China.com Inc.

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

Annual 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 annual 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 annual report.

This annual 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 annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

C O N T E N T S

2	Corporate Information
3	Board of Directors and Senior Management
8	Financial Highlights
9	Chairman's Statement
11	Management Discussion and Analysis
14	Report of the Directors
22	Corporate Governance Report
29	Independent Auditor's Report
31	Consolidated Statement of Comprehensive Income
32	Consolidated Statement of Financial Position
33	Statement of Financial Position
34	Consolidated Statement of Changes in Equity
35	Consolidated Statement of Cash Flows
37	Notes to the Financial Statements

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director
Marcus Alexander Watson

Non-Executive Directors
Ch'ien Kuo Fung, Raymond
(Chairman of the board of directors)
Mao Hongcheng
(with Chen Mouhua as his alternate)
Carrick John Clough
Joseph David Stutz
Ding Chun

Independent Non-Executive Directors
Anson Wang
Li On-kwok, Victor
Kenneth Blake Fowler

COMPANY SECRETARY

Cheng Chung Yung

COMPLIANCE OFFICER

Marcus Alexander Watson

AUDIT COMMITTEE

Anson Wang *(Committee Chairman)*
Li On-kwok, Victor
Kenneth Blake Fowler

REMUNERATION COMMITTEE

Li On-kwok, Victor *(Committee Chairman)*
Ch'ien Kuo Fung, Raymond
Anson Wang
Carrick John Clough
Kenneth Blake Fowler

NOMINATION COMMITTEE

Li On-kwok, Victor *(Committee Chairman)*
Anson Wang
Joseph David Stutz
Kenneth Blake Fowler

AUTHORISED REPRESENTATIVES

Marcus Alexander Watson
Cheng Chung Yung

REGISTERED OFFICE

P.O. Box 309GT Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

PLACE OF BUSINESS

11th Floor, ING Tower
308 Des Voeux Road Central
Hong Kong

AUDITOR

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

Citibank N.A.
Standard Chartered Bank
China Merchants Bank

STOCK CODE

8006

WEBSITE

www.inc.china.com

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

Marcus Alexander Watson

Mr. Watson, aged 62, is currently holding the office of Chief Restructuring Officer (the "CRO") of CDC Corporation and Trustee of CDC Liquidation Trust ("CDC Trust"), the Company's former controlling shareholder. He is vested with complete authority and is empowered to make all decisions concerning the management of CDC Corporation's business, operations, and bankruptcy reorganization and the disposal of assets under CDC Trust. In addition, Mr. Watson has served on the boards and as CRO, Chief Executive Officer, President, and/or Trustee of Crescent Airways, Inc. and Meadowcraft, Inc.

Mr. Watson was educated in the United States and received his B.S. in Business Administration and Master of Business Administration from the University of Arkansas. He is a U.S. Certified Public Accountant and a member of the American Institute of Certified Public Accountants, the Petroleum Accountants Society, and the Georgia Society of Certified Public Accountants. Mr. Watson is also a former partner of the accounting firm Ernst & Young.

NON-EXECUTIVE DIRECTOR

Ch'ien Kuo Fung, Raymond

Dr. Ch'ien, aged 61, is chairman of the board of directors ("Board") of the Company. Dr. Ch'ien served as an executive director of the Company from November 1999 to October 2005 at which point he was re-designated as a non-executive director. Dr. Ch'ien is also Chairman of MTR Corporation Limited, Hang Seng Bank Limited and Ascendas China Commercial Fund Management Limited (resigned on October 1, 2012). He serves on the boards of the Hongkong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, The Wharf (Holdings) Limited, Swiss Reinsurance Company Limited, Hong Kong Mercantile Exchange Limited, China Resources Power Holdings Company Limited and UGL Limited. Dr. Ch'ien received a doctoral degree in economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star medal. In 2008, he was conferred the honour of Chevalier de l'Ordre du Mérite Agricole of France.

NON-EXECUTIVE DIRECTOR

Mao Hongcheng

Mr. Mao, aged 51, was appointed as non-executive director of the Company on 15 October 2009. Mr. Mao is currently the general manager of the Asia-Pacific regional Bureau and Hong Kong SAR Branch of Xinhua News Agency, executive director and general manager of Xinhua News Media Holdings Ltd. (HKEX: 309) and the director of Golden Tripod (Holdings) Limited and Golden Tripod Technology Limited. Golden Tripod Technology limited, an indirect wholly owned subsidiary of Xinhua, is one of the major beneficial owner of CDC Liquidation Trust, a successor of CDC Corporation. Mr. Mao, a senior economist of Xinhua, has been engaged in financial, marketing, operations and administration business. He has extensive experience in all these fields. He has abundant resources of personal relationship in the mainland and Hong Kong. Mr. Mao served as Finance director, Assistant General Manager, General Manager of "Banyuetan", a biweekly with the biggest circulation among all the mainland-based journals and known as "China's First magazine", Marketing Manager of Golden Tripod (Holdings) Ltd., Assistant General Manager of N.C.N. Ltd., Managing Director of Xinhua Media (Hong Kong) Company Limited, as well as Deputy General Manager of China Photo Services (CPS), the biggest enterprise of China's picture industry. Mr. Mao graduated from the Beijing Institute of Finance and Trade.

ALTERNATE DIRECTOR

Chen Mouhua

Mr. Chen, aged 71, was appointed as alternate director to Mr. Mao Hongcheng, a non-executive director of the Company in July 2012. He is an experienced journalist with over 30 years reporting and editorial experience. He joined the group since 2000, and held various executive positions including editor-in-chief of China.com English portal. Before joining the group, Mr. Chen was the head of Asia Pacific news section of Xinhua News Agency in Hong Kong for nine years and the chief editor of China Economic Information Network of Xinhua News Agency for three years. Mr. Chen has served the Company in the capacity of non-executive director from 18 January 2012 to 27 June 2012.

NON-EXECUTIVE DIRECTOR

Carrick John Clough

Mr. Clough, aged 65, is currently the interim chief executive officer of CDC Corporation. He served as an independent member of the board of directors of CDC Corporation for the period between December 2003 and April 2012. He also served as an independent member of the board of directors (for the period between April 2009 and October 2011) and also served as the interim chief executive officer (for the period between July 2011 and October 2011) of CDC Software Corporation, a publicly traded company on the U.S. NASDAQ exchange until April 2012. Mr. Clough also served as Chairman of Corgi International Ltd, a NASDAQ listed company. Further, he was a special advisor to General Atlantic Partners since December 2000 for over 10 years. Mr. Clough gained over 25 years of management experience in the IT industry internationally. He was a co-founder and managing director of the CSSL group, a mid-range software distributor and hardware reseller in Asia. Prior to co-founding the CSSL group, Mr. Clough held the position of general manager of JBA in Asia, an Australia-based worldwide mid-range software distributor, and gained working experience as a consultant in the United Kingdom and Europe. Mr. Clough received his education in New Zealand.

NON-EXECUTIVE DIRECTOR

Ding Chun

Mr. Ding, aged 42, is currently the Managing Partner and Chief Risk Officer of CRCM LP. Mr. Ding graduated Valedictorian from Middlebury College in 1993 with a B.A. in Economics. He received his MBA from Harvard Business School in 1997 where he was elected a Baker Scholar. Between 1993 and 1995, Mr. Ding worked as a financial analyst at Goldman Sachs & Co. After 1997, Mr. Ding worked at Farallon Capital Management LLC in San Francisco before founding CRCM LP.

NON-EXECUTIVE DIRECTOR

Joseph David Stutz

Mr. Stutz, aged 40, is currently the general counsel of CDC Corporation. He also serves as the chief executive officer and sole director of chinadotcom Mobile Interactive Corporation ("CMIC") and the president and sole director of China M Interactive (BVI) Limited ("CMIB"). CMIB, a wholly owned subsidiary of CMIC, is the substantial shareholder of the Company while CMIC is a wholly owned subsidiary of CDC Corporation. Mr. Stutz also served as a director of CDC Software Corporation, a publicly traded company on the U.S. NASDAQ exchange until April, 2012.

Mr. Stutz was educated in the United States and received his Juris Doctor magna cum laude in 2002 from the University of Alabama School of Law. He is currently licensed to practice law in the U.S. in the states of Alabama, Mississippi, and Georgia.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Anson Wang

Mr. Anson Wang, aged 65, has been serving as an independent non-executive director of our Company since July 2007. Mr. Wang also serves as chairman of the audit committee and as members of the nomination and remuneration committees of the board of directors of the Company since June 2011. Mr. Wang is the Co-founder and Managing Partner of the CMIA Capital Partners, a private equity firm focused on providing growth capital to mid-sized companies in China with the potential to become industry or market leaders. He has over 25 years of experience in private equity and venture capital, fund management, corporate banking and finance. Mr. Wang was previously Regional Managing Director at HSBC Asset Management, responsible for HSBC's institutional fund management business. Prior to HSBC, Mr. Wang was the founding chief executive officer at State Street Global Advisors (Asia), the fund management arm of the State Street Bank Corporation. Mr. Wang previously worked in Chicago, New York, London, Beijing and Hong Kong. Mr. Wang holds a Bachelor of Arts degree in Economics and a Masters degree in Business Administration in International Finance from Rutgers University, where he was also a fellowship recipient and honors graduate.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Li On-kwok, Victor

Professor Li, aged 58, was re-appointed to the board of directors of the Company as an independent non- executive director in September 2012, and also to act as a member of Audit Committee, the chairman and member of Remuneration Committee, and the chairman and member of Nomination Committee of the Company. Professor Li is the Head of the Department of Electrical and Electronic Engineering, and the Chair Professor of Information Engineering at The University of Hong Kong ("HKU"). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California ("USC") and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organizations such as the Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers ("IEEE"). Professor Li is a director of Versitech Limited, a wholly-owned subsidiary of HKU. Versitech Limited is the technology transfer and commercial arm of HKU. Professor Li has been serving as an independent non-executive director of SUNeVision Holdings Ltd. since January 2000. Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981, respectively. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2002.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Kenneth Blake Fowler

Mr. Fowler, aged 53, is the Chief Financial Officer for Hong Kong International School. Prior to this, Mr. Fowler had been the Chief Financial Officer for Corgi International Limited ("Corgi"), which had been a Nasdaq listed entity that designed, manufactured and marketed brand name toys and collectible products. Prior to joining Corgi, Mr. Fowler served as Chief Financial Officer for DeliriumCyberTouch Corporation, which had been a leading pan-Asian Web solutions company with operations in five Asian countries. He also served as senior vice president of finance for CDC Corporation (formerly known as chinadotcom Corporation). Before that, Mr. Fowler spent seven years with SkyTel Corporation ("SkyTel"), a Nasdaq listed, international wireless messaging service provider (acquired by MCI Worldcom in October 1999). As head of finance for SkyTel's international operations, Mr. Fowler managed the financial operations for 17 international operations based in Latin America, Asia, and Europe. Prior to SkyTel, Mr. Fowler spent almost 10 years with Price Waterhouse (now PriceWaterhouseCoopers) and Ernst & Young, where he provided strategic management consulting services as well as operations and information systems consulting services.

Mr. Fowler received a Masters of Business Administration degree from Vanderbilt University and a Bachelors of Accountancy degree from the University of Mississippi. Mr. Fowler currently sits on the Board of Directors of Concordia International School in Hanoi, Vietnam. He sat on the Board of Directors of Grand Toys International Limited, a former Nasdaq listed entity that designed and manufactured toys. He also sat on the boards of various wireless messaging companies in Asia and Latin America.

