

# Interim Report 2011



## China.com Inc.

(Incorporated in the Cayman Islands with limited liability)

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

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*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

Below are some financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 30 June 2011:

- Revenue from continuing operations was HK\$31.2 million, up 29% year-over-year but down 1% quarter-over-quarter.
- Gross profit from continuing operations was HK\$17.7 million, up 31% year-over-year and 17% quarter-over-quarter.
- Loss attributable to owners of the Company amount to HK\$0.7 million, compared to a profit of HK\$1.8 million in the first quarter of 2011 and a loss of HK\$2.1 million in the second quarter of 2010.
- Loss per share (LPS) was HK cents 0.61, compared to earnings per share (EPS) of HK cents 1.71 in the first quarter of 2011 and LPS of HK cent 1.96 in the second quarter of 2010.
- Our financial position remains strong, with a total amount of HK\$324.1 million of bank balances and cash and available-for-sale investments as of 30 June 2011.

We were informed by CDC Corporation, the controlling shareholder of the Company that they have sold down 5,000,000 shares ("Sales Shares") of the Company on 29 June 2011. Immediately after selling down of the Sale Shares, the public float of the Company was restored to approximately 25.10% which is in compliance with the 25% minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

During the second quarter, Portal has continued its focus in developing our two core verticals i.e. the Automobile channel and Webgame channel. Automobile channel participated in the 2011 Shanghai International Auto Show in April and reported the latest news and articles, and has successfully drawn traffic and new advertising revenue. New brand customers in second quarter included Hanvon, TaoBao, DongChangHe Automobile, Roewe, SGMW, PingAn Insurance, YiHaoDian Net, E-Blocks China, XiYou FengYun, All Soccer and One Goal.

In April 2011, our Webgame channel has organized the 2011 National Webgames Summit in the City of Jiaxing, Zhejiang Province. This is the fourth year in a row that we hosted this event. This Summit has received wide attention in the Webgame community in China, with over 300 webgame developers and operators participating and over 100 media reporting nationally.



Over the next six months, the Company is expected to incur additional costs in launching and marketing for the introduction of its first exclusive webpage, namely *Wheels of Space*. *Wheels of Space* has such potential to generate significant revenue and profitability for the Company as it will attract and appeal to our game players. The Company cannot assure the investors that *Wheels of Space* will be launched successfully because there are many factors which could adversely affect the popularity of our new game. The Company will continue to conduct more studies and market research such as to collect and analyze user behavior data and feedback from the player community in a timely manner, so that the Company could effectively incorporate relevant features into the game. The Company will continue to source and launch new webgames, as we believe there are great opportunities in this fast-growing industry, and is a major strategic direction for China.com's development.

TTG has continued performing well in second quarter, with revenue and profit ahead of its budget. The good performance was attributed to the TTG's initiative in introducing a number of special projects namely, PATA 60th Anniversary, Singapore Hotel Association (SHA) 50th Anniversary and TTG China Travel Awards supplement. In April, TTG has successfully held the annual ITCM China 2011 event in Shanghai. This world-class event has attracted international participants to join the conference.

During the second quarter, TTG has continued with its on-line travel portal business development in China and India. We believe that these business initiatives will contribute significant performance in the coming years.

We will continue to commit to growing our two core business operations and pursuing new strategic opportunities, particularly in China.

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

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

Hong Kong, 8 August 2011

## 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 30 June 2011, together with the comparative unaudited figures for the corresponding periods in 2010.

	Notes	(Unaudited)		(Unaudited)	
		Three months ended		Six months ended	
		2011	2010	2011	2010
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operations</b>					
Revenue	2	31,212	24,115	62,656	46,770
Cost of sales		(13,478)	(10,620)	(29,720)	(23,765)
Gross profit		17,734	13,495	32,936	23,005
Other income		1,446	933	3,777	5,367
Selling and distribution expenses		(9,056)	(7,056)	(14,117)	(10,601)
Administrative expenses		(10,218)	(8,983)	(20,770)	(16,882)
Impairment losses (recognized) reversed		(148)	(562)	498	(995)
Other expenses		(131)	(105)	(191)	(108)
(Loss) profit before tax		(373)	(2,278)	2,133	(214)
Income tax expense	4	(270)	(439)	(931)	(848)
(Loss) profit for the period from continuing operations	5	(643)	(2,717)	1,202	(1,062)
<b>Discontinued operation</b>					
Profit for the period from discontinued operation	6	-	612	-	834
<b>(Loss) profit for the period</b>		<b>(643)</b>	<b>(2,105)</b>	<b>1,202</b>	<b>(228)</b>

