

China.com Inc.

(Incorporated in the Cayman Islands with limited liability)
GEM Stock : 8006

Interim Report 2012



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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

Below are some financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 30 June 2012:

- The Group's revenue for the quarter was HK\$34.1 million, up 9% from the same period last year and up 3% when compared to the previous quarter.
- Gross profit from this quarter was HK\$19.4 million, up 9% from the same period last year and up 12% when compared to the previous quarter.
- General and Administrative expenses for this quarter was HK\$18.8 million, up 84% from the same period last year and down 2% when compared to the previous quarter. The increase was attributed to the final portion of the non-recurring legal and professional fee related to the proposed reorganisation plans. This plan was subsequently withdrawn after reaching mutual compromises with the Chief Restructure Officer of CDC Corporation (the "CRO").
- Loss attributable to owners of the Company amount to HK\$7.8 million, compared to HK\$6.4 million in the first quarter of 2012 and HK\$0.7 million in the second quarter of 2011.
- Loss per share (LPS) was HK cents 7.24, compared to HK cents 5.98 in the first quarter of 2012 and HK cent 0.61 in the second quarter of 2011.
- Our financial position remains strong, with a total amount of HK\$324.9 million of bank balances, cash and available-for-sale investments as of 30 June 2012.

Portal had a difficult time for the first half of 2012, as news of CDC Corporation, the controlling shareholder of the Group (the "Controlling Shareholder"), filing for voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Case") in October 2011 became widespread in China, and the impact is still present. The Chapter 11 Case has seriously affected client confidence, and some key employees of several channels have left Portal. Despite the difficulty, the management has spent a tremendous effort during this quarter to retain our customers and key staff, and successfully managed to improve Portal's revenue by 17% from the previous quarter while stabilizing the staff turnover rate. Portal's revenue for this quarter and first half of 2012 are both 14% higher when compared to the same period last year, but this is substantially lower than the 61% and 69% increase of second quarter and first half of 2011 revenue over the same period in 2010 respectively, representing the continued impact of the Controlling Shareholder's Chapter 11 Case on operations. Nevertheless, the consecutive improvement demonstrates a vote of confidence from our clients and staff members.

In June 2012, we participated in the Third Asian Beach Games in Haiyang, Shandong province in China as the event's exclusive internet partner. We mobilized over 100 people to provide internet technical support, while also hosting the official website of the event. The event successfully completed on 22 June 2012 and drew wide attention from beach sports fans in Asia.

Despite the current global business sentiments, TTG has performed well, exceeding its budget for the first half of 2012. Revenues and bottom line profit were also higher compared to a year ago. The strong performance can be attributed to the contributions from two successful trade shows organised in January and April, as well as strong revenue from special projects such as International Tourism Bourse (ITB) 2012 Dailies, ASEAN Tourism Forum (ATF) 2012 Dailies and Travel Awards supplement.

On 12 July 2012, we held an extraordinary general meeting (the "EGM") to approve the motion to amend the memorandum and articles of association (the "M&A") of the Company in order to bring our M&A in line with the various amendments made to the GEM Listing Rules. The special resolution for the amendment of the M&A has been passed in the EGM.

As previously disclosed, on 22 May 2012, the US District Court denied the Company's Motion for Leave to Appeal and found its motion for expedited appeal or stay pending appeal moot. After reviewing the ruling of the US District Court, and taking into consideration the hefty legal costs and expenses already incurred that brought little chance of success at the court proceedings, the Board considered that it was in the best interests of the Company and the Shareholders to reach an amicable resolution with the CRO in the Controlling Shareholder's US bankruptcy proceedings. As a result of the discussions and negotiations with the CRO, the Company has withdrawn its China.com Reorganisation Plan on 8 June 2012.

With the parties reaching an amicable resolution, the Company would no longer incur additional legal and professional fees on competing reorganisation plans. It helps the Company avoid the inherent uncertainties present in prolonging the dispute with the CRO, and most importantly, allows the management to refocus on the operations of the Company. On the other hand, the Company's investment in a successful Private Equity firm is expected to generate good returns during the year.