SENIOR MANAGEMENT

CHIEF EXECUTIVE OFFICER

Wong Kwong Chi

Mr. Wong, aged 61, has been the chief executive officer of the Company since March 2010. Mr. Wong was a director of CDC Corporation, the Company's former controlling shareholder, until September 2011. Mr. Wong had also held numerous directorship of certain subsidiaries of CDC Corporation, namely, a director and chief executive officer of CDC Games Corporation and a director of CDC Games International Corporation.

Mr. Wong was a managing partner of Asian Global Capital ("AGC"). Prior to joining AGC, he was a director and Executive Vice President of Transpac Capital Ltd. ("Transpac"), one of the earliest and largest private equity investment firms in Asia, managing a $820 million portfolio with investments in approximately 200 companies in East Asia and the United States. Prior to joining Transpac, Mr. Wong was deputy managing director of Cony Electronics Products Ltd. and Hung Nien Electronics Ltd. in Hong Kong and president of Cony Electronics Inc. in Chicago. Mr. Wong serves on the board of Glory Mark Hi-Tech (Holdings) Limited (HKGEM: 8159). Previously, Mr. Wong was Past Chairman of the Hong Kong Venture Capital and Private Equity Association, Past Executive Committee Member of the Hong Kong Young Industrialists Council, Past Vice Chairman of The Hong Kong Electronic Industries Association, Past Vice President of Hong Kong Auto Parts Industry Association and Past Member of Financial Services Advisory Committee of Hong Kong Trade Development Council. Currently, Mr. Wong is a Member of Committee of Overseers for C.W. Chu College of Chinese University of Hong Kong, a Director of CityU Enterprises Limited, Advisor and Past Vice President of Hong Kong Critical Components Manufacturers Association, Committee Member of Federation of Hong Kong Machinery & Metal Industries, Past Member of Advisory Committee on the Promotion of Innovation & Technology through the Hong Kong Platform of Hong Kong Trade Development Council, and Council Member of Hong Kong Biotechnology Association. Mr. Wong was Advisor to Chengdu City Advisory Group for Science & Technology, Guangdong Commercial Chamber of High-Tech Industries, and Zhuhai High-Tech Innovation Centre. Mr. Wong is currently Honorary Citizen of Nanhai City, Kaiping City, Jiangmen City and Foshan City. Mr. Wong received Bachelor of Science and MBA Degrees from the Chinese University of Hong Kong.

CHIEF FINANCIAL OFFICER

Ho Yuk Hay, Patrick

Mr. Ho, aged 33, joined the Company in April 2010 as financial controller and was subsequently appointed as chief financial officer in September 2012. Mr. Ho has extensive financial management experience and over nine years of experience in one of the big 4 accounting firm. Mr. Ho graduated with a bachelor's degree in Accountancy in 2001 and further obtained a master's degree in Corporate Governance in 2012 at the Hong Kong Polytechnic University. He is currently a member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

COMPANY SECRETARY

Cheng Chung Yung

Mr. Cheng, aged 42, joined the Company as Head of Legal in February 2012 and was subsequently appointed as Company Secretary and Authorized Representative of the Company in September 2012. He is currently responsible for overseeing all legal, regulatory, compliance and company secretarial matters of the Company. Prior to joining the Company, Mr. Cheng has over 13 years solid experience in the legal profession and had served as in-house legal counsel in two listed companies on the main board.

Mr. Cheng graduated from the University of Hong Kong with a Bachelor's degree in Laws in 1995 and obtained a Master degree in Chinese and Comparative Laws from the City University of Hong Kong in 1997. He is a qualified solicitor in Hong Kong and is also an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators as well as a member of Hong Kong Securities and Investments Institute.

Darren Ng

Mr. Ng, aged 57, is the Managing Director of TTG Asia Media. He is a veteran in the travel and tourism industry and has a wealth of experience of more than 29 years in the business. Having joined TTG Asia Media *(formerly known as Asian Business Press and Miller Freeman Pte Ltd)* since 1984, he is credited with successfully growing TTG Asia Media regionally. Under Mr. Ng's leadership, TTG Asia Media achieved consistent organic growth, establishing profitable portfolios in event management, tourism and travel trade publishing. His accomplishments also include expanding TTG Asia Media's geographic presence across Asia.

Mr. Ng has also been at the helm of a multitude of incumbent committees and associations in the travel and tourism industry as council and advisory member. He is the current Chairman of PATA Singapore Chapter (since 2008) and is presently an Industry Council Member of Pacific Asia Travel Association, the Appointed Conference Ambassador to Shanghai City (since 2009) and previously a Member of the Asia Pacific Advisory Council to Meeting Professionals International (MPI). He also served as the President of Skål International Singapore from 2001 to 2003.

Gao Fuxiang

Mr. Gao Fuxiang, aged 42, is the Portal General Manager of China.com. From May 2006, Mr. Gao served as the Product Manager, Product Director, Sales Director and Deputy Manager, and on March 2010, he serves as the Portal General Manager of China.com. Prior to joining the Company, Mr. Gao worked at Sina.com for eight years. Mr. Gao graduated from Beijing Normal University, major in psychology.

FINANCIAL HIGHLIGHTS

RESULTS

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**142,236**	127,110	105,547	94,960	106,723
Discontinued operation	**–**	–	–	43	9,515
	142,236	127,110	105,547	95,003	116,238
Profit/(loss) for the year attributable to:					
Owners of the Company	**20,411**	6,910	2,670	19,352	(26,776)
Non-controlling interests	**352**	1,051	160	–	–
	20,763	7,961	2,830	19,352	(26,776)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	**394,345**	366,326	361,630	508,617	1,213,308
Liabilities	**(52,299)**	(51,069)	(51,819)	(44,184)	(61,823)
Non-controlling interests	**(2,073)**	(1,721)	(160)	–	–
Net Assets	**339,973**	313,536	309,651	464,433	1,151,485

KEY FINANCIAL DATA

	Year ended 31 December				
	2012	2011	2010	2009	2008
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings/(loss) per share – basic (note 1)	**19.04**	6.45	2.49	18.07	(24.72)
Net assets per share – basic (note 1 and 2)	**317.22**	292.55	288.92	433.66	1,079.85

Notes:–

1 Earnings (loss) per share and net assets per share have been adjusted for the Company's share consolidation in June 2008.

2 Net assets represent total assets less total liabilities and non-controlling interests.

During 2012, our business operation delivered better results compared with the same period of last year.

- The Group's revenue increased 12% to HK$142.2 million in 2012 from HK$ 127.1 million in 2011.
- Gross profit increased 18% to HK$ 82.7 million in 2012 from HK$ 70.0 million in 2011.
- Other income, gains and losses increased 117% to HK$ 44.4 million in 2012 from HK$ 20.5 million in 2011.
- Profit attributable to owners of the Company amounted to HK$20.4 million in 2012, compared to HK$6.9 million in 2011.
- Basic and diluted earnings per share (EPS) was HK cent 19.04, compared to HK cents 6.45 in 2011.
- Financial position remains strong, with a total amount of HK$350.2 million of bank balances and cash and available-for-sale investments as of 31 December 2012.

Despite the fact that the travel industry is affected, to some extent, by current market sentiment in the global economy, our travel media business ("TTG") has performed well in 2012 with constant revenue improvement over last year. It is a challenging year for some of our core publications, special projects published throughout the year played a big role in making up for any revenue shortfall.

For events arm under TTG, it has successfully launched a new show in Delhi, India in 2012. It brings a total of six world class exhibitions and events organised by TTG in 2012. For publishing business group, it has won several special bids to publish the official daily at key industry events by external organisers. We are also proud to have been appointed the official media partner for almost all major travel trade events that took place in the Asia-Pacific region.

Our internet portal business ("Portal") experienced a difficult first half of 2012, as the news of our former controlling shareholder, CDC Corporation ("CDC"), being involved in a Chapter 11 case in the United States in late 2011 became widespread in China. It considerably affected client confidence, and subsequently some advertisers reduced their advertising support. Also, staff morale was affected due to the uncertainty over China.com Inc's future. Several key employees of our respective Portal departments and channels left the company. This halted the robust growth momentum built over 2011. In response, the management spent a tremendous effort during 2012 to retain our existing customers and stabilize the staff turnover rate. Also, Portal fine-tuned its marketing strategy to focus on small-and-medium enterprise ("SMEs") customers. SMEs form the most dynamic business component in the economy and generate an enormous demand for advertising to contend for market share. Portal managed to increase its revenue by 36% compared to 2011. However, SMEs are vulnerable to the fragile and uncertain economic conditions. We will closely monitor our client mix and diversify our client base to maintain sustainable growth for our Portal business.

The current tense of Sino-Japan relations poses a challenge to our Automobile channel, as the majority of its customers are Japanese auto manufacturers. Many of them decided to delay their marketing campaign, affecting our advertising revenue. We expect this situation to continue in the foreseeable future, but management is proactively taking all possible actions to minimize the impact.

Our investments in available-for-sale investments also generated impressive returns in this year. We have recognized approximately HK$39.3 million investment income in 2012 which is substantially higher than our investment income of approximately HK$9.2 million in 2011. We believed that our investments will continue generate good returns and cash flow for the Group in 2013.

As previously disclosed, the Second Amended Reorganization Plan for CDC in CDC's Chapter 11 Case became effective on 19 December 2012. On the same date, CDC established the CDC Liquidation Trust ("CDC Trust") whereby substantially all of CDC's assets, including the entire direct and indirect approximately 74.17% ownership interest in the Company, were transferred to CDC Trust.

As previously disclosed, on 13 January 2013, CDC Trust has entered into the Share Purchase Agreement with QiYi Holdings Limited ("QiYi" or the "Offeror") pursuant to which CDC Trust agreed to sell all its equity interest and controlling stake in the Company to QiYi and completion of the transaction took place on 31 January 2013.

Immediately following completion, QiYi has acquired approximately 74.17% of the shareholding of the Company and becomes the new controlling shareholder of the Company. Pursuant to the Takeovers Code, the Offeror is required to make mandatory unconditional cash offers (the "MGO") for all the issued shares (other than those already owned by the Offeror and parties acting in concert with it), and to cancel all the outstanding share options. Accordingly, the Offeror and the Company have despatched the composite document and forms in relation to the MGO to the independent shareholders and optionholders of the Company on 7 March 2013. The close date of the offer period will be 28 March 2013. After the close of the MGO, there may be proposed change of the board composition.

As indicated in the composite document, it is the intention of the Offeror that the Group will continue its existing principal business and the Offeror does not intend to introduce any major changes to the existing operation and business of the Company or re-deploy the employees. The Board is aware of the Offeror's intention in respect of the Group and is willing to cooperate with the Offeror further which is in the interests of the Company and the shareholders as a whole.

Finally, I would like to take this opportunity to thank all Board colleagues and employees at China.com for their good work and our shareholders for their continuing support.

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 22 March 2013

FINANCIAL REVIEW

Revenue and gross profit

Revenue for the year ended 31 December 2012 was HK$142,236,000 representing a HK$15,126,000 or 12% increase compared to last year. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK$1,766,000 as a result of two successful trade shows, Incentive Travel & Conventions, Meeting in China ("IT&CM China") and Incentive Travel & Conventions, Meeting in India ("IT&CM India") in April and August 2012 respectively; and (2) an increase in revenue from internet portal segment of HK$13,360,000 due to contracts from new customers such as Citibank, Standard Chartered Bank, PingAn Insurance and Pepsi Cola, following with some existing customers had sustained increase in the amount of advertising contract.

Gross profit margin was 58% in 2012, compared to 55% in 2011.