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
<i>Notes</i>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive income (expense)</b>				
Exchange differences arising on translation	2,477	893	4,850	1,083
Fair value loss on available-for-sale investments	(899)	(5,100)	(2,774)	(879)
<b>Other comprehensive income (expense) for the period</b>	<b>1,578</b>	<b>(4,207)</b>	<b>2,076</b>	<b>204</b>
<b>Total comprehensive income (expense) for the period</b>	<b>935</b>	<b>(6,312)</b>	<b>3,278</b>	<b>(24)</b>
<b>(Loss) profit attributable to:</b>				
Owners of the Company	(658)	(2,105)	1,171	(228)
Non-controlling interests	15	–	31	–
	<b>(643)</b>	<b>(2,105)</b>	<b>1,202</b>	<b>(228)</b>
<b>Total comprehensive income (expense) attributable to:</b>				
Owners of the Company	920	(6,312)	3,247	(24)
Non-controlling interests	15	–	31	–
	<b>935</b>	<b>(6,312)</b>	<b>3,278</b>	<b>(24)</b>
<b>(Loss) earnings per share</b>				
From continuing and discontinued operations				
Basic and diluted (cents per share)	(0.61)	(1.96)	1.09	(0.21)
From continuing operations				
Basic and diluted (cents per share)	(0.61)	(2.54)	1.09	(0.99)

7

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
<b>Non-current assets</b>			
Plant and equipment		2,264	1,772
Available-for-sale investments		87,645	94,744
		<u>89,909</u>	<u>96,516</u>
<b>Current assets</b>			
Accounts receivable	9	17,110	16,003
Prepayments, deposits and other receivables		6,087	6,148
Held-for-trading investments		–	438
Amounts due from fellow subsidiaries		1,203	829
Amount due from ultimate holding company		336	339
Bank balances and cash		236,424	241,357
		<u>261,160</u>	<u>265,114</u>
<b>Current liabilities</b>			
Accounts payable	10	6,953	7,514
Other payables and accrued liabilities		12,419	13,351
Deferred revenue		11,960	24,688
Tax liabilities		5,518	5,924
Amounts due to fellow subsidiaries		640	342
		<u>37,490</u>	<u>51,819</u>
<b>Net current assets</b>		<u>223,670</u>	<u>213,295</u>
<b>Total assets less current liabilities</b>		<u><u>313,579</u></u>	<u><u>309,811</u></u>
<b>Capital and reserves</b>			
Share capital	11	1,072	1,072
Share premium and reserves		312,316	308,579
Equity attributable to owners of the Company		313,388	309,651
Non-controlling interests		191	160
<b>Total equity</b>		<u><u>313,579</u></u>	<u><u>309,811</u></u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company										Attributable to non-controlling interest		Total
	Share capital HK\$'000	Share premium HK\$'000 (note a)	Capital reserve HK\$'000 (note a)	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000 (note b)	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Subtotal HK\$'000	HK\$'000	
At 1 January 2010	1,072	39,337	118,963	(31,193)	6,624	11,690	24,123	40,123	60,787	192,394	464,433	-	464,433
Loss for the period	-	-	-	-	-	-	-	-	-	(228)	(228)	-	(228)
Other comprehensive (expense) income for the period	-	-	-	-	(879)	-	-	1,083	-	-	204	-	204
Total comprehensive (expense) income for the period	-	-	-	-	(879)	-	-	1,083	-	(228)	(24)	-	(24)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	200	-	200	-	200
Dividends (note 8)	-	-	(94,313)	-	-	-	-	-	-	-	(94,313)	-	(94,313)
At 30 June 2010	1,072	39,337	24,650	(31,193)	5,745	11,690	24,123	41,719	60,987	192,166	370,296	-	370,296
At 1 January 2011	1,072	39,337	24,650	(31,193)	410	11,690	24,123	47,047	61,755	130,760	309,651	160	309,811
Profit for the period	-	-	-	-	-	-	-	-	-	1,171	1,171	31	1,202
Other comprehensive (expense) income for the period	-	-	-	-	(2,774)	-	-	4,850	-	-	2,076	-	2,076
Total comprehensive (expense) income for the period	-	-	-	-	(2,774)	-	-	4,850	-	1,171	3,247	31	3,278
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	490	-	490	-	490
At 30 June 2011	1,072	39,337	24,650	(31,193)	(2,364)	11,690	24,123	51,897	62,245	131,931	313,388	191	313,579

**Note a:** Under the Companies Law of the Cayman Islands (2010 Revision as amended from time to time), the share premium and capital reserve of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

**Note b:** Pursuant to the relevant laws and regulations for foreign investment enterprises ("FIEs") established in the People's Republic of China excluding Hong Kong (the "PRC"), a certain portion of the FIE's profits is required to be transferred to reserve funds which are not distributable. Transfers to this reserve are made out of the FIE's profits after taxation calculated in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and shall not be less than 10% of profit after taxation calculated in accordance with PRC GAAP. No such transfer was made during both periods.



