

China.com Inc.

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

Third Quarterly Report 2012



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 September 2012:

- The Group's revenue for the third quarter of 2012 was HK\$35.4 million, up 20% from the same period in 2011 and up 4% when compared to the second quarter of 2012.
- Gross profit from the third quarter of 2012 was HK\$20.7 million, up 21% from the same period in 2011 and up 7% when compared to the second quarter of 2012.
- Other income for the third quarter of 2012 was HK\$25.6 million, compared to HK\$5.4 million in the same period in 2011 and HK\$1.1 million in the second quarter of 2012. The significant increase was attributable to the investment income from our private equity funds investment.
- Profit attributable to owners of the Company amounted to HK\$22.2 million, compared to HK\$2.9 million in the third quarter of 2011 and a loss of HK\$7.8 million in the second quarter of 2012.
- Earnings per share (EPS) was HK cents 20.68, compared to HK cents 2.70 in the third quarter of 2011 and loss per share (LPS) of HK cents 7.24 in the second quarter of 2012.
- The Group's financial position remains strong, with a total amount of HK\$342.9 million of bank balances and cash and available-for-sale investments as of 30 September 2012.

Our internet portal business ("Portal") continued to add to its list of advertising clients. New notable clients within this quarter include LiFan Automobile, Schneider Electric and Redbaby On-line Shop. During this quarter, our Automobile channel had participated in, and provided comprehensive real-time coverage of, the Chengdu Auto Show. It attracted wide attention and brought in revenue and traffic to our Automobile channel. Our Automobile channel also organized its seventh annual car design contest. This competition was open to all automotive design professionals, college students and automotive design amateurs, giving them a platform to showcase their talents and to interact with various automotive manufacturers and famous designers.

Our travel media business ("TTG") revenue was up in this quarter when compare with the second quarter of 2012 and the same period in 2011. However, the results were marginally fell short of expectations due to the higher than anticipated investment cost involved in the launch of a new exhibition of Incentive Travel & Conventions, Meeting in India ("IT&CM India").

The events arm under TTG had successfully staged two exhibitions in the month of August – the Singapore Gifts and Stationery Show in Singapore and IT&CM India in Delhi. In addition, several ad hoc special projects yielded significant contributions to TTG. This includes the production of the Singapore Grand Prix Formula 1 Map, publication of the PATA Travel Mart Show Daily and TTG Meeting, Incentive, Conference and Exhibition (“TTGmice”) Planner.

The Group’s investment in a China-focused private equity fund has also generated impressive returns for this quarter, resulting in HK\$24.6 million investment income for us. We expect that we will continue to receive good investment income, barring sudden reversals, as the investment holdings are monetized by the private equity fund, thus delivering a steady cash flow to the Company.

As previously disclosed, on 6 September 2012, the US Bankruptcy Court has entered an order approving and confirming the second amended reorganization plan (the “Second Amended Plan”) for CDC Corporation (“CDC” or the “Controlling Shareholder”) in CDC’s Chapter 11 bankruptcy proceeding. The Second Amended Plan contemplates, among other things, the sale or disposition of all of the Controlling Shareholder’s assets for the benefit of the Controlling Shareholder’s creditors and equity interest holders.

On the same date, the board of directors of the Company received a notice of intent from CDC indicating its intention to explore strategic alternatives regarding the potential sale or disposal of its equity interests in the Company pursuant to the terms and conditions of Second Amended Plan.

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

Dr. Ch’ien Kuo Fung, Raymond
Chairman

Hong Kong, 8 November 2012

UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30 September 2012, together with the comparative unaudited figures for the corresponding periods in 2011.