Other income, gains and losses

Other income, gains and losses increased by 117% to HK$44,412,000 in 2012, compared to HK$20,470,000 in 2011. The increase was primarily due to (1) a HK$30,158,000 increase in investment income from our private equity funds investment; (2) a HK$1,362,000 increase from a long-aged bad debts recovery; and (3) a HK$1,034,000 increase in bank interest income by investing our bank balances into short-term fixed deposit to earn higher yield. Also, there was a gain on deregistration of subsidiaries of HK$8,846,000 recorded in 2011 but no such gain in 2012.

Selling and distribution expenses

Selling and distribution expenses increased by 15% to HK$31,747,000 in 2012, compared to HK$27,629,000 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 52% to HK$72,123,000 in 2012, compared to HK$47,464,000 in 2011. The increase was primarily attributable to (1) an increase in legal and professional fee amounting to HK$15,289,000 incurred in connection with the proposed restructuring plan for the Controlling Shareholder's Chapter 11 Case; (2) an increase in personnel and premises expense amounting to HK$6,089,000; and (3) HK$1,893,000 exchange losses had been recognised in 2012, while there was HK$2,071,000 exchange gain recognised in 2011. Administrative expenses include share option expenses of HK$250,000 (2011: HK$658,000) recognised in accordance with HKFRS 2.

Impairment losses

Impairment losses decreased to HK$335,000 in 2012, compared to HK$7,170,000 in 2011. The decrease was mainly attributable to an impairment charge against our available-for-sale investment amounting to HK$6,136,000 had been recorded in 2011.

Income tax

The Group recorded an income tax expense of HK$2,146,000 in 2012, compared to HK$250,000 in 2011. The increase of income tax expenses was due to a reversal of an over-provided income tax expenses in 2011.

Non-controlling interests

Profit shared by non-controlling interests was HK$352,000 in 2012, compared to HK$1,051,000 in 2011. The decrease was mainly due to non-controlling interests sharing parts of the gain on deregistration of subsidiaries in 2011. The Group's equity interest in this company is 90% as at 31 December 2012 (2011: 90%).

Profit for the period attributable to owners of the Company

Profit for the year attributable to owners of the Company was HK$20,411,000 in 2012, compared to HK$6,910,000 in 2011.

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$339,973,000 as at 31 December 2012, compared to HK$313,536,000 as at 31 December 2011. Total assets amounted to HK$394,345,000 as at 31 December 2012, compared to HK$366,326,000 as at 31 December 2011, of which HK$286,542,000 (2011: HK$253,087,000) was bank balances and cash and HK$63,641,000 (2011: HK$80,413,000) was available-for-sale investments.

Capital structure

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

Charges on the Group's assets

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

Gearing ratio

The Group has a zero gearing ratio as at 31 December 2012 and 2011 as calculated by net debts divided by shareholders' 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 year ended 31 December 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 31 December 2012 and 2011.

Material acquisitions, disposals and significant investments

There were no material acquisitions, disposals or significant investments during the year ended 31 December 2012 and 2011.

Employee information

As at 31 December 2012, the Group had 258 (2011: 275) full-time employees, of which 18 (2011: 18) were based in Hong Kong, 197 (2011: 211) in China, 42 (2011: 45) in Singapore, Nil (2011: 1) in Thailand and 1 (2011: nil) in Malaysia. The Group has introduced 2002 share option scheme to recognise the contributions of the employees to the growth of the Group, but this Scheme will be cancelled after the close of the offer period.

BUSINESS REVIEW

Internet Portal

Our internet portal business ("Portal") experienced a difficult first half of 2012, as the news of CDC Corporation, our former controlling shareholder, being involved in a Chapter 11 case in the United States in late 2011 became widespread in China. It considerably affected client confidence, and subsequently some advertisers reduced their advertising support. Also, staff morale was affected due to the uncertainty over China.com Inc's future. Several key employees of our respective Portal departments and channels left the company. This halted the robust growth momentum built over 2011. In response, the management spent a tremendous effort during 2012 to retain our existing customers and stabilize the staff turnover rate. Also, Portal fine-tuned its marketing strategy to focus on small-and-medium enterprise ("SMEs") customers. SMEs form the most dynamic business component in the economy and generate an enormous demand for advertising to contend for market share. Portal managed to increase its revenue by 36% compared to 2011. However, SMEs are vulnerable to the fragile and uncertain economic conditions. We will closely monitor our client mix and diversify our client base to maintain sustainable growth for our Portal business.

The current tense of Sino-Japan relations poses a challenge to our Automobile channel, as the majority of its customers are Japanese auto manufacturers. Many of them decided to delay their marketing campaign, affecting our advertising revenue. We expect this situation to continue in the foreseeable future, but management is proactively taking all possible actions to minimize the impact.

Travel Media

Despite the fact that the travel industry is affected, to some extent, by current market sentiment in the global economy, our travel media business ("TTG") has performed well in 2012 with constant revenue improvement over last year. It is a challenging year for some of our core publications, special projects published throughout the year played a big role in making up for any revenue short fall.

For events arm under TTG, it has successfully launched a new show in Delhi, India in 2012. It brings a total of six world class exhibitions and events organised by TTG in 2012. For publishing business group, it has won several special bids to publish the official daily at key industry events by external organisers. We are also proud to have been appointed the official media partner for almost all major travel trade events that took place in the Asia-Pacific region.

The board of directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 16 to the consolidated financial statements. The Company and its subsidiaries (the "Group") are principally engaged in the operation of portal sites, the provision of content and internet services, advertising services through the internet and travel magazines, event organising services and magazine publication.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2012, and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 31 to 84.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2012.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 21 and 26 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year ended 31 December 2012.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2012, the Company's reserves available for distribution amounted to HK$134,675,000.

CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purpose during the year amounted to HK$136,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 26% of the total sales for the year and sales to the largest customer included therein amounted to 8%. Purchases from the Group's five largest suppliers accounted for 22% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Marcus Alexander Watson	(appointed on 17 July 2012)
Wong Kwong Chi	(resigned on 17 July 2012)
Cheng Loi	(resigned on 17 July 2012)

Non-executive directors

Ch'ien Kuo Fung, Raymond *(Chairman of the board of directors)*	
Mao Hongcheng	(with Mr. Chen Mouhua as his alternate on 17 July 2012)
Carrick John Clough	(appointed on 17 July 2012)
Joseph David Stutz	(appointed on 17 July 2012)
Ding Chun	(appointed on 17 July 2012)
Chen Mouhua	(appointed on 18 January 2012 and resigned on 27 June 2012)
Yip Hak Yung, Peter	(resigned on 18 January 2012)

Independent non-executive directors

Anson Wang	
Li On-kwok, Victor	(resigned on 17 July 2012 and re-appointed on 17 September 2012)
Kenneth Blake Fowler	(appointed on 17 September 2012)
Wang Cheung Yue	(resigned on 27 June 2012)

In accordance with Article 99 of the Company's articles of association, Mr. Watson, Mr. Clough, Mr. Stutz, Mr. Ding, Mr. Fowler and Professor Li will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election at that meeting. In accordance with article 116 of the Company's articles of association and the Code on Corporate Governance Practices, Dr. Ch'ien shall retire by rotation and, being eligible, shall offer themselves for re-election at the forthcoming annual general meeting of the Company.

However, four of the current Directors have tendered their resignation to the Board and each of them has indicated in his resignation letter that his resignation is subject to the Takeovers Code and shall not take effect until the earliest possible date when such resignations may be permitted to take effect under the Takeovers Code.

Emoluments of the directors, chief executive and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 10 and 11 to the consolidated financial statements, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICES CONTRACTS

Mr. Cheng Loi, a former executive director (who resigned on 17 July 2012) terminated his executive service agreement dated 1 October 2011 with China.com Corp. Limited (a wholly owned subsidiary of the Company) on 16 February 2012. On 7 February 2012, an executive services contract was entered into between China.com Corp. Limited and SLC Management Consulting International Limited, a company wholly owned by Mr. Cheng Loi ("SLC"), pursuant to which with effect from 17 February 2012, SLC agreeing to provide certain services to China.com Corp. Limited, including the service of Mr. Cheng as the executive officer for the Company and the Group. Subsequently, SLC terminated the executive services contract on 20 October 2012.

Save as disclosed above, no director has a service contract with the Company or any of its subsidiaries which is for a duration which may exceed three years or which requires the Company to, in order to terminate such contract, give a notice period in excess of one year or pay or make other payments equivalent to more than one year's emoluments.

Apart from the foregoing, no director proposed for election or re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CHIEF EXECUTIVE'S SERVICES CONTRACT

On 5 March 2010, Mr. Wong Kwong Chi ("Mr. Wong") was appointed to act as an executive director and the chief executive officer of the Company. Mr. Wong has not entered into any service agreement for his executive directorship with the Company. No director's fee will be paid during the term of his appointment as an executive director. As approved by the remuneration committee of the Company on 29 April 2010, Mr. Wong entered into an executive service agreement with China.com Corp. Limited (a direct wholly owned subsidiary of the Company) setting out details of services he shall provide to the Company as the chief executive officer. The term of Mr. Wong as the chief executive officer will continue unless terminated by either party by giving 3 months' notice in writing or payment in lieu of notice. Mr. Wong resigned from the board on 17 July 2012 but remains acting as chief executive officer of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party during the year.

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

As at 31 December 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:

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	Corporate	0.13%
Ch'ien Kuo Fung, Raymond	142,900	200,000	Personal/beneficiary	0.32%
Chen Mouhua	–	5,000	Personal/beneficiary	0.00%
Wong Kwong Chi *(Note 2)*	–	637,500	Personal/beneficiary	0.59%

Notes:

(1) These options were beneficially owned by Bamboo Asia Limited, a company wholly owned by Mr. Carrick John Clough.

(2) Chief executive officer of the Company

Options to subscribe for ordinary shares in the Company
Details of the options to subscribe for ordinary shares in the Company pursuant to the post-IPO share option scheme and the 2002 share option scheme are set out in note 26 to the consolidated financial statements.

Associated Corporation
Interest in CDC Liquidation Trust and the underlying shares of equity or derivatives in CDC Corporation (note 1)

Name of Directors/ chief executive	Unit of Trust Interests as at 31 December 2012	Number of underlying shares as at 18 December 2012	Nature of interests/ Holding capacity	Approximate percentage of interests
Carrick John Clough	82,371	43,333	Personal/beneficiary	0.33%
Ch'ien Kuo Fung, Raymond	97,838	60,162	Personal/beneficiary	0.41%
Chen Mouhua	–	1,667	Personal/beneficiary	–
Wong Kwong Chi	–	158,328	Personal/beneficiary	0.41%

Options/stock appreciation rights/restricted shares in CDC Corporation

Name of Directors/ Chief executive	Date of Grant	Exercise period	Exercise price *US$*	Number of share options/stock appreciation rights/ restricted shares outstanding as at 18 December 2012 *(note 2)*
Carrick John Clough	3 January 2011	3 January 2011 to 2 January 2018	3.500	43,333
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	–	30,162 *Note (3)*
	3 January 2011	3 January 2011 to 2 January 2018	3.500	30,000 *Note (3)*
Chen Mouhua	15 September 2005	15 September 2005 to 14 September 2015	8.982	1,667

Name of Directors/ Chief executive	Date of Grant	Exercise period	Exercise price *US$*	Number of share options/stock appreciation rights/ restricted shares outstanding as at 18 December 2012 *(note 2)*
Wong Kwong Chi	24 August 2005	24 August 2005 to 23 August 2015	9.690	36,664 *Note (4)*
	15 September 2005	15 September 2005 to 14 September 2015	8.982	33,332 *Note (4)*
	18 December 2006	18 March 2007 to 17 December 2016	25.560	8,333 *Note (4)*
	8 November 2007	8 February 2008 to 6 November 2014	19.080	8,333 *Note (4)*
	18 September 2008	18 September 2008 to 17 September 2015	6.510	30,000 *Note (4)*
	2 September 2009	2 December 2009 to 1 September 2016	2.490	41,666 *Note (4)*

Notes:

(1) On 5 October 2011, CDC Corporation ("CDC") filed a voluntary petition in the United States Bankruptcy Court for the Northern District of Georgia (the "Court") seeking relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code. On 19 December 2012, the Court entered an order providing 19 December 2012 as the Effective Date (the "Effective Date") for CDC Corporation's Second Amended Joint Plan of Reorganization (the "Plan"). On 19 December 2012, CDC: (i) established a liquidation trust ("Liquidation Trust"); and (ii) executed a Liquidation Trust Agreement and Deed of Assignment, and substantially all of CDC's assets were subsequently transferred to the Liquidation Trust. Pursuant to, and as more fully-described in, the Plan, all shares of common stock of CDC ("Common Shares"), except for one Common Share held in the name of the Liquidation Trustee, held by shareholders of record on the Effective Date were cancelled and fully-extinguished in exchange for an equivalent number of beneficial interests in the Liquidation Trust ("Trust Units").