The Board welcomes the appointment of Mr. Marcus Alexander Watson as executive director, compliance officer, and authorized representative; Mr. Carrick John Clough as non-executive director and member of remuneration committee; Mr. Joseph David Stutz as non-executive director and member of nomination committee, and Mr. Ding Chun as non-executive director and Mr. Chen Mouhua as alternate director to Mr. Mao Hongcheng. The Board would also like to express its gratitude to the retiring directors, Mr. Wang Cheung Yue, Professor Li On-kwok, Victor, Mr. Wong Kwong Chi and Dr. Cheng Loi for their valuable contributions during their services as directors of the company.

Following the resignations of Mr. Wang Cheung Yue on 27 June 2012 and Professor Li On-kwok, Victor on 17 July 2012, both as Independent non-executive directors, the Company is in the course of identifying suitable candidates for independent non-executive directors in order to comply with the requirements of GEM Listing Rules 5.05(1), 5.28 and 5.34 as soon as practicable, and in any event within 3 months from 27 June 2012 for the first position (being the date of resignation of Mr. Wang Cheung Yue) and from the 17 July 2012 for the other position (being the date of resignation of Professor Li On-kwok, Victor).

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

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 13 August 2012

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 2012, together with the comparative unaudited figures for the corresponding periods in 2011.

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	2	34,095	31,212	67,156	62,656
Cost of sales		(14,679)	(13,478)	(30,473)	(29,720)
Gross profit		19,416	17,734	36,683	32,936
Other income		1,115	1,446	3,317	3,777
Selling and distribution expenses		(9,319)	(9,056)	(15,322)	(14,117)
Administrative expenses		(18,840)	(10,218)	(38,106)	(20,770)
Impairment losses reversed (recognised)		467	(148)	628	498
Other expenses		-	(131)	-	(191)
(Loss) profit before tax		(7,161)	(373)	(12,800)	2,133
Income tax expense	4	(534)	(270)	(1,148)	(931)
(Loss) profit for the period	5	(7,695)	(643)	(13,948)	1,202
Other comprehensive income					
Exchange differences arising on translation		(224)	2,477	1,056	4,850
Fair value (loss) gain on available-for-sale investments		(214)	(899)	8,735	(2,774)
Other comprehensive income for the period		(438)	1,578	9,791	2,076
Total comprehensive income for the period		(8,133)	935	(4,157)	3,278
(Loss) profit attributable to:					
Owners of the Company		(7,760)	(658)	(14,168)	1,171
Non-controlling interests		65	15	220	31
		(7,695)	(643)	(13,948)	1,202
Total comprehensive (expense) income attributable to:					
Owners of the Company		(8,198)	920	(4,377)	3,247
Non-controlling interests		65	15	220	31
		(8,133)	935	(4,157)	3,278
(Loss) earnings per share	6				
Basic and diluted (cents per share)		(7.24)	(0.61)	(13.22)	1.09

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

		(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
	Notes		
Non-current assets			
Plant and equipment		1,659	2,105
Available-for-sale investments		<u>88,956</u>	<u>80,413</u>
		<u>90,615</u>	<u>82,518</u>
Current assets			
Accounts receivable	8	20,166	19,594
Prepayments, deposits and other receivables		6,977	8,323
Amounts due from fellow subsidiaries		4,872	2,465
Amount due from ultimate holding company		1,178	339
Bank balances and cash		<u>235,934</u>	<u>253,087</u>
		<u>269,127</u>	<u>283,808</u>
Current liabilities			
Accounts payable	9	10,098	8,628
Other payables and accrued liabilities		20,253	16,959
Deferred revenue		14,757	21,406
Tax liabilities		3,340	3,964
Amounts due to fellow subsidiaries		<u>101</u>	<u>112</u>
		<u>48,549</u>	<u>51,069</u>
Net current assets		<u>220,578</u>	<u>232,739</u>
Total assets less current liabilities		<u><u>311,193</u></u>	<u><u>315,257</u></u>
Capital and reserves			
Share capital	10	1,072	1,072
Share premium and reserves		<u>308,180</u>	<u>312,464</u>
Equity attributable to owners of the Company		<u>309,252</u>	<u>313,536</u>
Non-controlling interests		<u>1,941</u>	<u>1,721</u>
Total equity		<u><u>311,193</u></u>	<u><u>315,257</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Share capital	Share premium	Capital reserve	Goodwill reserve	Investment revaluation reserve	Capital redemption reserve	Reserve funds	Translation reserve	Share options reserve	Retained profits	Subtotal	Attributable to non-controlling interest	Total
	HK\$'000	HK\$'000 (note a)	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 income for the period	-	-	-	-	(2,774)	-	-	4,850	-	-	2,076	-	2,076
Total comprehensive 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
At 1 January 2012	1,072	39,337	24,650	(31,193)	-	11,690	19,025	44,285	62,412	142,258	313,536	1,721	315,257
Loss for the period	-	-	-	-	-	-	-	-	-	(14,168)	(14,168)	220	(13,948)
Other comprehensive income for the period	-	-	-	-	8,735	-	-	1,056	-	-	9,791	-	9,791
Total comprehensive income for the period	-	-	-	-	8,735	-	-	1,056	-	(14,168)	(4,377)	220	(4,157)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	93	-	93	-	93
At 30 June 2012	1,072	39,337	24,650	(31,193)	8,735	11,690	19,025	45,341	62,505	128,090	309,252	1,941	311,193

