciation rights will be contingent on the achievement of milestone events as agreed by CDC Corporation.

Long positions in common shares in CDC Software International Corporation (formerly CDC Software Corporation) ("CDC Software") 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%

Options to subscribe for common shares in CDC software pursuant to its share option scheme

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of stock appreciation rights outstanding as at 30th June, 2009
Ch'ien Kuo Fung, Raymond	17th February, 2007	Date of commencement of initial public offering 17th February, 2014	13.330	25,000
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of initial public offering 17th February, 2014	13.330	20,000

Long positions in common shares in CDC Games International Corporation (formerly known as CDC Games Corporation) ("CDC Games") 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
Wang Cheung Yue, Fred	–	120,000	Personal/beneficiary	0.40%
Yip Hak Yung, Peter	–	900,000	Interest of children or spouse Note (1)	3.00%
Ch'ien Kuo Fung, Raymond	–	100,000	Personal/beneficiary	0.33%
Cheng Loi	–	45,000	Personal/beneficiary	0.15%

Notes:

- (1) These options to subscribe for common shares were held under the name of Asia Pacific On-Line 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.
- (2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Options to subscribe for common shares in CDC Games pursuant to its share option scheme

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of stock appreciation rights outstanding as at 30th June, 2009
Wang Cheung Yue, Fred	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	120,000
Yip Hak Yung, Peter	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	150,000
Ch'ien Kuo Fung, Raymond	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	50,000
Cheng Loi	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	120,000

Save as disclosed above, as at 30th June, 2009, none of the directors and chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any director or chief executive of the Company, as at 30th June, 2009, the following companies (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Number of shares	Number of underlying shares	Percentage of issued share capital
CDC Corporation	84,546,700	–	78.89%
China M Interactive (BVI) Limited	84,045,700	–	78.42%
Asia Pacific On-Line Limited	540,160	6,524,072	6.59%

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.

Asia Pacific On-Line Limited is 50% owned by the spouse of Mr. Yip Hak Yung, Peter (“Mr. Yip”) and 50% owned by a trust established for the benefit of Mr. Yip’s spouse and his children.

Save as disclosed above, as at 30th June, 2009, none of the directors are aware of any other persons who has an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

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, 2009	Number of share options			As at 30th June, 2009
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
Directors							
Ch'ien Kuo Fung, Raymond	9th March, 2000	75.200	250,000	-	-	-	250,000
Wong Sin Just	9th March, 2000	75.200	25,000	-	-	-	25,000
Other Eligible Persons							
In aggregate	9th March, 2000	75.200	24,500	-	-	(17,000)	7,500
			<u>299,500</u>	<u>-</u>	<u>-</u>	<u>(17,000)</u>	<u>282,500</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, 2009	Number of share options			As at 30th June, 2009
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
Employees							
In aggregate	24th November, 2000	20.720	20,899	-	-	(4,535)	16,364
	10th April, 2001	11.440	3,751	-	-	(605)	3,146
Other Eligible Persons							
In aggregate	28th February, 2002	13.880	1,552	-	-	-	1,552
			<u>26,202</u>	<u>-</u>	<u>-</u>	<u>(5,140)</u>	<u>21,062</u>

2002 Scheme

Name or category of participant	Date of grant of share options Note (a)	Exercise price of share options Note (b) HK\$	Number of share options				As at 30th June, 2009	Closing price of the shares immediately before the date of exercise Note (c) HK\$
			As at 1st January, 2009	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
Directors								
Ch'ien Kuo Fung, Raymond	5th June, 2003	25.040	100,000	-	-	-	100,000	
	10th October, 2005	25.200	100,000	-	-	-	100,000	
Wong Sin Just	5th June, 2003	25.040	62,500	-	-	-	62,500	
	15th September, 2005	22.400	25,000	-	-	-	25,000	
Yip Hak Yung, Peter	5th June, 2003	25.040	100,000	-	-	-	100,000	
	10th October, 2005	25.200	100,000	-	-	-	100,000	
	3rd January, 2006	21.040	225,000	-	-	-	225,000	
	14th August, 2006	17.800	5,983,912	-	-	-	5,983,912 Note (d)	
	19th August, 2008	5.436	1,080,320 Note (e)	-	(540,160) Note (e)	-	540,160 3.010	
Wang Cheung Yue, Fred	5th June, 2003	25.040	50,000	-	-	-	50,000	
	15th September, 2005	22.400	100,000	-	-	-	100,000	
Fang Xin Note (f)	10th October, 2005	25.200	25,000	-	-	(25,000)	-	
Cheng Loi	26th March, 2008	11.000	37,500	-	-	-	37,500 Note (g)	
	26th March, 2008	11.000	375	-	-	-	375	