(2) All options and stock appreciate rights to purchase Common Shares were terminated and cancelled in their entirety as of the Effective Date and restricted Common Shares that were vested and outstanding as of the Effective Date were cancelled and exchanged for an equivalent number of Trust Units.

(3) Dr. Ch'ien Kuo Fung, Raymond has filed a Proof of Interest in the Court against CDC claiming the current economic value of his cancelled options and stock appreciation rights. Such Proof of Interest is subject to further objection/dispute by CDC.

(4) Mr. Wong Kwong Chi has filed a Proof of Interest in the Court against CDC claiming the current economic value of his cancelled options and stock appreciation rights. Such Proof of Interest is subject to further objection/dispute by CDC.

Long positions in common shares and the underlying shares of equity of derivatives in CDC Software International Corporation (formerly known as 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 31 December 2012
Ch'ien Kuo Fung, Raymond	17 February 2007	Date of commencement of initial public offering to 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	–	5,000	Personal/beneficiary	0.02%
Wong Kwong Chi	–	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 31 December 2012
Ch'ien Kuo Fung, Raymond	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	100,000
Chen Mouhua	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	5,000
Wong Kwong Chi	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	50,000

Save as disclosed above, as at 31 December 2012, none of the directors and chief executives had any interests or short position 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 31 December 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 were as follows:

Name	Number of shares	Number of underlying shares	Percentage of issued share capital
CDC Liquidation Trust *(Note 1)*	79,492,700	–	74.17%
China M Interactive (BVI) Limtied *(Note 1)*	79,045,700	–	73.75%
Chinadotcome Mobile Interactive Corporation *(Note1)*	79,045,700	–	73.75%
Mr. Yip Hap Yung, Peter ("Mr Yip") *(Note 2)*	633,060	6,949,072	7.07%
Asia Pacific On-Line Limited *(Note 2)*	525,160	6,524,072	6.58%

Notes:

(1) 447,000 ordinary shares are owned by CDC Liquidation Trust and 79,045,700 ordinary shares are held by China M Interactive (BVI) Limited. China M Interactive (BVI) Limited is wholly owned by CDC Liquidation Trust through its intermediate company, chinadotcom Mobile Interactive Corporation.

(2) Mr. Yip, Asia Pacific On-Line Limited and Asia Internet Holdings Limited, are together interest in a total of 633,060 ordinary shares and 6,949,072 outstanding share options, carrying rights to subscribe for up to 6,949,072 shares (which represent approximately 7.07% of issued share capital as at the date hereof). Mr. Yip had a direct interest in 22,500 ordinary shares and an indirect interest in 85,400 ordinary shares (through Asia Internet Holding Limited, wholly owned by Mr. Yip) and a direct interest in 425,000 outstanding share options. Asia Pacific On-Line Limited is 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. Asia Pacific On-line Limited has a direct interest in 525,160 ordinary shares and 6,524,072 outstanding share options.

Save as disclosed above, as at 31 December 2012, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who has an interest of short position in the shares or underlying shares of 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 year ended 31 December 2012.

COMPETING INTERESTS

Professor Li On-kwok, Victor, an independent non-executive Director of the Company, has been appointed as a director of Versitech Limited, a wholly-owned subsidiary of The University of Hong Kong serving as its technology transfer and commercial arm, and has also been serving as an independent non-executive director of SUNeVision Holdings Ltd, a company listed on the GEM board of the Stock Exchange (stock code: 8008). These institutions and business entities may be in potential competition with the Group.

Saved as disclosed herein, the Board is not aware of any Director having any interests in a business which competes or may compete with the business of the Group.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the consolidated statement of comprehensive income for the year are set out in notes 9 and 29 to the consolidated financial statements, respectively.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the GEM Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing rule. The Company considers all of the independent non-executive directors are independent.

AUDITOR

BDO Limited retires and being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, BDO Limited.

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

Hong Kong, 22 March 2013

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") of the Company is always committed to maintaining high standards of corporate governance. Save as disclosed below, the Company has fully complied the code provision (the "CG Code") throughout the year 2012 with the applicable code provisions in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code and Corporate Governance Report during the period from 1 April 2012 to 31 December 2012 contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprises Market (the "GEM Listing Rule) of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In respect A.6.7 and E 1.2 of the CG Code provision, the non-executive directors, Dr. Ch'ien Kuo Fung, Raymond, Mr. Mao Hongcheng and Mr. Chen Mouhua, and the independent non-executive directors Mr. Wang Cheung Yue, Mr. Anson Wang and Professor Li On-kwok, Victor were unable to attend the annual general meeting of the Company due to their other business commitment.

BOARDS OF DIRECTORS

Board Composition

The board of directors (the "Board") is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board currently comprises one executive director, five non-executive directors and three independent non-executive directors and at least one of them has the appropriate professional qualification, or accounting or related financial management expertise. Independent non-executive directors constitute more than one-third and non-executive directors constitute more than half of the board.

At each annual general meeting of the Company, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation.

The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat. All non-executive directors are subject to rotational retirement and re-election in accordance with the articles of association of the Company.

Board responsibilities and Delegation

The Board has adopted a set of guidelines on matters that requires its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organization changes, approval of the annual report, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the chief executive officer are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

The Company has arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

Chairman and Chief Executive

The positions of the chairman of the Board and the chief executive officer are held by separate individuals with a view to maintain an effective segregation of duties with respect to the management of the Board and the day-to-day management of the Group's business.

The chairman shall ensure that the Board works effectively and discharges its responsibilities, ensure that good corporate governance practices and procedures are established, encourage all directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and that all key and appropriate issues are discussed by the Board in a timely manner, all directors have been consulted about any matters proposed for inclusion in the agenda. The chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the company secretary. The chief executive officer is responsible for strategic planning and implementation, sourcing and meeting with potential business partners and looking for business opportunities for the Group, client development, recruiting, staff development, collaboration across the affiliated company network and looking for opportunities to cross-fertilise best practices and reporting to the Board regarding the Group's overall progress.

Board Meetings and Attendance

The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Board held 19 meetings during the financial year ended 31 December 2012 to consider, among other things, reviewing and approving the quarterly, interim, annual results and payments of dividends of the Group. The directors attend meetings in person or via telephone conference, as permitted under the articles of association of the Company.

The attendance record of each director at board meetings in 2012 is set out below:

Directors	**Attendance/ Number of Meetings**
Executive Directors	
Marcus Alexander Watson *(appointed on 17 July 2012)*	3/3
Wong Kwong Chi *(resigned on 17 July 2012)*	16/16
Cheng Loi *(resigned on 17 July 2012)*	16/16
Non-executive Directors	
Ch'ien Kuo Fung, Raymond *(chairman of the Board)*	13/19
Carrick John Clough *(appointed on 17 July 2012)*	3/3
Joseph David Stutz *(appointed on 17 July 2012)*	3/3
Ding Chun *(appointed on 17 July 2012)*	2/3
Chen Mouhua *(appointed on 18 January 2012 and resigned on 27 June 2012)*	14/16
Chen Mouhua *(appointed as alternate to Mao Hong Cheng on 17 July 2012)*	3/3
Mao Hongcheng	0/19
Yip Hak Yung, Peter *(resigned on 18 January 2012)*	–/–
Independent Non-executive Directors	
Anson Wang	15/19
Li On-kwok, Victor *(resigned on 17 July 2012 and re-appointed on 17 September 2012)*	10/17
Kenneth Blake Fowler *(appointed on 17 September 2012)*	1/1
Wang Cheung Yue *(resigned on 27 June 2012)*	12/16

The company secretary attends the Board/Board committees meetings. All directors have access to the Company Secretary who is responsible for ensuring that Board/Board committees procedures are observed and advising the Board/Board committees on compliance matters.

All directors were given the opportunities to include matters to be discussed in the agenda of Board/Board committees meetings. The company secretary is delegated with the responsibility to prepare these agendas and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda. The company secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all board meetings.

Directors' Continuous Training and Development

Directors' training is an ongoing process. During the year, directors are provided with monthly updates on the Company's performance, position and prospects to enable the board as a whole and each director to discharge their duties. In addition, all directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution into the Board remains informed and relevant.

According to the records provided by the directors, a summary of training received by the directors since 1 April 2012 up to 31 December 2012 is as follows:

Directors	Type of continuous professional development programmes
Executive Director	
Marcus Alexander Watson	A, C
Non-executive Directors	
Ch'ien Kuo Fung, Raymond *(Chairman of the board of directors)*	A, B, C
Mao Hongcheng	A, C
Carrick John Clough	A, C
Joseph David Stutz	A, C
Ding Chun	A, B, C
Chen Mouhua (Alternate)	A, C
Independent Non-executive Directors	
Anson Wang	A, C
Li On-kwok, Victor	A, B, C
Kenneth Blake Fowler	A, B, C

Notes:

A: attending seminars and/or conferences and/or forums

B: giving talks at seminars and/or conferences and/or forums

C: reading newspapers, books, articles, journals and updates relating to economy, general business, IT, travel, finance, investment, legal and regulatory, corporate governance and management or director's duties and responsibilities etc.

BOARD COMMITTEE

The board has appointed a number of committee to discharge the board functions. Sufficient resources are provided to enable the board committees to undertake their specific roles. The respective role, responsibilities and activities of each board committee are set out below:

Audit Committee

The Audit Committee was established on 25 February 2000 with written terms of reference as amended and restated. The terms of reference of the Audit Committee are available on the Company's website. 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 currently consists of three independent non-executive directors and chaired by Mr. Anson Wang. Other members of the committee are Professor Li On-kwok, Victor and Mr. Kenneth Blake Fowler. The meeting attendance of the committee members during the year are as follow:

Directors	**Attendance/ Number of Meetings**
Independent Non-executive Directors	
Anson Wang *(Chairman)*	2/2
Li On-kwok, Victor *(resigned on 17 July 2012 and re-appointed on 17 September 2012)*	2/2
Kenneth Blake Fowler *(appointed on 17 September 2012)*	–/–
Wang Cheung Yue *(resigned on 27 June 2012)*	2/2

By invitation of the audit committee, other directors and senior management may also attend the meetings. The Company Secretary acts as secretary of the committee and prepared full minutes of the audit committee meetings with details of discussions and decisions reached. Sufficient resources are made available to the committee when independent legal or professional advice is required. The audit committee members meet with the external auditor twice a year.