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	(Unaudited) Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	(17,532)	(10,607)
Net cash generated by investing activities	6,638	10,690
Net cash generated by financing activities	287	36
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(10,607)	119
Cash and cash equivalents at 1 January	241,357	374,536
Effect of exchange rate changes on the balance of cash held in foreign currencies	5,674	1,064
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, representing bank balances and cash	<u>236,424</u>	<u>375,719</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 Chapter 18 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 auditor. Adjustments may be identified during the course of annual audit to be performed by the Company’s auditor.

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 31 December 2010 except as described below.

In the current interim period, the Group had applied, for the first time, a number of new or revised Standards and Interpretations (“new or revised HKFRSs”) issued by the HKICPA. The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited interim consolidated financial statements and/or disclosures set out in these unaudited interim consolidated financial statements.

2. **REVENUE**

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

	Six months ended 30 June	
	2011 HK\$’000	2010 HK\$’000
Travel media	42,916	35,069
Internet portal	19,740	11,701
	<u>62,656</u>	<u>46,770</u>

### 3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

#### Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segment:

##### *Continuing operations*

	<u>Segment revenue</u>		<u>Segment profit (loss)</u>	
	<u>Six months ended</u>		<u>Six months ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Travel media	42,916	35,069	6,268	4,024
Internet portal	19,740	11,701	(3,233)	(5,630)
	<u>62,656</u>	<u>46,770</u>	<u>3,035</u>	<u>(1,606)</u>

#### Reconciliation of segment results to profit (loss) before tax

Segment profit (loss)	3,035	(1,606)
Investment and other income	3,777	5,367
Other expenses	(191)	(108)
Central administration costs	<u>(4,488)</u>	<u>(3,867)</u>
Profit (loss) before tax	<u>2,133</u>	<u>(214)</u>

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either period.

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of investment and other income and other expenses, central administration costs and directors' salaries. Included in investment and other income consists of investment income on available-for-sale investments, interest income and gain on disposal of fixed assets. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
<b>Segment assets</b>		
Travel media	30,460	54,009
Internet portal	30,638	37,418
Total segment assets for continuing operations	61,098	91,427
Assets relating to discontinued operation	205	293
Unallocated bank balances and cash	199,007	172,004
Available-for-sale investments	87,645	94,744
Held-for-trading investments	-	438
Others	3,114	2,724
Consolidated assets	<u>351,069</u>	<u>361,630</u>
<b>Segment liabilities</b>		
Travel media	15,469	26,489
Internet portal	15,445	19,534
Total segment liabilities for continuing operations	30,914	46,023
Liabilities relating to discontinued operation	3,247	3,147
Others	3,329	2,649
Consolidated liabilities	<u>37,490</u>	<u>51,819</u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated bank balances and cash, available-for-sale investments, held-for-trading investments and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable.

## Other segment information

### Continuing operations

	Depreciation and amortisation		Additions to non-current assets*	
	Six months ended 30 June		Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Travel media	339	337	55	20
Internet portal	528	567	1,273	622
	<u>867</u>	<u>904</u>	<u>1,328</u>	<u>642</u>

\* Non-current assets excluding those relating to mobile services and applications and excluding financial instruments.

### Geographical information

The Group's operations are mainly located in Singapore (mainly travel media services) and the PRC (mainly internet portal services).

The Group's revenue from continuing operations from external customers and information about its non-current assets\* by geographical location are detailed below:

	Revenue from customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Singapore	42,916	35,069	214	498
PRC	19,740	11,701	2,050	1,274
	<u>62,656</u>	<u>46,770</u>	<u>2,264</u>	<u>1,772</u>

\* Non-current assets excluding those relating to mobile services and applications and excluding financial instruments.

## 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 2010.

The estimated average annual tax rate used is 16.5% for the Half-Yearly Period and corresponding period in 2010.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

## 5. (LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Depreciation of plant and equipment	867	904
Staff costs (including directors' emoluments)	22,691	16,986
Auditor's remuneration	667	588
Investment income on available-for-sale investments (included in other income)	(2,716)	(5,092)
Loss on held-for-trading investments (included in other expense)	191	108
(Gain) loss on disposal of plant and equipment (included in other income)	(6)	7
Net foreign exchange gain	(991)	(318)
Other interest income (included in other income)	(1,055)	(282)
	<u>(1,055)</u>	<u>(282)</u>

## 6. DISCONTINUED OPERATION

The Group's mobile services and application operation has been suffering loss since 2006. The board of directors of the Company sees no reasonable instance where this operation may turn profitable in the foreseeable future. In view of this, on 4 February 2008, the board of directors passed an unanimous written consent that it was desirable and in the best interests of the Group to scale down the mobile services and applications operation. The closing down was completed in the third quarter of 2009, in which the outstanding services obligations have been completed.

The results of the discontinued operation are set out below.