Name or category of participant	Date of grant of share options Note (a)	Exercise price of share options Note (b) HK\$	Number of share options				Closing price of the shares immediately before the date of exercise Note (c) HK\$
			As at 1st January, 2009	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
Employees							
In aggregate	24th February, 2003	6.840	807	-	-	-	807
	29th May, 2003	28.640	1,614	-	-	-	1,614
	22nd December, 2003	25.360	1,291	-	-	(1,291)	-
	7th September, 2004	20.400	2,294	-	-	(1,003)	1,291
	26th November, 2004	21.120	4,198	-	-	(4,198)	-
	15th September, 2005	22.400	65,000	-	-	(50,000)	15,000
	3rd January, 2006	21.040	6,250	-	-	-	6,250
	2nd October, 2007	17.160	11,250	-	-	(1,250)	10,000
	13th November, 2007	17.760	12,500	-	-	(12,500)	-
	26th March, 2008	11.000	6,250	-	-	(6,250)	-
Other Eligible Persons							
In aggregate	5th June, 2003	25.040	16,250	-	-	-	16,250
	15th September, 2005	22.400	48,750	-	-	-	48,750
	3rd January, 2006	21.040	400,000	-	-	(125,000)	275,000
	25th August, 2006	18.000	125,000	-	-	-	125,000
							Note (h)
			8,691,061	-	(540,160)	(226,492)	7,924,409

Notes:

- (a) Save as disclosed herein, during the first 12 months from the date of grant, no options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the second 12 months from the date of grant, a cumulative maximum of 25% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the third 12 months from the date of grant, a cumulative maximum of 50% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the fourth 12 months from the date of grant, a cumulative maximum of 75% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

During the remaining option period, a cumulative of 100% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

- (b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Before the Share Consolidation effective 27th June, 2008, adjustments were made to the previous exercise prices and balances (before 27th June, 2008) of the number of share options under each of the Pre-IPO Scheme, Post-IPO Scheme and 2002 Share Option Scheme. Resulting from the Capital Reduction effective 19th June, 2009, the par value of share capital was reduced from HK\$4.00 per share to HK\$0.01 per share.
- (c) The price of the Company's shares disclosed immediately before the date of the exercise of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the exercise of the options.
- (d) Please refer to Note (9) 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.
- (e) Please refer to Note (10) 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.
- (f) Resigned as director during the Half-Yearly Period.
- (g) Please refer to Note (8) 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.
- (h) The 125,000 options (5,000,000 options before Share Consolidation) shall vest in each installment by 10,417 options (416,667 options before Share Consolidation), every three months, over a period of three years.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

Professor Li On-kwok, Victor, an Independent Non-Executive Director of the Company, is a well recognized leader in the field of information technology development and has been appointed to various positions including consultants and directors to institutions and business entities which are engaged in research, development and business. These institutions and business entities may be in competition with the Group.

Saved as disclosed herein, 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 comprises three independent non-executive directors namely, Dato' Dr Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred 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.

INTERIM DIVIDEND

The Board of the Company is pleased to announce that it has resolved to declare an interim dividend of HK\$1.00 per share to shareholders whose names appear on the Company's register of members at the close of business on 28th August, 2009. The Company intends to dispatch the cheques for the Interim Dividend to shareholders on or before 9th September, 2009.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of the Interim Dividend, the register of members of the Company will be closed from 25th August, 2009 to 28th August, 2009, both days inclusive, during which period no share transfer will be registered.

To qualify for the Interim Dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on 24th August, 2009.

On behalf of the Board
Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 10th August, 2009

As at the date of this report, the executive directors of the Company are Mr. Yip Hak Yung, Peter, Dr. Cheng Loi, the non-executive director is Dr. Ch'ien Kuo Fung, Raymond and the independent non-executive directors are Dato' Dr Wong Sin Just, Mr. Wang Cheung Yue, Fred, Dr. Lam Lee G, Mr. Anson Wang and Professor Li On-kwok, Victor.