Nomination Committee

The Nomination Committee was established on 28 February 2005 with written terms of reference. The terms of reference of the Nomination Committee are available on the Company's website and the Stock Exchange's website. The primary duties of the Nomination Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer.

The Committee currently comprises four members, a majority of whom are independent non-executive directors and is chaired by Professor Li On-kwok, Victor. The composition of the nomination committee during the year as well as the meeting attendance of the committee members are as follows:

Directors	**Attendance/ Number of Meetings**
Non-executive Directors	
Joseph David Stutz *(appointed on 17 July 2012)*	–/–
Independent Non-executive Directors	
Anson Wang	1/1
Li On-kwok, Victor *(Chairman) (resigned on 17 July 2012 and re-appointed on 17 September 2012)*	1/1
Kenneth Blake Fowler *(appointed on 17 September 2012)*	–/–
Wang Cheung Yue *(resigned on 27 June 2012)*	0/1

Remuneration Committee

The Remuneration Committee was established on 25 February 2000 with written terms of reference as amended and restated. The terms of reference of the Remuneration Committee are available on the Company's website and the Stock Exchange's website. The Company has adopted the model to delegate the determination of the remuneration packages of executive directors and senior management to the remuneration committee. The Committee is responsible for formulating and recommending remuneration policy to the Board and reviewing and making recommendations on compensation-related issues.

The remuneration committee currently comprises three independent non-executive directors and two non-executive directors. The chairman of the committee is Professor Li On-kwok, Victor, an independent non-executive director. The meeting attendance of the committee members are as follows:

Directors	Attendance/ Number of Meetings
Non-executive Directors	
Ch'ien Kuo Fung, Raymond	–/–
Carrick John Clough *(appointed on 17 July 2012)*	–/–
Yip Hak Yung, Peter *(resigned on 18 January 2012)*	–/–
Independent Non-executive Directors	
Anson Wang	–/–
Li On-kwok, Victor *(Chairman) (resigned on 17 July 2012 and re-appointed on 17 September 2012)*	–/–
Kenneth Blake Fowler *(appointed on 17 September 2012)*	–/–
Wang Cheung Yue *(resigned on 27 June 2012)*	–/–

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has not adopted a code of conduct regarding securities transactions by directors 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"). In response to specific enquiry from the Company, the directors have confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings for the year ended 31 December 2012.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended 31 December 2012, the directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that are prudent and reasonable.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

Auditor's Remuneration

The external audit provides an objective assessment of the financial information presented by the management, and is considered one of the essential elements to ensure effective corporate governance. During the year, the fees charged by BDO Limited for audit and non-audit services of HK$925,000 and HK$42,000 respectively. The non-audit services mainly represent of taxation services.

Internal Controls

The Board has overall responsibilities for maintaining proper and effective systems of internal control of the Group. The Group's internal control system includes a defined management structure with specified limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Budgetary Control

Budgets are prepared and are subject to the approval of the Board prior to being adopted. There are procedures for review and approval of major capital and expenses. Proper controls are in place for recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

SHAREHOLDERS' RIGHT

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirement under paragraph O of the CG Code.

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to Article of 72 of the Amended and Restated Memorandum and Articles of the Association of the Company (the "M&A"), it is stipulated that:–

Extraordinary General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. Extraordinary General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedure for putting forward proposals at Extraordinary General Meetings by shareholders
Any extraordinary general meeting (convened by the members of the Company in accordance with Article 72 of the M&A) called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the proposed resolutions to be considered at the meeting and in the case of special business the general nature of that business. Notice of every general meeting shall be given to the Auditors and to all members of the Company.

In addition, Article 120 of the M&A provides that, no person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, not less than 7 clear days and not more than 28 clear days before the day appointed for the meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

Procedures for directing shareholders enquiries to the board
Shareholders may send their written enquiries to the Company, for the attention of company secretary, by email: investor.relations@hk.china.com, fax: (852) 2893 5245, or mail to 11/F, ING Tower, 308 Des Voeux Road Central, Hong Kong.

INVESTOR RELATIONS

The Company establishes different communication channels with shareholders and investors. Apart from publication of quarterly, interim and annual reports, press announcement and release, updated and key information of the Group are available on the Company's website. The Company's website offers communication channel between the Company and its shareholders and investors. Regular media and analysts briefings are held to update the information of the Group after the quarterly, interim and annual results are released. The Company's registrars serve the shareholders in respect of all share registration matters.

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE MEMBERS OF CHINA.COM INC.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China.com Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 31 to 84 which comprise the consolidated and company statements of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 22 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Revenue	5	**142,236**	127,110
Cost of sales		**(59,534)**	(57,106)
Gross profit		**82,702**	70,004
Other income, gains and losses		**44,412**	20,470
Selling and distribution expenses		**(31,747)**	(27,629)
Administrative expenses		**(72,123)**	(47,464)
Impairment losses	7	**(335)**	(7,170)
Profit before tax		**22,909**	8,211
Income tax expense	8	**(2,146)**	(250)
Profit for the year	9	**20,763**	7,961
Other comprehensive income			
Exchange differences arising on translation		**2,274**	6,065
Fair value gain/(loss) on available-for-sale investments		**9,750**	(6,546)
Reclassification adjustment on translation difference upon deregistration of subsidiaries		**–**	(8,827)
Reclassification adjustment upon capital distribution from available-for-sale investments		**(6,248)**	–
Reclassification adjustment upon impairment of available-for-sale investments		**–**	6,136
Other comprehensive income/(expenses) for the year		**5,776**	(3,172)
Total comprehensive income for the year		**26,539**	4,789
Profit attributable to:			
Owners of the Company		**20,411**	6,910
Non-controlling interests		**352**	1,051
		20,763	7,961
Total comprehensive income attributable to:			
Owners of the Company		**26,187**	3,738
Non-controlling interests		**352**	1,051
		26,539	4,789
Earnings per share	13		
Basic and diluted (cents per share)		**19.04**	6.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**1,625**	2,105
Available-for-sale investments	17	**63,641**	80,413
		65,266	82,518
Current assets			
Accounts receivable	18	**22,382**	19,594
Prepayments, deposits and other receivables		**17,293**	8,323
Amounts due from fellow subsidiaries	19	**2,526**	2,465
Amount due from ultimate holding company	19	**336**	339
Bank balances and cash	20	**286,542**	253,087
		329,079	283,808
Current liabilities			
Accounts payable	24	**9,899**	8,628
Other payables and accrued liabilities		**16,816**	16,959
Deferred revenue		**22,132**	21,406
Tax liabilities		**3,452**	3,964
Amounts due to fellow subsidiaries	19	**–**	112
		52,299	51,069
Net current assets		**276,780**	232,739
Total assets less current liabilities		**342,046**	315,257
Capital and reserves			
Share capital	21	**1,072**	1,072
Share premium and reserves		**338,901**	312,464
Equity attributable to owners of the Company		**339,973**	313,536
Non-controlling interests		**2,073**	1,721
Total equity		**342,046**	315,257

On behalf of the Board

Ch'ien Kuo Fung, Raymond
Director

Marcus Alexander Watson
Director

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment in subsidiaries	16	**65,285**	65,480
Available-for-sale investments	17	**63,641**	80,413
		128,926	145,893
Current assets			
Prepayments, deposits and other receivables		**6,568**	824
Amounts due from subsidiaries	19	**3,627**	4,586
Bank balances and cash		**102,295**	87,667
		112,490	93,077
Current liabilities			
Other payables and accrued liabilities		**1,549**	1,561
Amounts due to subsidiaries	19	**26,266**	46,939
		27,815	48,500
Net current assets		**84,675**	44,577
Total assets less current liabilities		**213,601**	190,470
Capital and reserves			
Share capital	21	**1,072**	1,072
Share premium and reserves	22	**212,529**	189,398
Total equity		**213,601**	190,470

On behalf of the Board

Ch'ien Kuo Fung, Raymond	**Marcus Alexander Watson**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital HK$'000	Share premium HK$'000 (Note a)	Capital reserve HK$'000 (Note a)	Goodwill reserve HK$'000 (Note 15)	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$'000	Attributable to non-controlling interests HK$'000	Total 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 year	–	–	–	–	–	–	–	–	–	6,910	6,910	1,051	7,961
Other comprehensive income for the year	–	–	–	–	(410)	–	–	(2,762)	–	–	(3,172)	–	(3,172)
Total comprehensive income for the year	–	–	–	–	(410)	–	–	(2,762)	–	6,910	3,738	1,051	4,789
Transfer of reserve upon deregistration of subsidiaries	–	–	–	–	–	–	(5,098)	–	–	4,588	(510)	510	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	657	–	657	–	657
At 31 December 2011	1,072	39,337	24,650	(31,193)	–	11,690	19,025	44,285	62,412	142,258	313,536	1,721	315,257
Profit for the year	–	–	–	–	–	–	–	–	–	20,411	20,411	352	20,763
Other comprehensive income for the year	–	–	–	–	3,502	–	–	2,274	–	–	5,776	–	5,776
Total comprehensive income for the year	–	–	–	–	3,502	–	–	2,274	–	20,411	26,187	352	26,539
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	250	–	250	–	250
At 31 December 2012	1,072	39,337	24,650	(31,193)	3,502	11,690	19,025	46,559	62,662	162,669	339,973	2,073	342,046

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 in either year as there was no such profit after tax from the FIEs in either year.

	2012 HK$'000	2011 HK$'000
Cash flows from operating activities		
Profit before tax	**22,909**	8,211
Adjustments for:		
Amortisation of management fee for available-for-sale investments	**960**	3,237
Bank interest income	**(3,686)**	(2,652)
Depreciation of property, plant and equipment	**1,140**	1,634
Gain on deregistration of subsidiaries	**–**	(8,846)
Gain on disposal of property, plant and equipment	**(49)**	(6)
Impairment losses	**335**	7,170
Investment income on available-for-sale investments	**(39,313)**	(9,155)
Loss on held-for-trading investments	**–**	191
Share-based payments expense	**250**	657
Operating (loss)/profit before working capital changes	**(17,454)**	441
Increase in accounts receivable	**(2,766)**	(4,812)
Increase in prepayments, deposits and other receivables	**(2,239)**	(2,138)
Increase in accounts payable	**1,416**	1,082
(Decrease)/increase in other payables and accrued liabilities	**(127)**	3,462
Increase/(decrease) in deferred revenue	**809**	(3,414)
Cash used in operations	**(20,361)**	(5,379)
PRC and Singapore taxes paid, net	**(3,008)**	(2,311)
Net cash used in operating activities	**(23,369)**	(7,690)
Cash flows from investing activities		
Investment income received from available-for-sale investments	**33,065**	9,155
Proceeds from capital return of available-for-sale investments	**22,100**	5,186
Interest received	**3,694**	2,531
Proceeds from disposal of property, plant and equipment	**52**	6
Repayment received from ultimate holding company	**3**	–
Proceeds from disposal of held-for-trading investments	**–**	247
Purchases of available-for-sale investments	**(2,986)**	(638)
Purchases of property, plant and equipment	**(633)**	(1,615)
Net cash from investing activities	**55,295**	14,872

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000
Cash flows from financing activity		
Repayment of amounts due from/to fellow subsidiaries	**(153)**	(1,940)
Net cash used in financing activity	**(153)**	(1,940)
Net increase in cash and cash equivalents	**31,773**	5,242
Cash and cash equivalents at beginning of year	**253,087**	241,357
Effect of exchange rate changes on cash and cash equivalents	**1,682**	6,488
Cash and cash equivalents at end of year	**286,542**	253,087
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**286,542**	253,087

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is China M Interactive (BVI) Limited, a company incorporated in the British Virgin Islands and ultimately owned by CDC Liquidation Trust, a successor of CDC Corporation, a company incorporated in the Cayman Islands, in accordance with the Second Amended Joint Plan of Reorganization for CDC Corporation. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of this annual report.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the operation of portal sites, the provision of content and internet services, advertising services through the internet and travel magazines, event organising services and magazine publication.