	Three months ended 30 June		Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit for the period from discontinued operation				
Other income	-	747	-	1,158
Selling and distribution expenses	-	(29)	-	(60)
Administrative expenses	-	(106)	-	(264)
	<u>-</u>	<u>612</u>	<u>-</u>	<u>834</u>
Profit for the period from discontinued operation (attributable to owners of the Company)	<u>-</u>	<u>612</u>	<u>-</u>	<u>834</u>



### From discontinued operation

Basic earnings per share for discontinued operation for the three months ended 30 June 2011 is HK cent Nil (2010: HK cent 0.58), based on the profit from discontinued operation of HK\$ Nil(2010: HK\$612,000). Basic earnings per share for discontinued operation for the six months ended 30 June 2011 is HK cent Nil (2010: HK cent 0.78), based on the profit from discontinued operation of HK\$ Nil (2010: HK\$834,000). The denominators used are the same as those detailed above for basic (loss) earnings per share.

The calculation of diluted earnings (loss) per share dose not assume the exercise of share options as the exercise prices of share options are higher than the average market price of Company's shares over the reporting period.

### 8. DIVIDENDS

	Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Special dividend declared and paid – HK\$0.88 per share (note a)	–	94,313

Notes:

- a. On 4 June 2010, the Company declared a special dividend of HK\$0.88 per share to shareholders out of the Company's capital reserve. The dividend was paid in July 2010 totaling HK\$94,313,000.
- b. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (the corresponding period in 2010: Nil).

### 9. ACCOUNTS RECEIVABLE

The following is an aged analysis of accounts receivable net of allowance for doubtful debts presented based on invoice date at the end of the reporting period:

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Within 90 days	15,729	14,617
91-120 days	120	583
121-180 days	847	591
Over 180 days	414	212
	<u>17,110</u>	<u>16,003</u>



## 10. ACCOUNTS PAYABLE

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period:

	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Within 90 days	6,141	6,589
91-120 days	47	90
121-180 days	253	110
Over 180 days	512	725
	<u>6,953</u>	<u>7,514</u>

## 11. SHARE CAPITAL

	Number of shares		Share capital	
	(Unaudited) 30 June 2011	(Audited) 31 December 2010	(Unaudited) 30 June 2011 HK\$'000	(Audited) 31 December 2010 HK\$'000
Ordinary shares of HK\$0.01 each Authorised	<u>250,000,000</u>	<u>250,000,000</u>	<u>2,500</u>	<u>2,500</u>
Issued and fully paid:	<u>107,173,642</u>	<u>107,173,642</u>	<u>1,072</u>	<u>1,072</u>

## 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\$62,656,000 representing a HK\$15,886,000, or 34% increase compared to the corresponding period in 2010. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK\$7,847,000; and (2) an increase in revenue from internet portal segment of HK\$8,039,000.

Gross profit margin for the Half-Yearly Period was 53%, compared to 49% in the same period last year.

#### *Other income*

Other income decreased by 30% to HK\$3,777,000 for the Half-Yearly Period, compared to HK\$5,367,000 for the corresponding period in 2010. The decrease was primarily due to (1) a HK\$2,376,000 decrease in investment income from available-for-sale investments; and (2) a HK\$772,000 increase in interest income from bank balances.

#### *Selling and distribution expenses*

Selling and distribution expenses increased by 33% to HK\$14,117,000 for the Half-Yearly Period, compared to HK\$10,601,000 for the corresponding period in 2010.

#### *Administrative expenses*

Administrative expenses increased by 23% to HK\$20,770,000 for the Half-Yearly Period, compared to HK\$16,882,000 for the corresponding period in 2010. The increase was primarily attributable to an increase in personnel expenses amounting to HK\$2,537,000. Administrative expenses include share option expenses of HK\$490,000 (2010: HK\$200,000) recognised in accordance with HKFRS 2.

#### *Impairment losses (recognised) reversed*

Recovery of impairment loss of HK\$498,000 (2010: an impairment loss of HK\$995,000) has been recognised for the Half-Yearly Period.

#### *Other expenses*

Other expenses increased by HK\$83,000 to HK\$191,000 (2010: HK\$108,000) for the Half-Yearly Period. The increase was primarily due to a loss on disposal of a held-for-trading investment amounting to HK\$131,000.

### *Income tax*

The Group recorded an income tax expense of HK\$931,000 for the Half-Yearly Period, compared to HK\$848,000 for the corresponding period in 2010. Income tax expense for the Half-Yearly Period represents a provision for income tax.

### *Discontinued operation*

The Group discontinued its mobile services and applications operation since the third quarter of 2009. Details of the discontinued operation are set out in note 6.