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 2012*

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(16,716)	(17,532)
Net cash (used in) generated by investing activities	(1,640)	6,638
Net cash (used in) generated by financing activities	(11)	287
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(18,367)	(10,607)
Cash and cash equivalents at 1 January	253,087	241,357
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,214	5,674
	<hr/>	<hr/>
Cash and cash equivalents at 30 June, representing bank balances and cash	<u><u>235,934</u></u>	<u><u>236,424</u></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 2011 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 is as follows:

	Six months ended 30 June	
	2012 HK\$’000	2011 HK\$’000
Travel media	44,576	42,916
Internet portal	22,580	19,740
	<u>67,156</u>	<u>62,656</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

	Travel media		Internet portal		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Reportable segment revenue	<u>44,576</u>	<u>42,916</u>	<u>22,580</u>	<u>19,740</u>	<u>67,156</u>	<u>62,656</u>
Reportable segment profit/(loss)	<u>6,770</u>	<u>6,268</u>	<u>(1,070)</u>	<u>(3,233)</u>	<u>5,700</u>	<u>3,035</u>
Interest revenue	12	1	163	222	175	223
Depreciation and amortisation	149	339	447	528	596	867
Reversal/(recognition) of impairment loss	622	735	7	(236)	629	499
Income tax expense	(1,148)	(982)	-	-	(1,148)	(982)
Additions to non-current assets	<u>67</u>	<u>55</u>	<u>66</u>	<u>1,273</u>	<u>133</u>	<u>1,328</u>

Reconciliation of segment results to (loss) profit before tax

	Six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Segment profit	5,700	3,035
Investment and other income	2,707	3,777
Other expenses	-	(191)
Central administration costs	<u>(21,207)</u>	<u>(4,488)</u>
(Loss) profit before tax	<u>(12,800)</u>	<u>2,133</u>

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

Segment profit represents the profit earned by each segment without allocation of investment and other income, other expenses, central administration costs. Included in investment and other income consists of investment income, interest income from unallocated bank balances, gain on disposal of fixed assets and other non-operating income. 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 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Segment assets		
Travel media	53,581	50,993
Internet portal	29,821	29,986
Total segment assets	<u>83,402</u>	<u>80,979</u>
Unallocated bank balances and cash	179,766	199,649
Available-for-sale investments	88,956	80,413
Others	7,618	5,285
Consolidated assets	<u><u>359,742</u></u>	<u><u>366,326</u></u>
Segment liabilities		
Travel media	20,119	25,452
Internet portal	22,030	21,310
Total segment liabilities	<u>42,149</u>	<u>46,762</u>
Others	6,400	4,307
Consolidated liabilities	<u><u>48,549</u></u>	<u><u>51,069</u></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 and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable.