The functional currency of the Company is Hong Kong dollars while the functional currencies of its subsidiaries are Renminbi, Singapore dollars and Hong Kong dollars. The consolidated financial statements are presented in Hong Kong dollars.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2012

Amendments to HKFRS 1	Severe Hyper Inflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets
Amendments to HKFRS 12	Deferred Tax – Recovery of Underlying Assets

These new/revised standards and interpretations has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective:

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle[2]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 19 (2011)	Employee Benefits[2]
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKFRS 1	Government loans[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[3]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

The improvements made amendments to the following standards:

(i) HKAS 1 Presentation of Financial Statements

The amendments clarify that the requirement to present a third statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements is limited to circumstances where there is a material effect on the information in that statement of financial position. The date of the opening statement of financial position is the beginning of the preceding period and not, as at present, the beginning of the earliest comparative period. The amendments also clarify that, except for disclosures required by HKAS 1.41-44 and HKAS 8, the related notes to the third statement of financial position are not required to be presented. An entity may present additional voluntary comparative information as long as that information is prepared in accordance with HKFRS. This may include one or more statements and not a complete set of financial statements. Related notes are required for each additional statement presented.

(ii) HKAS 16 Property, Plant and Equipment

The amendments clarify that items such as spare parts, stand-by equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

(iii) HKAS 32 Financial Instruments: Presentation

The amendments clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. Depending on the circumstances these items of income tax might be recognised in equity, other comprehensive income or in profit or loss.

(iv) HKAS 34 Interim Financial Reporting

The amendments clarifies that in interim financial statements, a measure of total assets and liabilities for a particular reportable segment need to be disclosed when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets and liabilities for that segment from the amount disclosed in the last annual financial statements.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

Amendments to HKFRS 7 – Disclosure – Offsetting Financial Assets and Financial Liabilities

HKFRS 7 is amended to introduce disclosures for all recognised financial instruments that are set off under HKAS 32 and those that are subject to an enforceable master netting agreement or similar arrangement, irrespective of whether they are set off under HKAS 32.

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – Investment Entities

The amendments apply to a particular class of businesses that qualify as investment entities. An investment entity's business purpose is to invest funds solely for returns from capital appreciation, investment income or both. It evaluates the performance of its investments on a fair value basis. Investment entities could include private equity organisations, venture capital organisations, pension funds and investment funds.

The amendments provide an exception to the consolidation requirements in HKFRS 10 Consolidated Financial Statements and require investment entities to measure particular subsidiaries at fair value through profit or loss rather than to consolidate them. The amendments also set out the disclosure requirements for investment entities. The amendments are applied retrospectively subject to certain transitional provisions.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs"). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Business combination and basis of consolidation – Continued

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be transferred to the retained earnings at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisitions of new assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) **Goodwill – Continued**

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on acquisition on or after 1 January 2005 was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(c) **Subsidiaries**

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(f) Jointly controlled operation

Assets that the Group controls and liabilities that it incurs in relation to jointly controlled operations are recognised in the Group's consolidated statement of financial position on an accrual basis and classified according to the nature of the item. The Group's share of income that it earns from jointly controlled operations together with the expenses that it incurs are included in profit or loss when it is probable that economic benefits associated with the transaction will flow to/from the Group.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from internet portal and travel media mainly represents revenue from advertising, which is recognised in the period in which the advertisement is displayed, provided that no significant Group obligations remain, on a straight-line basis over the period in which the advertisement is displayed, and when collection of the resulting receivable is probable. Advertising service fees from direct mailings are recognised when each advertisement is sent to a target audience.

Revenue from travel media also includes income from management fees, registration and exhibitor fees on the various events and conferences organised by the Group. The revenue was recognised upon completion of the events and conferences.

All prepaid fees received from customers of internet portal and travel media are initially recognised as deferred revenue and revenue is recognised when the above revenue recognition criteria are met.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the right to receive the dividend is established.

(h) **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which it is able to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Taxation – Continued

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liability are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(j) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

(k) Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments except for financial assets at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Financial instruments – Continued

(ii) Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts receivable, other receivables, bank balances and cash, amounts due from fellow subsidiaries and ultimate holding company) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

(iv) Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Financial instruments – Continued

(v) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's experience of collecting payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) Financial instruments – Continued

(v) Impairment of financial assets – Continued

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

(vi) Financial liabilities

Financial liabilities (including accounts payable, other payables and accrued liabilities and amounts due to fellow subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

(vii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instrument is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(viii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Share-based payment transactions – Equity-settled share-based payment transactions

Share options granted to employees and other eligible persons after 7 November 2002 and vested on or after 1 January 2005.

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be retained in the share options reserve.

Share options granted to employees and other eligible persons on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005.

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

(n) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(n) Related parties – Continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered from any impairment, in accordance with the accounting policy stated in note 3. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of cash generating units to which goodwill has been allocated. The recoverable amounts have been determined either based on value-in-use calculations or the cash-generating units' fair value less costs to sell. Details of the calculation are disclosed in note 15.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Impairment of available-for-sale financial assets

For the private equity funds disclosed in note 17(b), the ranges of reasonable fair value estimates is significant and the fair value cannot be measured reliably, therefore they are measured at cost less impairment. Management judgment is required in determining the impairment loss, if any. In assessing the private equity funds with a carrying amount of HK$60,026,000 (2011: HK$80,101,000), management takes into account the investment's financial performance (including such factors as earnings trends, dividend payments, asset quality and specific events), the near term prospects of the investment, the current and expected financial condition of the investment's issuer. Any changes in these estimates may result in an impairment loss.

Fair value of available-for-sale financial assets

As explained in note 17, the directors use their judgement in selecting an appropriate valuation technique for units interest in trust fund not quoted in an active market. The estimation of fair value of units interest in trust fund includes some assumptions not supported by observable market prices and rates.

5. REVENUE

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

	2012 **HK$'000**	2011 HK$'000
Travel media	**91,521**	89,755
Internet portal	**50,715**	37,355
	142,236	127,110

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's operating segments represents a strategic unit that offers services which are subject to risks and returns that are different from those of the other operating segments.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Travel media
2. Internet portal

6. SEGMENT INFORMATION – CONTINUED

Segment revenues and results

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

	Travel media		Internet portal		Total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Reportable segment revenue	**91,521**	89,755	**50,715**	37,355	**142,236**	127,110
Reportable segment profit/(loss)	**14,879**	17,325	**(687)**	(9,398)	**14,192**	7,927
Bank interest income	**25**	4	**309**	407	**334**	411
Depreciation	**(286)**	(653)	**(854)**	(981)	**(1,140)**	(1,634)
Reversal of impairment loss/ (impairment loss) on accounts receivable	**498**	(212)	**(833)**	(822)	**(335)**	(1,034)
Income tax (expense)/credit	**(2,146)**	(2,944)	**–**	2,694	**(2,146)**	(250)
Reportable segment assets	**73,125**	50,993	**27,898**	29,986	**101,023**	80,979
Additions to non-current assets	**147**	281	**486**	1,334	**633**	1,615
Reportable segment liabilities	**29,262**	25,452	**19,703**	21,310	**48,965**	46,762

Reconciliation of segment results to profit before tax:

	2012 HK$'000	2011 HK$'000
Segment profit	**14,192**	7,927
Gain on deregistration of subsidiaries	**–**	8,846
Investment and other income	**43,489**	11,396
Impairment loss on available-for-sale investments	**–**	(6,136)
Central administration costs	**(34,772)**	(13,822)
Profit before tax	**22,909**	8,211

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit/(loss) represents the profit earned by/loss from each segment without allocation of gain on deregistration of subsidiaries, investment and other income, impairment loss on available-for-sale investments and central administration costs. Included in investment and other income consists of investment income and interest income from unallocated bank balances. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
Segment assets		
Travel media	**73,125**	50,993
Internet portal	**27,898**	29,986
Total segment assets	**101,023**	80,979
Unallocated bank balances and cash	**217,586**	199,649
Available-for-sale investments	**63,641**	80,413
Others	**12,095**	5,285
Consolidated assets	**394,345**	366,326
Segment liabilities		
Travel media	**29,262**	25,452
Internet portal	**19,703**	21,310
Total segment liabilities	**48,965**	46,762
Others	**3,334**	4,307
Consolidated liabilities	**52,299**	51,069

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

- all assets are allocated to reportable and operating segments other than unallocated bank balances and cash, available-for-sale investments and unallocated other assets.
- all liabilities are allocated to reportable and operating segments other than unallocated other payables and accrued liabilities.

6. SEGMENTS INFORMATION – CONTINUED

Geographical information

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

	Revenue Year ended 31 December		Non-current assets As at 31 December	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Singapore	**91,521**	89,755	**319**	437
The PRC	**50,715**	37,355	**1,306**	1,668
	142,236	127,110	**1,625**	2,105

Note: Non-current assets excluded financial instruments.

No customer attributed more than 10% of the Group's total revenue (2011: Nil).

7. IMPAIRMENT LOSSES

	2012 HK$'000	2011 HK$'000
Impairment loss on available-for-sale investments	**–**	6,136
Impairment loss on accounts receivable	**335**	1,034
	335	7,170

8. INCOME TAX EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax – Singapore	**2,146**	2,944
Current tax – PRC	**–**	–
Over provision in prior years	**–**	(2,694)
	2,146	250

Hong Kong profits tax is calculated at 16.5% (2011: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong for the year ended 31 December 2012 (2011: HK$ Nil).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2011:25%).

For subsidiaries in Singapore, they are subject to the flat corporate tax rate of 17% (2011:17%).