### *Non-controlling interests*

Profit shared by non-controlling interests was HK\$31,000 for the Half-Yearly Period, compared to HK\$Nil for the corresponding period in 2010. Profit shared by non-controlling interests represented non-controlling interests' share of profit in a company that is partly owned by a third party. The Group's equity interest in this company is 90% as at 30 June 2011 (2010: 90%).

### *Profit for the period attributable to owners of the Company*

Profit for the period attributable to owners of the Company was HK\$1,171,000 for the Half-Yearly Period, compared to a loss of HK\$228,000 for the corresponding period in 2010.

### *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 total equity of HK\$313,388,000 as at 30 June 2011, compared to HK\$309,651,000 as at 31 December 2010. Total assets amounted to HK\$351,069,000 as at 30 June 2011, compared to HK\$361,630,000 as at 31 December 2010, of which HK\$236,424,000 (2010: HK\$241,357,000) was bank balances and cash, HK\$ Nil (2010: HK\$438,000) was held-for-trading investments and HK\$87,645,000 (2010: HK\$94,744,000) was available-for-sale investments.

### *Capital structure*

There was no change in the capital structure of the Group as at 30 June 2011 as compared to that as at 31 December 2010.

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

There was no charge on the Group's assets as at 30 June 2011 and 31 December 2010.

### *Gearing ratio*

The Group has a zero gearing ratio as at 30 June 2011 and 31 December 2010 as calculated by net debts divided by total 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 United States dollars, the exchange rate risks of the Group were considered to be minimal. As at 30 June 2011, no related hedges were made by the Group.

### *Contingent liabilities*

The Group had no significant contingent liability as at 30 June 2011 and 31 December 2010.

### *Material acquisitions, disposals and significant investments*

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

### *Employee information*

As at 30 June 2011, the Group had 281 (2010: 269) full-time employees, of which 7 (2010: 8) were based in Hong Kong, 225 (2010: 214) in China, 48 (2010: 45) in Singapore, 1 (2010: 1) in Thailand and nil (2010: 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**

### **Internet Portal**

During the second quarter, Portal has continued its focus in developing our two core verticals i.e. the Automobile channel and Webgame channel. Automobile channel participated in the 2011 Shanghai International Auto Show in April and reported the latest news and articles, and has successfully drawn traffic and new advertising revenue. New brand customers in second quarter included Hanvon, TaoBao, DongChangHe Automobile, Roewe, SGMW, PingAn Insurance, YiHaoDian Net, E-Blocks China, XiYou FengYun, All Soccer and One Goal.



In April 2011, our Webgame channel has organized the 2011 National Webgames Summit in the City of Jiaxing, Zhejiang Province. This is the fourth year in a row that we hosted this event. This Summit has received wide attention in the Webgame community in China, with over 300 webgame developers and operators participating and over 100 media reporting nationally.

Over the next six months, the Company is expected to incur additional costs in launching and marketing for the introduction of its first exclusive webgame, namely *Wheels of Space*. *Wheels of Space* has such potential to generate significant revenue and profitability for the Company as it will attract and appeal to our game players. The Company cannot assure the investors that *Wheels of Space* will be launched successfully because there are many factors which could adversely affect the popularity of our new game. The Company will continue to conduct more studies and market research such as to collect and analyze user behavior data and feedback from the player community in a timely manner, so that the Company could effectively incorporate relevant features into the game. The Company will continue to source and launch new webgames, as we believe there are great opportunities in this fast-growing industry, and is a major strategic direction for China.com's development.

#### **Travel Media**

TTG has continued performing well in second quarter, with revenue and profit ahead of its budget. The good performance was attributed to the TTG's initiative in introducing a number of special projects namely, PATA 60th Anniversary, Singapore Hotel Association (SHA) 50th Anniversary and TTG China Travel Awards supplement. In April, TTG has successfully held the annual ITCM China 2011 event in Shanghai. This world-class event has attracted international participants to join the conference.

During the second quarter, TTG has continued with its on-line travel portal business development in China and India. We believe that these business initiatives will contribute significant performance in the coming years.

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

As at 30 June 2011, 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	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	200,000	Personal/beneficiary	0.32%
Anson Wang	-	-	-	-
Cheng Loi	-	37,875	Corporate Note (3)	0.04%
Li On-kwok, Victor	-	-	-	-
Mao Hongcheng	-	-	-	-
Wang Cheung Yue, Fred	-	150,000	Personal/beneficiary	0.14%
Wong Kwong Chi	-	637,500	Personal/beneficiary	0.59%
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	525,160	6,524,072	Interest of children or spouse Note (2)	6.58%

*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 the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of the spouse and children of Mr. Yip.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

*Options to subscribe for ordinary shares in the Company pursuant to its share option schemes*