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	2	35,409	29,570	102,565	92,226
Cost of sales		(14,725)	(12,417)	(45,197)	(42,137)
Gross profit		20,684	17,153	57,368	50,089
Other income		25,554	5,411	28,871	9,189
Selling and distribution expenses		(8,592)	(5,970)	(23,914)	(20,087)
Administrative expenses		(14,919)	(11,913)	(53,025)	(32,684)
Impairment losses reversed (recognised)		21	(1,173)	649	(675)
Other expenses		-	-	-	(191)
Profit before tax		22,748	3,508	9,949	5,641
Income tax expense	3	(519)	(568)	(1,668)	(1,499)
Profit for the period		22,229	2,940	8,281	4,142
Other comprehensive income					
Exchange differences arising on translation		563	(156)	1,619	4,694
Fair value gain (loss) on available-for-sale investments		859	(2,111)	9,594	(4,885)
Other comprehensive income for the period		1,422	(2,267)	11,213	(191)
Total comprehensive income for the period		23,651	673	19,494	3,951

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to:				
Owners of the Company	22,159	2,897	7,991	4,068
Non-controlling interests	70	43	290	74
	22,229	2,940	8,281	4,142
Total comprehensive income attributable to:				
Owners of the Company	23,581	630	19,204	3,877
Non-controlling interests	70	43	290	74
	23,651	673	19,494	3,951
Earnings per share				
Basic and diluted				
(cents per share)	20.68	2.70	7.46	3.80

4

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 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 consolidated results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2011 except as described below.

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

2. REVENUE

Revenue from continuing operations represents (1) travel media; and (2) internet portal.

3. INCOME TAX

Hong Kong profits tax is calculated at 16.5% for the Nine-Month 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 Nine-Month Period and the corresponding periods in 2011.

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

4. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
<i>Earnings</i>				
Profit for the period attributable to owners of the Company	<u>22,159</u>	<u>2,897</u>	<u>7,991</u>	<u>4,068</u>
	Three months ended 30 September		Nine months ended 30 September	
	2012 '000	2011 '000	2012 '000	2011 '000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>

The calculation of diluted 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.

5. MOVEMENT OF RESERVES

	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 interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note a)	(note a)				(note b)						
At 1 January 2011	39,337	24,650	(31,193)	410	11,690	24,123	47,047	61,755	130,760	308,579	160	308,739
Profit for the period	-	-	-	-	-	-	-	-	4,068	4,068	74	4,142
Other comprehensive income for the period	-	-	-	(4,885)	-	-	4,694	-	-	(191)	-	(191)
Total comprehensive income for the period	-	-	-	(4,885)	-	-	4,694	-	4,068	3,877	74	3,951
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	750	-	750	-	750
At 30 September 2011	39,337	24,650	(31,193)	(4,475)	11,690	24,123	51,741	62,505	134,828	313,206	234	313,440
At 1 January 2012	39,337	24,650	(31,193)	-	11,690	19,025	44,285	62,412	142,258	312,464	1,721	314,185
Profit for the period	-	-	-	-	-	-	-	-	7,991	7,991	290	8,281
Other comprehensive income for the period	-	-	-	9,594	-	-	1,619	-	-	11,213	-	11,213
Total comprehensive income for the period	-	-	-	9,594	-	-	1,619	-	7,991	19,204	290	19,494
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	223	-	223	-	223
At 30 September 2012	39,337	24,650	(31,193)	9,594	11,690	19,025	45,904	62,635	150,249	331,891	2,011	333,902

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 as there was no such profit after tax from FIEs in both periods.

6. DIVIDENDS

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review (In HK\$'000)

Revenue and gross profit

Revenue for the Nine-Month Period was HK\$102,565 representing a HK\$10,339, or 11% increase compared to the corresponding period in 2011. The increase was primarily attributable to: (1) an increase in revenue from our travel media segment of HK\$5,237, partially as a result of two successful trade shows, Incentive Travel & Conventions, Meeting in China ("IT&CM China") and IT&CM India in April and August 2012, respectively, and full year effect of launching a new printing product, Singapore shopping map, at the end of 2011; and (2) an increase in revenue from our internet portal segment of HK\$5,102 due to contracts from new customers such as PingAn Insurance, Standard Chartered Bank and Citibank, following with some existing customers had sustained increase in the amount of advertising contract.

Gross profit margin for the Nine-Month Period was 56%, compared to 54% in the same period last year.

Other income

Other income increased by 214% to HK\$28,871 for the Nine-Month Period, compared to HK\$9,189 for the corresponding period in 2011. The increase was primarily due to (1) a HK\$17,322 increase in investment income from our private equity funds investment; (2) a HK\$1,062 increase in bank interest income by investing our bank balances into short-term fixed deposit to earn higher yield; and (3) a HK\$1,255 increase from a long-aged bad debts recovery.