8. INCOME TAX EXPENSE – CONTINUED

The tax charge for the year can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	**22,909**	8,211
Tax calculated at Singapore flat corporate tax rate of 17% (2011: 17%)	**3,895**	1,396
Effect of different tax rate of operation in the PRC and Hong Kong	**198**	328
Tax effect of revenue not taxable for tax purposes	**(8,072)**	(5,703)
Tax effect of expenses not deductible for tax purposes	**3,290**	3,229
Tax effect of deductible temporary differences not recognised	**(620)**	27
Tax effect of tax losses not recognised	**3,455**	3,667
Over provision in respect of prior year	**–**	(2,694)
Income tax expenses	**2,146**	250

9. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting):

	2012 HK$'000	2011 HK$'000
Operating leases		
– in respect of office premises	**8,022**	5,578
– in respect of office equipment	**144**	154
Depreciation of property, plant and equipment	**1,140**	1,634
Staff costs (including directors' emoluments and share-based payments)	**58,941**	55,226
Retirement benefits scheme contributions	**5,063**	4,259
Total staff costs	**64,004**	59,485
Net foreign exchange loss/(gain)	**1,893**	(2,071)
Auditor's remuneration	**925**	880
Gain on disposal of property, plant and equipment	**(49)**	(6)
Loss on held-for-trading investments	**–**	191
Investment income on available-for-sale investments	**(39,313)**	(9,155)
Bank interest income	**(3,686)**	(2,652)
Gain on deregistration of subsidiaries	**–**	(8,846)

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 14 (2011: 10) directors were as follows:

Year ended 31 December 2012

	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Fees HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Mr. Wong Kwong Chi (note a)	1,170	127	–	14	1,311
Mr. Cheng Loi (note b)	779	–	–	2	781
Mr. Marcus Alexander Watson (note c)	–	–	–	–	–
	1,949	127	–	16	2,092
Independent non-executive directors:					
Mr. Wang Cheung Yue, Fred (note d)	–	–	77	–	77
Mr. Anson Wang	–	–	195	–	195
Professor Li On-Kwok, Victor (note e)	–	–	146	–	146
Mr. Kenneth Blake Fowler (note f)	–	–	45	–	45
	–	–	463	–	463
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	–	176	–	176
Mr. Mao Hong Cheng	–	–	–	–	–
Mr. Carrick John Clough (note g)	–	–	–	–	–
Mr. Joseph David Stutz (note g)	–	–	–	–	–
Mr. Ding Chun (note g)	–	–	–	–	–
Mr. Chen Mouhua (note h)	–	–	35	–	35
Mr. Yip Hak Yung, Peter (note i)	–	–	8	–	8
	–	–	219	–	219
	1,949	127	682	16	2,774

10. DIRECTORS' EMOLUMENTS – CONTINUED

Notes:

a. Resigned as an executive director during the year ended 31 December 2012, but remain as chief executive officer.

b. Resigned as an executive director during the year ended 31 December 2012.

c. Appointed as executive director during the year ended 31 December 2012.

d. Resigned as an independent non-executive director during the year ended 31 December 2012.

e. Resigned and re-appointed as an independent non-executive director during the year ended 31 December 2012.

f. Appointed as an independent non-executive director during the year ended 31 December 2012.

g. Appointed as non-executive directors during the year ended 31 December 2012.

h. Appointed and resigned as a non-executive director during the year ended 31 December 2012.

i. Resigned as a non-executive director during the year ended 31 December 2012.

Year ended 31 December 2011

	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Fees HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Mr. Wong Kwong Chi	1,170	367	–	12	1,549
Mr. Cheng Loi	350	6	–	3	359
	1,520	373	–	15	1,908
Independent non-executive directors:					
Mr. Wong Sin Just (note a)	–	–	44	–	44
Mr. Wang Cheung Yue, Fred	–	–	156	–	156
Dr. Lam Lee G. (note a)	–	–	40	–	40
Mr. Anson Wang	–	–	144	–	144
Professor Li On-Kwok, Victor	–	–	133	–	133
	–	–	517	–	517
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	–	107	–	107
Mr. Mao Hong Cheng	–	–	–	–	–
Mr. Yip Hak Yung, Peter	–	–	39	–	39
	–	–	146	–	146
	1,520	373	663	15	2,571

10. DIRECTORS' EMOLUMENTS – CONTINUED

Notes:

a. Resigned as an Independent non-executive director during the year ended 31 December 2011.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2012 and 2011, no share option of the Company was granted to a director in respect of his services provided to the Group under a share option scheme of the Company, further details of which are set out in note 26.

During the year ended 31 December 2012, no share options to subscribe for Class A common shares in CDC Corporation (the "CDC Share Options") were granted by CDC Corporation to the directors of the Company under a stock option plan of CDC Corporation.

During the year ended 31 December 2011, 45,000 stock appreciation rights to subscribe for Class A common shares in the capital of CDC Corporation ("SARs") were granted by CDC Corporation to certain directors of the Company under a stock appreciation rights plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the SARs to receive an amount equal to the excess, if any, of the fair market value of one share on the date of exercise of the SARs over the exercise price, subject to certain vesting provisions.

During the year ended 31 December 2011, 973,017 restricted shares ("RSAs") were granted by CDC Corporation to certain directors of the Company under a restricted shares plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the RSAs to receive shares of CDC Corporation, subject to certain vesting provisions.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2011: one) was director of the Company whose emoluments are included in the disclosure note 10 above. The emoluments of the remaining four (2011: four) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries and other benefits	**5,894**	5,606
Retirement benefits scheme contributions	**266**	237
	6,160	5,843

	2012 No. of individuals	2011 No. of individuals
HK$ NIL to HK$ 1,000,000	**–**	1
HK$ 1,000,001 to HK$ 1,500,000	**3**	2
HK$ 1,500,001 to HK$ 2,000,000	**–**	–
HK$ 2,000,001 to HK$ 2,500,000	**–**	1
HK$ 2,500,001 to HK$ 3,000,000	**1**	–
	4	4

11. EMPLOYEES' EMOLUMENTS – CONTINUED

The emoluments paid or payable to members of senior management were within the following bands:

	2012 No. of individuals	2011 No. of individuals
HK$ NIL to HK$ 1,000,000	**2**	1
HK$ 1,000,001 to HK$ 1,500,000	**1**	–
HK$ 1,500,001 to HK$ 2,000,000	**–**	–
HK$ 2,000,001 to HK$ 2,500,000	**–**	1
HK$ 2,500,001 to HK$ 3,000,000	**1**	–
	4	2

12. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2012 and 31 December 2011.

13. 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:

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**20,411**	6,910

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**107,174**	107,174

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 the Company's shares over the reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2011	6,985	1,206	12,352	53,107	18	73,668
Exchange realignments	311	34	364	1,366	–	2,075
Additions	27	18	52	1,518	–	1,615
Disposals upon deregistration of subsidiaries	(170)	(255)	(4,256)	(3,100)	–	(7,781)
Disposals	–	–	–	(2,172)	–	(2,172)
At 31 December 2011	7,153	1,003	8,512	50,719	18	67,405
Exchange realignments	87	8	(15)	239	(3)	316
Additions	–	2	220	411	–	633
Disposals	–	–	–	(2,409)	–	(2,409)
At 31 December 2012	7,240	1,013	8,717	48,960	15	65,945
ACCUMULATED DEPRECIATION						
At 1 January 2011	6,858	1,104	12,076	51,843	15	71,896
Exchange realignments	127	53	346	1,197	–	1,723
Provided during the year	432	20	71	1,111	–	1,634
Eliminated upon deregistration of subsidiaries	(170)	(255)	(4,256)	(3,100)	–	(7,781)
Eliminated on disposals	–	–	–	(2,172)	–	(2,172)
Reclassification	(130)	–	79	51	–	–
At 31 December 2011	7,117	922	8,316	48,930	15	65,300
Exchange realignments	82	7	(14)	211	–	286
Provided during the year	41	23	75	1,001	–	1,140
Eliminated on disposals	–	–	–	(2,406)	–	(2,406)
At 31 December 2012	7,240	952	8,377	47,736	15	64,320
CARRYING VALUES						
At 31 December 2012	–	61	340	1,224	–	1,625
At 31 December 2011	36	81	196	1,789	3	2,105

14. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The Group – Continued

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease, or 33$^1/_3$% – 50%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment and software	33$^1/_3$%
Motor Vehicles	20%

15. GOODWILL

The Group

	HK$'000
COST	
At 1 January 2011, 31 December 2011 and 31 December 2012	520,281
ACCUMULATED IMPAIRMENT	
At 1 January 2011, 31 December 2011 and 31 December 2012	(520,281)
CARRYING VALUE	
At 31 December 2011 and 2012	–

Impairment Testing

For the purposes of impairment testing, goodwill has been allocated to travel media and included in reserves.

	2012 HK$'000	2011 HK$'000
Internet portal and included in assets	**–**	–
Travel media and included in reserves	**31,193**	31,193
	31,193	31,193

Travel Media

The recoverable amount of this cash generating unit ("CGU") has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and a discount rate of 22% (2011: 20%). Cash flows beyond the one-year period are extrapolated using growth rates of 6% to 8% (2011: 6% to 8%) over the projected period of five years. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rates for the relevant industries. Another key assumption for the value in use calculation is the budgeted gross margins, which are determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

16. INVESTMENT IN SUBSIDIARIES

	The Company 2012 HK$'000	The Company 2011 HK$'000
Unlisted shares/equity investments, at cost	**65,285**	65,480

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued and paid up capital 2012	Particulars of issued and paid up capital 2011	Proportion ownership interest held by the Company: Directly 2012 %	Directly 2011 %	Indirectly 2012 %	Indirectly 2011 %	Principal activities
China.com Corp. Limited	Hong Kong	**100 ordinary shares of HK$10 each**	100 ordinary shares of HK$10 each	**100**	100	**–**	–	Operation of a portal site provision of content and internet adverting services
TTG Asia Media Pte. Ltd	Singapore	**100,000 ordinary shares of SGD1 each**	100,000 ordinary shares of SGD1 each	**–**	–	**100**	100	Provision of advertising and event organising services and magazine publication
Beijing China.com Technology Services Co. Ltd (note a)	PRC	**Registered capital of RMB 20,000,000**	Registered capital of RMB 20,000,000	**–**	–	**100**	100	Operation of a portal site provision of content and internet adverting services
Chinadotcom Communications Technology Development (Beijing) Limited (note b)	PRC	**Registered capital of USD850,000**	Registered capital of USD850,000	**–**	–	**100**	100	Operation of a portal site provision of content and internet adverting services

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) This company is registered as a limited liability company under the PRC law. This company is accounted for as a subsidiary by virtue of the Group's control over its financial and operating policies, directly or indirectly, so as to obtain benefits from its activities.

(b) This company is registered as a wholly-foreign owned enterprise under the PRC law.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. AVAILABLE-FOR-SALE INVESTMENTS

		The Group and Company	
		2012	2011
	Notes	**HK$'000**	HK$'000
Trust Units in CDC Liquidation Trust	a	**3,615**	312
Other unlisted securities:			
– Equity interest in private equity funds	b	**60,026**	80,101
Total		**63,641**	80,413
Analysed for reporting purposes as:			
– Non-current assets		**63,641**	80,413

Notes:

(a) On 5 October 2011, CDC Corporation, the Company ultimate holding company, filed a voluntary petition in the United States Bankruptcy Court for the Northern District of Georgia (the "Court") seeking relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code. On 19 December 2012, the Court entered an order providing 19 December 2012 as the Effective Date (the "Effective Date") for CDC Corporation's Second Amended Joint Plan of Reorganization (the "Plan"). On 19 December 2012, CDC Corporation: (i) established a liquidation trust ("CDC Liquidation Trust"); and (ii) executed a Liquidation Trust Agreement and Deed of Assignment, and substantially all of CDC Corporation's assets were subsequently transferred to the CDC Liquidation Trust. Pursuant to, and as more fully-described in, the Plan, all shares of common stock of CDC Corporation ("Common Shares"), except for one Common Share held in the name of the Liquidation Trustee, held by shareholders of record on the Effective Date were cancelled and fully-extinguished in exchange for an equivalent number of beneficial interests in the CDC Liquidation Trust ("Trust Units"). The Group holds approximately 0.7% (2011: 0.7%) Trust Units in the CDC Liquidation Trust.

The latest available market price as at the Effective Date was US$5.15 and no market price was available subsequent to the Effective Date. The Directors of the Company estimates that the fair value of the investment as at 31 December 2012 is based on the quoted market bid price of US$5.15 as at the Effective Date and adjusting the effect of capital distribution of US$3.3 per Trust Units by the CDC Liquidation Trust on 24 December 2012.

As at 31 December 2011, the Group's equity interest in CDC Corporation is stated at fair value, which is determined by reference to quoted market bid price. Due to decrease in quoted market price, the fair value loss of HK$6,546,000 has been recognised in other comprehensive income. The directors of the Company took into consideration of the prolonged and significant decline in the quoted market price of the shares of CDC Corporation, an impairment loss of approximately HK$6,136,000 was reclassified from investment revaluation to profit and loss last year.