Name of Directors	Date of Grant	Exercise period	Exercise price HK\$	Number of share options outstanding as at 30 June 2011
Ch'ien Kuo Fung, Raymond	5 June 2003	5 June 2004 to 4 June 2013	25.040	100,000
	10 October 2005	10 October 2006 to 9 October 2015	25.200	100,000
Cheng Loi	26 March 2008	26 March 2009 to 25 March 2018	11.00	37,875
Wang Cheung Yue, Fred	5 June 2003	5 June 2004 to 4 June 2013	25.040	50,000
	15 September 2005	15 September 2006 to 14 September 2015	22.400	100,000
Wong Kwong Chi	3 January 2006	3 January 2007 to 2 January 2016	21.040	137,500
	11 May 2011	11 May 2011 to 10 May 2021	4.124	500,000

Name of Directors	Date of Grant	Exercise period	Exercise price HK\$	Number of share options outstanding as at 30 June 2011
Yip Hak Yung, Peter	5 June 2003	5 June 2004 to 4 June 2013	25.040	100,000
	10 October 2005	10 October 2006 to 9 October 2015	25.200	100,000
	3 January 2006	3 January 2007 to 2 January 2016	21.040	225,000
	14 August 2006	14 August 2007 to 13 August 2016	17.800	5,983,912
	19 August 2008	19 August 2009 to 18 August 2018	5.436	540,160

### Associated Corporation

*Long positions in Class A common shares and the underlying shares of equity of derivatives in CDC Corporation (listed on NASDAQ, Stock Code: CHINA)*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	300,943	102,381	Personal/beneficiary	1.14%
Cheng Loi	299	33,174	Corporate Note (3)	0.09%
Wang Cheung Yue, Fred	1,559	58,708	Personal/beneficiary	0.17%
Wong Kwong Chi	-	158,328	Personal/ beneficiary	0.45%
Yip Hak Yung, Peter	5,658,750	2,886,743	Interest of children or spouse Note (2)	24.24%



*Options/stock appreciation rights/restricted shares in CDC Corporation*

Name of Directors	Date of Grant	Exercise period	Exercise price Note (5) US\$	Number of share options/stock appreciation rights/ restricted shares outstanding as at
				30 June 2011 Note (5)
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	34,322 Note (4)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	30,000 Note (1)
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	38,059 Note (4)
Cheng Loi	29 October 2008	29 October 2009 to 28 October 2015	3.810	18,333 Note (1)
	23 April 2009	23 April 2009 to 22 April 2016	3.600	600 Note (1)
	4 May 2009	4 May 2009 to 3 May 2016	3.600	11,666 Note (1)
	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	2,575 Note (4)
Wang Cheung Yue, Fred	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	17,161 Note (4)
	3 January 2011	3 January 2011 to 2 January 2011	3.500	15,000 Note (1)
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	26,547 Note (4)

Name of Directors	Date of Grant	Exercise period	Exercise price Note (5) US\$	Number of share options/stock appreciation rights/ restricted shares/ restricted shares outstanding as at 30 June 2011 Note (5)
Wong Kwong Chi	24 August 2005	24 August 2005 to 23 August 2015	9.690	36,664
	15 September 2005	15 September 2005 to 14 September 2015	8.982	33,332
	18 December 2006	18 March 2007 to 17 December 2016	25.560	8,333 Note(1)
	8 November 2007	8 February 2008 to 6 November 2014	19.080	8,333 Note(1)
	18 September 2008	18 September 2008 to 17 September 2015	6.510	30,000 Note(1)
	2 September 2009	2 December 2009 to 1 September 2016	2.490	41,666
Yip Hak Yung, Peter	26 November 2008	26 February 2009 to 25 November 2015	2.610	1,978,332
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	908,411 Note (4)

*Notes:*

- (1) This represents stock appreciation rights ("SARs") to subscribe for Class A common shares in CDC Corporation granted under the 2005 Stock Incentive Plan
- (2) 3,995,751 Class A common shares, 1,978,332 options to subscribe for Class A common shares and 908,411 restricted 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 the spouse and children of Mr. Yip. 1,662,999 Class A common shares were held by the spouse of Mr. Yip.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (4) This represents restricted shares ("RSAs") granted under the 2005 Stock Incentive Plan.
- (5) Exercise prices (where applicable) and balances of the number of options/SARs/RSAs were adjusted resulting from the one-for-three reverse split of the Class A common shares in CDC Corporation effective on 23 August 2010.