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 external customers and information about its non-current assets* by geographical location are detailed below:

	<u>Revenue from customers</u>		<u>Non-current assets</u>	
	<u>Six months ended 30 June</u>		<u>30 June</u>	<u>31 December</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Singapore	44,576	42,916	355	437
PRC	22,580	19,740	1,284	1,668
	<u>67,156</u>	<u>62,656</u>	<u>1,639</u>	<u>2,105</u>

* Non-current assets excluded financial instruments.

4. INCOME TAX

Hong Kong profits tax is calculated at 16.5% for the Half-Yearly Period and corresponding period in 2011. 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 2011.

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

5. (LOSS) PROFIT FOR THE PERIOD

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

	<u>Six months ended</u>	
	<u>2012</u>	<u>2011</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of plant and equipment	599	867
Staff costs (including directors' emoluments)	24,883	22,691
Auditor's remuneration	583	667
Investment income on available-for-sale investments (included in other income)	(180)	(2,716)
Loss on held-for-trading investments (included in other expense)	-	191
Gain on disposal of plant and equipment (included in other income)	(12)	(6)
Net foreign exchange loss (gain)	500	(991)
Bank interest income (included in other income)	(1,871)	(1,055)
	<u>(1,871)</u>	<u>(1,055)</u>

6. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2012 HK\$'000	2011 HK'000	2012 HK\$'000	2011 HK\$'000
<i>(Loss) earnings</i>				
(Loss) profit for the period attributable to owners of the Company	<u>(7,760)</u>	<u>(658)</u>	<u>(14,168)</u>	<u>1,171</u>
	Three months ended 30 June		Six months ended 30 June	
	2012 '000	2011 '000	2012 '000	2011 '000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>

The calculation of diluted (loss) earnings per share does 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.

7. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (the corresponding period in 2011: Nil).

8. 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 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Within 90 days	17,895	17,805
91-120 days	705	1,182
121-180 days	736	468
Over 180 days	830	139
	<u>20,166</u>	<u>19,594</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding accounts receivable and has a credit control policy to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group maintains a reserve against its accounts receivable based on collection experience.

9. 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 2012 HK\$'000	(Audited) 31 December 2011 HK\$'000
Within 90 days	7,332	8,220
91-120 days	2,089	52
121-180 days	251	17
Over 180 days	426	339
	<u>10,098</u>	<u>8,628</u>

10. SHARE CAPITAL

	Number of shares		Share capital	
	(Unaudited) 30 June 2012	(Audited) 31 December 2011	(Unaudited) 30 June 2012 HK\$'000	(Audited) 31 December 2011 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>

11. POST REPORTING PERIOD EVENTS

Subsequent to period ended 30 June 2012, the Group has received an approximately HK\$25 million distribution from one of our available-for-sale investments, New Horizon Capital, L.P in July 2012. There is no other significant post reporting period event for the Half-Yearly Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (In HK\$'000)

Revenue and gross profit

Revenue for the Half-Yearly Period was HK\$67,156 representing a HK\$4,500, or 7% increase compared to the corresponding period in 2011. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK\$1,660 which mainly contributed from two successful trade shows organised during the Half-Yearly Period; and (2) an increase in revenue from internet portal segment of HK\$2,840 due to contracts from new customers of Citibank, Master Kong, 361 degrees.

Gross profit margin for the Half-Yearly Period was 55%, compared to 53% in the same period last year.

Other income

Other income decreased by 12% to HK\$3,317 for the Half-Yearly Period, compared to HK\$3,777 for the corresponding period in 2011. The decrease was primarily due to (1) a HK\$2,536 decrease in investment income from available-for-sale investments; (2) a HK\$1,260 increase in other non-operating income; and (3) a HK\$816 increase in interest income from bank balances.

Selling and distribution expenses

Selling and distribution expenses increased by 9% to HK\$15,322 for the Half-Yearly Period, compared to HK\$14,117 for the corresponding period in 2011.

Administrative expenses

Administrative expenses increased by 83% to HK\$38,106 for the Half-Yearly Period, compared to HK\$20,770 for the corresponding period in 2011. The increase was primarily attributable to an increase in legal and professional fee amounting to HK\$15,289 incurred in connection with the proposed restructuring plan for the Controlling Shareholder's Chapter 11 Case. Administrative expenses include share option expenses of HK\$92 (2011: HK\$490) recognised in accordance with HKFRS 2.