Selling and distribution expenses

Selling and distribution expenses increased by 19% to HK\$23,914 for the Nine-Month Period, compared to HK\$20,087 for the corresponding period in 2011. The increase was due to (1) in line increase with revenue; and (2) additional marketing expenses for launching IT&CM India.

Administrative expenses

Administrative expenses increased by 62% to HK\$53,025 for the Nine-Month Period, compared to HK\$32,684 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 the first half of 2012 in connection with the proposed restructuring plan for the Controlling Shareholder's Chapter 11 Case. The plan was withdrawn in June 2012 and no further material legal fee was incurred in this quarter. Administrative expenses also include share option expenses of HK\$223 (2011: HK\$750) in accordance with HKFRS 2.

Impairment losses reversed (recognised)

Recovery of impairment loss of HK\$649 (2011: an impairment loss of HK\$675) has been recognised for the Nine-Month Period.

Other expenses

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

Income tax

The Group recorded an income tax expense of HK\$1,668 for the Nine-Month Period, compared to HK\$1,499 for the corresponding period in 2011. Income tax expense for the Nine-Month Period represents a provision for income tax.

Non-controlling interests

Profit shared by non-controlling interests was HK\$290 for the Nine-Month Period, compared to HK\$74 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 September 2012 (2011: 90%).

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company was HK\$7,991 for the Nine-Month Period, compared to a profit of HK\$4,068 for the corresponding period in 2011.

BUSINESS REVIEW

Internet Portal

Portal continued to add to its list of advertising clients. New notable clients within this quarter include LiFan Automobile, Schneider Electric and Redbaby On-line Shop. During this quarter, our Automobile channel had participated in, and provided comprehensive real-time coverage of, the Chengdu Auto Show. It attracted wide attention and brought in revenue and traffic to our Automobile channel. Our Automobile channel also organized its seventh annual car design contest. This competition was open to all automotive design professionals, college students and automotive design amateurs, giving them a platform to showcase their talents and to interact with various automotive manufacturers and famous designers.

Travel Media

TTG revenue was up in this quarter when compare with the second quarter of 2012 and the same period in 2011. However, the results were marginally fell short of expectations due to the higher than anticipated investment cost involved in the launch of a new exhibition of IT&CM India.

The events arm under TTG had successfully staged two exhibitions in the month of August – the Singapore Gifts and Stationery Show in Singapore and IT&CM India in Delhi. In addition, several ad hoc special projects yielded significant contributions to TTG. This includes the production of the Singapore Grand Prix Formula 1 Map, publication of the PATA Travel Mart Show Daily and TTGmice Planner.

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

As at 30 September 2012, the interests of each of the Directors, chief executive 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/chief executive	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Carrick John Clough (Note 1)	–	137,500	Personal/beneficiary	0.13%
Ch'ien Kuo Fung, Raymond	142,900	200,000	Personal/beneficiary	0.32%
Chen Mouhua (Note 2)	–	5,000	Personal/beneficiary	0.00%
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/ chief executive	Date of Grant	Exercise period	Exercise price HK\$	Number of share options outstanding as at 30 September 2012
Carrick John Clough (Note 1)	3 January 2006	3 January 2007 to 2 January 2016	21.040	137,500
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
Chen Mouhua (Note 2)	15 September 2006	15 September 2006 to 14 September 2015	22.400	5,000
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) Appointed as director of the Company on 17 July 2012.
- (2) Appointed as alternate director to Mr. Mao Hongcheng on 17 July 2012.
- (3) Resigned as director of the Company on 17 July 2012, but remains acting as chief executive officer of the Company.