*Long positions in common shares and the underlying shares of equity of derivatives in CDC Software International Corporation (formerly known as CDC Software Corporation) ("CDC Software International")*

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 International pursuant to its share option scheme*

Name of Directors	Date of Grant	Exercise period	Exercise price US\$	Number of share options outstanding as at 30 June 2011
Ch'ien Kuo Fung, Raymond	17 February 2007	Date of commencement of initial public offering to 17 February 2014	13.330	25,000
Wang Cheung Yue, Fred	17 February 2007	Date of commencement of initial public offering to 17 February 2014	13.330	20,000

*Long positions in common shares and the underlying shares of equity of derivatives in CDC Games International Corporation (formerly known as CDC Games Corporation) ("CDC Games")*

Name of Directors	Number of shares	Number of Underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	-	100,000	Personal/beneficiary	0.33%
Cheng Loi	-	45,000	Corporate Note (2)	0.15%
Wang Cheung Yue, Fred	-	120,000	Personal/beneficiary	0.40%
Wong Kwong Chi	-	500,000	Personal/beneficiary	1.67%
Yip Hak Yung, Peter	-	900,000	Interest of children or spouse Note (1)	3.00%

*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 the spouse and children of Mr. Yip.
- (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	Exercise period	Exercise price US\$	Number of share options outstanding as at 30 June 2011
Ch'ien Kuo Fung, Raymond	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	100,000
Cheng Loi	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	45,000
Wang Cheung Yue, Fred	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	120,000
Wong Kwong Chi	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	500,000
Yip Hak Yung, Peter	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	900,000

*Long positions in Class A ordinary shares and the underlying shares of equity of derivatives in CDC Software Corporation (listed on NASDAQ, Stock Code: CDCS)("CDCS")*

Name of Directors	Number of shares	Number of Underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	–	45,750	Personal/beneficiary	0.16%
Cheng Loi	–	7,000	Corporate Note (2)	0.02%
Wong Kwong Chi	–	34,000	Personal/beneficiary	0.12%
Yip Hak Yung, Peter	81,119	549,084	Interest of children or spouse Note (1)	2.17%

*Options/stock appreciation rights to subscribe for Class A ordinary shares in CDCS pursuant to its share option scheme*

Name of Directors	Date of Grant	Exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30 June 2011
Ch'ien Kuo Fung, Raymond	11 September 2009	11 December 2009 to 10 September 2016	8.450	32,000
	4 August 2010	4 August 2010 to 3 August 2017	6.750	13,750 Note (2)
Cheng Loi	11 September 2009	11 December 2009 to 10 September 2016	8.450	4,000 Note (3)
	4 August 2010	4 August 2010 to 3 August 2017	6.750	3,000 Note (2) & Note (3)
Wong Kwong Chi	11 September 2009	11 December 2009 to 10 September 2016	8.450	34,000
Yip Hak Yung, Peter	11 September 2009	11 December 2009 to 10 September 2016	8.450	299,084
	1 March 2010	1 June 2010 to 28 February 2017	10.150	250,000

*Notes:*

- (1) 81,119 Class A ordinary shares were held by the spouse of Mr. Yip. 549,084 options were granted to Asia Pacific On-Line Limited, a company 50% owned by the spouse of Mr. Yip and 50% owned by a trust established for the benefit of the spouse and children of Mr. Yip.
- (2) This represents stock appreciation rights ("SARs") granted under the 2009 Stock Incentive Plan.
- (3) These SARs were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Save as disclosed above, as at 30 June 2011, 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 30 June 2011, 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:

<b>Name</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Percentage of issued share capital</b>
CDC Corporation	79,492,700	–	74.17%
China M Interactive (BVI) Limited	79,045,700	–	73.75%
Asia Pacific On-Line Limited	525,160	6,524,072	6.58%

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 30 June 2011, 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

### Post-IPO Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1 January 2011	Number of share options			As at 30 June 2011
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
<b>Employees</b>							
In aggregate	10 April 2001	11.440	3,146	-	-	(3,146)	-
<b>Other Eligible Persons</b>							
In aggregate	28 February 2002	13.880	1,552	-	-	(1,552)	-
			4,698	-	-	(4,698)	-

### 2002 Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1 January 2011	Number of share options			As at 30 June 2011
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
<b>Directors</b>							
Ch'ien Kuo Fung, Raymond	5 June 2003	25.040	100,000	-	-	-	100,000
	10 October 2005	25.200	100,000	-	-	-	100,000
Wong Sin Just	5 June 2003	25.040	62,500	-	-	-	62,500
	15 September 2005	22.400	25,000	-	-	-	25,000
Yip Hak Yung, Peter	5 June 2003	25.040	100,000	-	-	-	100,000
	10 October 2005	25.200	100,000	-	-	-	100,000
	3 January 2006	21.040	225,000	-	-	-	225,000
	14 August 2006	17.800	5,983,912	-	-	-	5,983,912
	19 August 2008	5.436	540,160	-	-	-	540,160