Impairment losses reversed

Recovery of impairment loss of HK\$628 (2011: HK\$498) has been recognised for the Half-Yearly Period.

Other expenses

Other expenses decreased by HK\$191 to HK\$ Nil (2011: HK\$191) for the Half-Yearly Period.

Income tax

The Group recorded an income tax expense of HK\$1,148 for the Half-Yearly Period, compared to HK\$931 for the corresponding period in 2011. Income tax expense for the Half-Yearly Period represents a provision for income tax.

Non-controlling interests

Profit shared by non-controlling interests was HK\$220 for the Half-Yearly Period, compared to HK\$31 for the corresponding period in 2011. 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 2012 (2011: 90%).

(Loss) profit for the period attributable to owners of the Company

Loss for the period attributable to owners of the Company was HK\$14,168 for the Half-Yearly Period, compared to a profit of HK\$1,171 for the corresponding period in 2011.

Liquidity and financial resources

The Group generally financed its operations with its own funds without external debt financing. The Group continued to be in a strong financial position with total equity of HK\$309,252 as at 30 June 2012, compared to HK\$313,536 as at 31 December 2011. Total assets amounted to HK\$359,742 as at 30 June 2012, compared to HK\$366,326 as at 31 December 2011, of which HK\$235,934 (2011: HK\$253,087) was bank balances and cash and HK\$88,956 (2011: HK\$80,413) was available-for-sale investments.

Capital structure

There was no change in the capital structure of the Group as at 30 June 2012 as compared to that as at 31 December 2011.

Charges on the Group's assets

There was no charge on the Group's assets as at 30 June 2012 and 31 December 2011.

Gearing ratio

The Group has a zero gearing ratio as at 30 June 2012 and 31 December 2011 as calculated by net debts divided by total equity.

Exposure to fluctuations in exchange rates and any related hedges

The majority of the Group's assets and liabilities and business transactions were denominated in Renminbi, Singapore dollars, Hong Kong dollars and United States dollars. During the six months period ended 30 June 2012, the Group had not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Contingent liabilities

The Group had no significant contingent liability as at 30 June 2012 and 31 December 2011.

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 2012, the Group had 266 (2011: 275) full-time employees, of which 18 (2011: 18) were based in Hong Kong, 201 (2011: 211) in China, 46 (2011: 45) in Singapore, nil (2011: 1) in Thailand and 1 (2011: nil) in Malaysia. The Group has introduced share option incentives to recognise the contributions of the employees to the growth of the Group. These incentives 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

Portal had a difficult time for the first half of 2012, as news of CDC Corporation, the controlling shareholder of the Group (the "Controlling Shareholder"), filing for voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Case") in October 2011 became widespread in China, and the impact is still present. The Chapter 11 Case has seriously affected client confidence, and some key employees of several channels have left Portal. Despite the difficulty, the management has spent a tremendous effort during this quarter to retain our customers and key staff, and successfully managed to improve Portal's revenue by 17% from the previous quarter while stabilizing the staff turnover rate. Portal's revenue for this quarter and first half of 2012 are both 14% higher when compared to the same period last year, but this is substantially lower than the 61% and 69% increase of second quarter and first half of 2011 revenue over the same period in 2010 respectively, representing the continued impact of the Controlling Shareholder's Chapter 11 Case on operations. Nevertheless, the consecutive improvement demonstrates a vote of confidence from our clients and staff members.

In June 2012, we participated in the Third Asian Beach Games in Haiyang, Shandong province in China as the event's exclusive internet partner. We mobilized over 100 people to provide internet technical support, while also hosting the official website of the event. The event successfully completed on 22 June 2012 and drew wide attention from beach sports fans in Asia.

Travel Media

Despite the current global business sentiments, TTG has performed well, exceeding its budget for the first half of 2012. Revenues and bottom line profit were also higher compared to a year ago. The strong performance can be attributed to the contributions from two successful trade shows organised in January and April, as well as strong revenue from special projects such as International Tourism Bourse (ITB) 2012 Dailies, ASEAN Tourism Forum (ATF) 2012 Dailies and Travel Awards supplement.