Associated Corporation

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

Name of Directors/chief executive	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Carrick John Clough (Note 1)	82,371	43,333	Personal/beneficiary	0.31%
Ch'ien Kuo Fung, Raymond	343,162	60,162	Personal/beneficiary	1.00%
Chen Mouhua (Note 2)	1,665	1,667	Personal/beneficiary	–
Wong Kwong Chi (Note 3)	–	158,328	Personal/beneficiary	0.39%

Options/stock appreciation rights/restricted shares in CDC Corporation

Name of Directors/ chief executive	Date of Grant	Exercise period	Exercise price (Note 4) US\$	Number of share options/stock appreciation rights/ restricted shares outstanding as at 30 September 2012 (Note 4)
Carrick John Clough (Note 1)	3 January 2011	3 January 2011 to 2 January 2018	3.500	43,333 (Note 6)
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	– (Note 5)	30,162 (Note 5)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	30,000 (Note 6)

Name of Directors/ chief executive	Date of Grant	Exercise period	Exercise price (Note 4) US\$	Number of share options/stock appreciation rights/ restricted shares outstanding as at 30 September 2012 (Note 4)
Chen Mouhua (Note 2)	15 September 2005	15 September 2005 to 14 September 2015	8.982	1,667
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 6)
	8 November 2007	8 February 2008 to 7 November 2014	19.080	8,333 (Note 6)
	18 September 2008	18 September 2008 to 17 September 2015	6.510	30,000 (Note 6)
	2 September 2009	2 December 2009 to 1 September 2016	2.490	41,666

Notes:

- (1) Appointed as director of the Company on 17 July 2012.
- (2) Appointed as alternate director to Mr. Mao Hongcheng on 17 July 2012.
- (3) Resigned as director of the Company on 17 July 2012, but remains acting as chief executive officer of the Company.
- (4) Exercise prices (where applicable) and balances of the number of 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.
- (5) This represents RSAs granted under CDC Corporation's 2005 Stock Incentive Plan, as amended (the "2005 Stock Incentive Plan").
- (6) 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 Software International 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%

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 September 2012
Ch'ien Kuo Fung, Raymond	17 February 2007	Date of commencement of initial public offering 17 February 2014	13.330	25,000

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

Name of Directors/ chief executive	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%
Chen Mouhua (Note 1)	–	5,000	Personal/beneficiary	0.02%
Wong Kwong Chi (Note 2)	–	50,000	Personal/beneficiary	0.17%

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

Name of Directors/ chief executive	Date of Grant	Exercise period	Exercise price US\$	Number of share options outstanding as at 30 September 2012
Ch'ien Kuo Fung, Raymond	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	100,000
Chen Mouhua (Note 1)	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	5,000
Wong Kwong Chi (Note 2)	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	50,000

Note:

- (1) Appointed as alternate director to Mr. Mao Hongcheng on 17 July 2012.
- (2) Resigned as director of the Company on 17 July 2012, but remains acting as chief executive officer of the Company.

Save as disclosed above, as at 30 September 2012, none of the directors and chief executive 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 September 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 (<i>Note 1</i>)	79,492,700	–	74.17%
Asia Pacific On-Line Limited (<i>Note 2</i>)	525,160	6,524,072	6.58%

Notes:

- (1) Such interest in the Company comprises 79,045,700 owned by China M Interactive (BVI) Limited and 447,000 owned by CDC Corporation. China M Interactive (BVI) Limited is wholly owned by CDC Corporation through its intermediate company, chinadotcom Mobile Interactive Corporation. By virtue of the SFO, CDC Corporation and chinadotcom Mobile Interactive Corporation are all deemed to be interested in the 79,045,700 shares of the Company held by China M Interactive (BVI) Limited.
- (2) 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 September 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.

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2012 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.

On 17 September 2012, the Board of the Company announced (1) the appointment of Mr. Kenneth Blake Fowler as independent non-executive director, and member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company; and (2) the re-appointment of Professor Li On-kwok, Victor as independent non-executive director, and member of Audit Committee, chairman and member of Remuneration Committee, and chairman and member of Nomination Committee of the Company.

Following the new appointments, the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Kenneth Blake Fowler and Professor Li On-kwok, Victor. The Company is able 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 audit committee has reviewed the final draft report for the Nine-Month Period ended 30 September 2012 and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

INTERIM DIVIDEND

The Board of the Company had resolved not to declare any interim dividend for the Nine-Month Period ended 30 September 2012.

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

Hong Kong, 8 November 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, Mr. Kenneth Blake Fowler and Professor Li On-kwok, Victor as independent non-executive directors.