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1 January 2011	Number of share options			As at 30 June 2011
				Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	
<b>Directors</b>							
Wang Cheung	5 June 2003	25.040	50,000	-	-	-	50,000
Yue, Fred	15 September 2005	22.400	100,000	-	-	-	100,000
Cheng Loi	26 March 2008	11.000	37,875	-	-	-	37,875
Wong Kwong Chi	3 January 2006	21.040	137,500	-	-	-	137,500
	11 May 2010	4.124	500,000	-	-	-	500,000
<b>Employees</b>							
In aggregate	24 February 2003	6.840	807	-	-	-	807
	29 May 2003	28.640	1,614	-	-	-	1,614
	7 September 2004	20.400	1,291	-	-	-	1,291
	15 September 2005	22.400	15,000	-	-	-	15,000
	3 January 2006	21.040	6,250	-	-	-	6,250
	2 October 2007	17.160	2,500	-	-	-	2,500
	5 July 2010	4.330	390,000	-	-	-	390,000
<b>Other Eligible Persons</b>							
In aggregate	5 June 2003	25.040	16,250	-	-	-	16,250
	15 September 2005	22.400	48,750	-	-	-	48,750
	3 January 2006	21.040	137,500	-	-	-	137,500
	25 August 2006	18.000	125,000	-	-	-	125,000
			<u>8,806,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,806,909</u>



## **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 six months ended 30 June 2011.

## **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 six months ended 30 June 2011, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required standard of dealings 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 six months ended 30 June 2011.

## **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 six months ended 30 June 2011 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 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 comprises three independent non-executive directors namely, Dato' Dr. Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred and Dr. Lam Lee G. until 23 March 2011. On 23 March 2011, the Board of the Company announced (1) the resignation of Dato' Dr. Wong Sin Just from his positions as independent non-executive director, chairman and member of audit committee, member of remuneration committee, and member of nomination committee of the Company; and (2) the resignation of Dr. Lam Lee G. from his positions as independent non-executive director, member of audit committee, member of remuneration committee, and chairman and member of nomination committee of the Company.

On 9 June 2011, the Board of the Company announced (1) the appointment of Mr. Anson Wang to act as the chairman and member of audit committee, member of remuneration committee, and member of nomination committee of the Company to fill the vacancies caused by the resignation of Dato' Dr. Wong Sin Just on 23 March 2011, in addition to his existing capacity as an independent non-executive director of the Company; and (2) the appointment of Professor Li On-kwok to act as member of audit committee, member of remuneration committee, and chairman of and member of nomination committee of the Company to fill the vacancies caused by the resignation of Dr. Lam Lee G. on 23 March 2011, in addition to his existing capacity as an independent non-executive director of the Company.

Following the new appointments of Mr. Anson Wang and Professor Li On-kwok on 9 June 2011, (1) the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Wang Cheung Yue, Fred and Professor Li On-kwok; and (2) the Company has been able to meet the requirements set out in Rule 5.28 of the GEM Listing Rules that the audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2). The audit committee has reviewed the final draft report for this interim results and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

## SELLING DOWN BY THE CONTROLLING SHAREHOLDER AND RESTORATION OF PUBLIC FLOAT

On 28 June 2011, the Board of the Company announced that the Company was informed by CDC Corporation ("CDC"), the controlling shareholder of the Company, that it intended to sell down approximately 4.67% of the total issued share capital of the Company in order to ensure the compliance with the requirement of at least 25% of the issued share capital of the Company be held by the public under Rule 11.23(7) of the GEM Listing Rules and as such, on 28 June 2011, China M Interactive (BVI) Limited, an indirect wholly-owned subsidiary of CDC, entered into a placing agreement (the "Placing Agreement") with Somerley Limited (the "Placing Agent"), pursuant to which the Placing Agent has agreed to place, on a best effort basis, up to 5,000,000 shares of the Company (the "Sale Shares" and each, a "Sale Share"), to placees who are independent and not connected with CDC, the Company or their respective subsidiaries or associates (as defined under the GEM Listing Rules) and are not parties acting in concert with (within the meaning of the Hong Kong Code on Takeovers and Mergers) CDC, at a price of HK\$3.50 per Sale Share.

On 4 July 2011, the Board of the Company further announced that the Company was informed by CDC that the transaction of the selling down of 5,000,000 Sale Shares took place on 29 June 2011 at HK\$3.50 per Sale Share, and completion of the placing took place on 4 July 2011 pursuant to the terms of the Placing Agreement of 28 June 2011. Immediately after selling down of the Sale Shares, the public float of the Company was restored to approximately 25.10% which has been in compliance with the 25% minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

## INTERIM DIVIDEND

The Board of the Company has resolved not to declare any interim dividend for the six months ended 30 June 2011.

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

Hong Kong, 8 August 2011

*As at the date of this report, the executive directors of the Company are Mr. Wong Kwong Chi and Dr. Cheng Loi; the non-executive directors are Dr. Ch'ien Kuo Fung, Raymond, Mr. Yip Hak Yung, Peter, and Mr. Mao Hongcheng; the independent non-executive directors are Mr. Wang Cheung Yue, Fred, Mr. Anson Wang and Professor Li On-kwok, Victor.*