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

As at 30 June 2012, 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%
Cheng Loi (Note 1)	-	37,875	Corporate (Note 4)	0.04%
Wang Cheung Yue (Note 2)	-	150,000	Personal/beneficiary	0.14%
Wong Kwong Chi (Note 3)	-	637,500	Personal/beneficiary	0.59%

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 2012
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 (Note 1)	26 March 2008	26 March 2009 to 25 March 2018	11.000	37,875
Wang Cheung Yue (Note 2)	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 (Note 3)	3 January 2006	3 January 2007 to 2 January 2016	21.040	137,500
	11 May 2010	05 June 2010 to 10 May 2020	4.124	500,000

Notes:

- (1) Resigned as Director of the Company on 17 July 2012.
- (2) Resigned as Director of the Company on 27 June 2012.
- (3) Resigned as Director of the Company on 17 July 2012, but remain acting as chief executive officer of the Company.
- (4) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Associated Corporation

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	321,012	60,162	Personal/beneficiary	1.07%
Cheng Loi (Note 1)	545	32,862	Corporate Note (4)	0.09%
Wang Cheung Yue (Note 2)	30,186	30,081	Personal/beneficiary	0.17%
Wong Kwong Chi (Note 3)	–	158,328	Personal/beneficiary	0.44%

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 2012 (Note 5)
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	– (Note 6)	30,162 (Note 6)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	30,000 (Note 7)
Cheng Loi (Note 1)	29 October 2008	29 October 2009 to 28 October 2015	3.810	18,333 (Note 7)
	23 April 2009	23 April 2009 to 22 April 2016	3.600	600 (Note 7)
	4 May 2009	4 May 2009 to 3 May 2016	3.600	11,666 (Note 7)
	4 August 2010	4 November 2010 to 3 August 2017	– (Note 6)	2,263 (Note 6)

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 2012 (Note 5)
Wang Cheung Yue (Note 2)	4 August 2010	4 November 2010 to 3 August 2017	– (Note 6)	15,081 (Note 6)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	15,000 (Note 7)
Wong Kwong Chi (Note 3)	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 7)
	8 November 2007	8 February 2008 to 6 November 2014	19.080	8,333 (Note 7)
	18 September 2008	18 September 2008 to 17 September 2015	6.510	30,000 (Note 7)
	2 September 2009	2 December 2009 to 1 September 2016	2.490	41,666

Notes:

- (1) Resigned as Director of the Company on 17 July 2012.
- (2) Resigned as Director of the Company on 27 June 2012.
- (3) Resigned as Director of the Company on 17 July 2012, but remain acting as chief executive officer of the Company.
- (4) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (5) Exercise prices (where applicable) and balances of the number of share options/stock appreciation rights ("SARs")/restricted shares ("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.
- (6) This represents RSAs granted under the 2005 Stock Incentive Plan.
- (7) This represents SARs to subscribe for Class A common shares in CDC Corporation granted under the 2005 Stock Incentive Plan.

Long positions in common shares and the underlying shares of equity of derivatives in CDC Games International 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 (Note 1)	–	45,000	Corporate (Note 4)	0.15%
Wang Cheung Yue (Note 2)	–	120,000	Personal/beneficiary	0.40%
Wong Kwong Chi (Note 3)	–	50,000	Personal/beneficiary	0.17%

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 2012
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 (Note 1)	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	45,000
Wang Cheung Yue (Note 2)	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	120,000
Wong Kwong Chi (Note 3)	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	50,000

Notes:

- (1) Resigned as Director of the Company on 17 July 2012.
- (2) Resigned as Director of the Company on 27 June 2012.
- (3) Resigned as Director of the Company on 17 July 2012, but remain acting as chief executive officer of the Company.
- (4) These options 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 2012, 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 2012, 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 and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Name	Number of shares	Number of underlying shares	Percentage of issued share capital
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 the spouse and children of Mr. Yip.

Save as disclosed above, as at 30 June 2012, the Company had not been notified by any persons (other than directors or chief executive of the Company) 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEMES

2002 Scheme

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1 January 2012	Number of share options				As at 30 June 2012	Exercise period
				Granted during the Half Yearly Period	Transferred during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
Directors									
Ch'ien Kuo Fung, Raymond	5 June 2003	25.040	100,000	-	-	-	-	100,000	5 June 2004 to 4 June 2013
	10 October 2005	25.200	100,000	-	-	-	-	100,000	10 October 2006 to 9 October 2015
Yip Hak Yung, Peter (Note 1)	5 June 2003	25.040	100,000	-	(100,000)	-	-	-	5 June 2004 to 4 June 2013
	10 October 2005	25.200	100,000	-	(100,000)	-	-	-	10 October 2006 to 9 October 2015
	3 January 2006	21.040	225,000	-	(225,000)	-	-	-	3 January 2007 to 2 January 2016
	14 August 2006	17.800	5,983,912	-	(5,983,912)	-	-	-	14 August 2007 to 13 August 2016
	19 August 2008	5.436	540,160	-	(540,160)	-	-	-	19 August 2009 to 18 August 2018
Wang Cheung Yue (Note 2)	5 June 2003	25.040	50,000	-	(50,000)	-	-	-	5 June 2004 to 4 June 2013
	15 September 2005	22.400	100,000	-	(100,000)	-	-	-	15 September 2006 to 14 September 2015
Cheng Loi (Note 3)	26 March 2008	11.000	37,875	-	-	-	-	37,875	26 March 2009 to 25 March 2018
Wong Kwong Chi (Note 4)	3 January 2006	21.040	137,500	-	-	-	-	137,500	3 January 2007 to 2 January 2016
	11 May 2010	4.124	500,000	-	-	-	-	500,000	5 June 2010 to 10 May 2020

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	As at 1 January 2012	Number of share options				As at 30 June 2012	Exercise period
				Granted during the Half Yearly Period	Transferred during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period		
Employees									
In aggregate	24 February 2003	6.840	807	-	-	-	-	807	24 February 2004 to 23 February 2013
	29 May 2003	28.640	1,614	-	-	-	-	1,614	29 May 2004 to 28 May 2013
	5 June 2003	25.040	-	-	16,250	-	-	16,250	5 June 2004 to 4 June 2013
	7 September 2004	20.400	1,291	-	-	-	-	1,291	7 September 2005 to 6 September 2014
	15 September 2005	22.400	15,000	-	43,750	-	(15,000)	43,750	15 September 2006 to 14 September 2015
	3 January 2006	21.040	6,250	-	-	-	-	6,250	3 January 2007 to 2 January 2016
	2 October 2007	17.160	2,500	-	-	-	-	2,500	2 October 2008 to 1 October 2017
	5 July 2010	4.330	390,000	-	-	-	(30,000)	360,000	5 July 2011 to 4 July 2020
Other Eligible Persons									
In aggregate	5 June 2003	25.040	16,250	-	133,750	-	-	150,000	5 June 2004 to 4 June 2013
	15 September 2005	22.400	48,750	-	56,250	-	-	105,000	15 September 2006 to 14 September 2015
	10 October 2005	25.200	-	-	100,000	-	-	100,000	10 October 2006 to 9 October 2015
	3 January 2006	21.040	137,500	-	225,000	-	-	362,500	3 January 2007 to 2 January 2016
	14 August 2006	17.800	-	-	5,983,912	-	-	5,983,912	14 August 2007 to 13 August 2016
	25 August 2006	18.000	125,000	-	-	-	-	125,000	25 November 2006 to 24 August 2016
	19 August 2008	5.436	-	-	540,160	-	-	540,160	19 August 2009 to 18 August 2018
			<u>8,719,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>8,674,409</u>	

Notes:

- (1) Resigned as Director of the Company on 18 January 2012.
- (2) Resigned as Director of the Company on 27 June 2012.
- (3) Resigned as Director of the Company on 17 July 2012.
- (4) Resigned as Director of the Company on 17 July 2012, but remain acting as chief executive officer of the Company.

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 2012.

COMPETING INTERESTS

Professor Li On-kwok, Victor, an independent non-executive director of the Company, is a well recognised 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 2012, 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 2012.

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 six months ended 30 June 2012 with the Code.

AUDIT COMMITTEE

The Company established an audit committee on 25 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 comprised three independent non-executive directors namely Mr. Anson Wang (Committee Chairman), Mr. Wang Cheung Yue and Professor Li On-kwok, Victor until 27 June 2012. On 27 June 2012, the Board of the Company announced the resignation of Mr. Wang Cheung Yue from his positions as independent non-executive director, chairman of remuneration committee, member of audit committee and member of nomination committee of the Company. On 17 July 2012, the Board of the Company further announced the resignation of Professor Li On-kwok, Victor from his positions as independent non-executive director, chairman of nomination committee, member of audit committee and member of remuneration committee of the Company. Following their resignation, the Company is required to appoint two new independent non-executive directors to meet the requirements set out in Rule 5.05(1) of the GEM Listing Rules "the Board must include at least three independent non-executive directors", Rule 5.28 "the audit committee must comprise a minimum of three members" and Rule 5.34 "a remuneration committee comprising a majority of independent non-executive directors". The Company is in the course of identifying suitable candidates for the appointment as independent non-executive directors in order to comply with the requirements of Rules 5.05(1), 5.28 and 5.34 as soon as practicable, and in any event within 3 months from 27 June 2012 (being the date of resignation of Mr. Wang Cheung Yue) and from 17 July 2012 (being the date of resignation of Professor Li On-kwok, Victor) respectively. The candidates may also fill the vacancies as the member of the audit committee, remuneration committee and nomination committee of the Company. Further announcement will be made by the Company upon fulfillment of the aforesaid requirements.

As at the date of this report, the audit committee comprise only one member namely Mr. Anson Wang. A valid quorum of the audit committee meeting could not be formed. The draft of these results was reported to the Board of the Company to review and approve. The Company is still in the course of identifying appropriate persons to act as audit committee members.

The Company's interim results for the first six months ended 30 June 2012 have been reviewed and approved by the Board of the Company on 13 August 2012.

CHANGES IN THE BOARD OF DIRECTORS OF THE COMPANY

Reference is made to the announcement dated 27 June 2012, the Board of the Company announces the resignation of (1) Mr. Wang Cheung Yue as independent non-executive director, chairman of remuneration committee, member of audit committee and member of nomination committee of the Company due to his other business engagements which require more of his attention and dedication and (2) Mr. Chen Mouhua as non-executive director of the Company due to his other business engagements which require more of his attention and dedication.

Reference is made to the announcement dated 17 July 2012, the Board of the Company announces to appoint (1) Mr. Marcus Alexander Watson as executive director, compliance officer and authorized representative of the Company, (2) Mr. Carrick John Clough as non-executive director and member of remuneration committee of the Company, (3) Mr. Joseph David Stutz as non-executive director and member of nomination committee of the Company, (4) Mr. Ding Chun as non-executive director of the Company and (5) Mr. Chen Mouhua as alternate director to Mr. Mao Hongcheng, the existing non-executive director with effective from 17 July 2012.

The Board further announces the resignation of (1) Professor Li On-kwok, Victor as independent non-executive director, chairman of nomination committee, member of audit committee and member of remuneration committee of the Company due to his other business engagements which require more of his attention and dedication (2) Mr. Wong Kwong Chi as executive director and authorized representative of the Company due to internal reallocation of duties but will remain acting as chief executive officer of the Company and (3) Dr. Cheng Loi as executive director and compliance officer of the Company due to internal reallocation of duties but will remain acting as company secretary, chief financial officer and authorized representative of the Company with effective from 17 July 2012.

INTERIM DIVIDEND

The Board of the Company had resolved not to declare any interim dividend for the Half Yearly Period ended 30 June 2012.

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

Hong Kong, 13 August 2012

As at the date of this report, the Board is composed of Mr. Marcus Alexander Watson as executive director, Dr. Ch'ien Kuo Fung, Raymond, Mr. Mao Hongcheng (with Mr. Chen Mouhua as his alternate), Mr. Carrick John Clough, Mr. Joseph David Stutz and Mr. Ding Chun as non-executive directors, and Mr. Anson Wang as independent non-executive director.