17. AVAILABLE-FOR-SALE INVESTMENTS – CONTINUED

Notes: – Continued

(b) The Group has invested in three private equity funds as a limited partner:

	The Group and Company	
	2012	2011
	HK$'000	HK$'000
New Horizon Capital, L.P. ("New Horizon")	**50,734**	73,239
Greycroft Partners, L.P. ("Greycroft")	**6,306**	6,862
New Horizon Capital IV, L.P. ("New Horizon IV")	**2,986**	–
	60,026	80,101

New Horizon is a Cayman Islands Exempted Limited Partnership formed in April 2007 and commenced operations in May 2007. New Horizon makes direct and indirect investments in state-owned enterprises in the PRC, with a focus on the consumer products, health care, alternative energy, manufacturing industries and other entities with strong fundamentals and high growth rate. New Horizon completed its final closing in June 2007, raising aggregate committed capital of HK$3,946,800,000, including the general partner's commitment of HK$46,800,000. In May 2007, the Group signed the subscription document indicating its total capital commitment to the fund is HK$109,200,000, representing 2.8% of the partnership interest. At 31 December 2012, the Group had cumulatively contributed HK$97,171,000 (2011: HK$96,355,000) in total, of which HK$39,337,000 (2011: HK$17,793,000) cumulatively was distributed to the Group as return of capital as of 31 December 2012. The remaining commitment is HK$12,029,000 (2011: HK$12,845,000). The timing of capital contribution is generally on an "as needed" basis. The term of New Horizon will be seven years unless terminated earlier pursuant to the partnership agreement.

Greycroft is a Delaware Limited Partnership. Greycroft engages in venture capital investing in early stage revenue producing companies with particular emphasis on applications of digital media in the wireless and internet arena, although investments will be made from time to time in other industries. Greycroft's aggregate committed capital is HK$585,078,000 including the general partner's commitment of HK$31,278,000. The Group signed the subscription document indicating its total capital commitment to the fund is HK$7,800,000, representing 1.3% of the partnership interest. At 31 December 2012, the Group had cumulatively contributed HK$7,800,000 (2011: HK$7,800,000).

New Horizon Capital IV, China-focused growth fund managed by New Horizon Capital established in 2011, with main focus on investment in leading players in industries, such as consumer services and products, energy, pharmaceuticals and retail. In August 2011, the Group signed the subscription document indicating its total capital commitment to the New Horizon Capital IV is HK$31,200,000 representing 0.37% of the partnership interest. As at 31 December 2012, the Group had cumulatively contributed HK$2,986,000 (2011: Nil). The remaining commitment is HK$28,214,000 and the timing of capital contribution is generally on an "as needed" basis.

For New Horizon, Greycroft and New Horizon Capital IV, the management, operation, policy and conduct of the private equity funds shall be vested exclusively in the general partners. The Group's investments have been accounted for at cost less impairment, if any, at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

18. ACCOUNTS RECEIVABLE

	The Group	
	2012	2011
	HK$'000	HK$'000
Accounts Receivable	**26,204**	23,103
Less: Allowance for bad and doubtful debts	**(3,822)**	(3,509)
	22,382	19,594

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 minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has provided an impairment loss on accounts receivable based on experience of collecting payments.

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**21,181**	17,805
91-120 days	**579**	1,182
121-180 days	**236**	468
Over 180 days	**386**	139
	22,382	19,594

Before accepting any new customer, the Group uses an evaluation scoring system to assess the potential customer's credit quality and defines credit limits by each customer. Limits and evaluation attributed to customers are reviewed regularly by senior management based on experience of collecting payments. Over 75% (2011: 76%) of the accounts receivable that are neither past due nor impaired have the best credit quality under the credit system of the Group.

Accounts receivable that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered. The average age of these accounts receivable by invoice date is 99 days (2011: 93 days).

18. ACCOUNTS RECEIVABLE – CONTINUED

Ageing of accounts receivable which are past due but not impaired

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**4,303**	2,965
91 – 120 days	**579**	1,181
121 – 180 days	**236**	468
Over 180 days	**386**	139
	5,504	4,753

Movement in the allowance for bad and doubtful debts

	The Group	
	2012	2011
	HK$'000	HK$'000
Balance at beginning of the year	**(3,509)**	(2,446)
Impairment loss on accounts receivable	**(335)**	(1,034)
Amounts written off as uncollectible	**147**	–
Exchange realignment	**(125)**	(29)
Balance at end of the year	**(3,822)**	(3,509)

The Group and the Company recognized impairment loss on individual assessment based on the accounting policy stated in note 3(l). An impairment loss of HK$335,000 has been provided for the year ended 31 December 2012 (2011: HK$1,034,000) since the Group does not consider the amount will be collectible.

19. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES AND ULTIMATE HOLDING COMPANY

The amounts due from subsidiaries, fellow subsidiaries and ultimate holding company are unsecured, interest-free and repayable within one year. The amounts due to subsidiaries, fellow subsidiaries are unsecured, interest-free and repayable on demand.

20. BANK BALANCES AND CASH

Bank balances and cash of the Group and the Company comprise cash held by the Group and the Company and short-term bank deposits with original maturity of less than 3 months. As at 31 December 2012, bank balances and cash of the Group amounting to HK$125,494,000 and HK$27,275,000 were denominated in Renminbi and Singapore dollars, functional currency of the relevant group entities, respectively (2011: HK$124,624,000 and HK$18,901,000 respectively).

21. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised as at 1 January 2011, 31 December 2011 and 31 December 2012	250,000,000	2,500
Issued and fully paid:		
As at 1 January 2011, 31 December 2011 and 31 December 2012	107,173,641	1,072

22. SHARE PREMIUM AND RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011	39,337	24,650	410	11,690	61,755	54,310	192,152
Loss for the year	–	–	–	–	–	(3,001)	(3,001)
Other comprehensive income for the year	–	–	(410)	–	–	–	(410)
Total comprehensive expenses for the year	–	–	(410)	–	–	(3,001)	(3,411)
Recognition of equity-settled share-based payments	–	–	–	–	657	–	657
At 31 December 2011	39,337	24,650	–	11,690	62,412	51,309	189,398
Profit for the year	–	–	–	–	–	19,379	19,379
Other comprehensive income for the year	–	–	3,502	–	–	–	3,502
Total comprehensive income for the year	–	–	3,502	–	–	19,379	22,881
Recognition of equity-settled share-based payments	–	–	–	–	250	–	250
At 31 December 2012	39,337	24,650	3,502	11,690	62,662	70,688	212,529

23. DEFERRED TAXATION

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2012, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$3,555,000 (2011: HK$1,575,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses arising in the PRC of HK$49,619,000 (2011: HK$69,131,000) and in Hong Kong of HK$207,025,000 (2011: HK$192,480,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses arising in the PRC will expire from 2013 to 2017 (2013: HK$17,720,000; 2014: HK$5,612,000; 2015: HK$14,358,000; 2016: HK$9,584,000; 2017: HK$2,345,000) while those arising in Hong Kong will carry forward indefinitely.

24. ACCOUNTS PAYABLE

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**7,950**	8,220
91–120 days	**25**	52
121–180 days	**13**	17
Over 180 days	**1,911**	339
	9,899	8,628

The credit period on purchase is generally 1.5 to 3 months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

25. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including bank balances and cash)	**329,079**	283,808
Available-for-sale investment	**63,641**	80,413
Financial liabilities		
Liabilities measured at amortised cost	**26,715**	25,699

	The Company	
	2012	2011
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including Bank balances and cash)	**112,490**	93,077
Available-for-sale investment	**63,641**	80,413
Financial liabilities		
Liabilities measured at amortised cost	**27,815**	48,500

The Group's major financial instruments include available-for-sale investments, accounts receivable, amounts due from fellow subsidiaries and ultimate holding company, bank balances and cash, accounts payable and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

25. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(b) Financial risk management objectives and policies

Management monitors and manages the financial risks relating to the operations of the Group through their degree of magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. There has been no change to the Group's manner in which it manages and measures the risk.

Foreign currency risk

The Group's business transaction, assets and liabilities are denominated in HK$, US$, SGD and RMB and the functional currencies of the Group's principal operating entities are HK$, SGD and RMB. Considering the fact that most if the groups transactions are denominated in its functional currency except for sales denominated in US$, the group's exposure to foreign currency risk arises from sales denominated in US$.

Since HK$ is pegged to US$, there is no significant exposure expected on US$ transactions and balances whilst the currency peg remains in place.

The foreign currency risk of the Group also includes the foreign exchange loss arising on the retranslation of monetary assets denominated in Hong Kong dollars against Renminbi and Singapore dollars for those subsidiaries with Renminbi and Singapore dollars as functional currencies. The carrying amount of PRC subsidiaries and Singapore subsidiary's Hong Kong dollars denominated monetary assets representing loans receivable within the Group and monetary liabilities representing loans payable within the Group at 31 December 2012 was HK$17,291,000 and HK$18,556,000 (2011: HK$33,921,000 and HK$18,228,000) respectively.

The sensitivity analysis below has been determined based on the exposure to a 5% (2011: 5%) increase and decrease in Hong Kong dollars against Renminbi and Singapore dollars. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding amounts of PRC subsidiaries and Singapore subsidiary' Hong Kong dollars denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. For a 5% strengthening of Hong Kong dollars against Renminbi and Singapore dollars, the post-tax profit for the year ended 31 December 2012 would be decreased by HK$53,000 (2011: post-tax profit increased by HK$653,000). For a 5% weakening of the Hong Kong dollars against Renminbi and Singapore dollars, there would be an equal and opposite impact on the profit or loss.

The Group's sensitivity to Hong Kong dollars against Renminbi and Singapore has decreased during the current year mainly due to the decrease in carrying amount of PRC subsidiaries and Singapore subsidiaries' Hong Kong dollars denominated monetary net assets.

Interest rate risk

The Group's fair value interest rate risk relates primarily to interest rate of short-term bank deposits which carry interest ranging from 2.65% to 3.10% per annum (2011: 2.60% to 3.10%). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

25. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(b) Financial risk management objectives and policies – Continued

(ii) Credit risk

As at 31 December 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management reviews the recoverable amount of each individual accounts receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds including bank balances is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group is exposed to some concentration of credit risk. The five largest debtors accounted for approximately 32% (2011: 21%) of the Group's total accounts receivable. In order to minimise the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or recover the overdue debts.

Other than concentration of credit risk described above, the Company does not have any other significant concentration of credit risk.

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate bank balances and cash and continuously monitoring forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay in accordance with agreed repayment terms. The tables include principal cash flows.

25. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(b) Financial risk management objectives and policies – Continued

(iii) Liquidity risk – Continued

	Within 90 days HK$'000	91-120 days HK$'000	121-180 days HK$'000	Over 180 days HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2012						
Accounts payable	**9,899**	**–**	**–**	**–**	**9,899**	**9,899**
Other payables and accrued liabilities	**16,816**	**–**	**–**	**–**	**16,816**	**16,816**
	26,715	**–**	**–**	**–**	**26,715**	**26,715**
2011						
Accounts payable	8,628	–	–	–	8,628	8,628
Other payables and accrued liabilities	16,959	–	–	–	16,959	16,959
Amounts due to fellow subsidiaries	112	–	–	–	112	112
	25,699	–	–	–	25,699	25,699

(c) Fair value of financial instruments

As at 31 December 2012, the fair value determination of available-for-sale investment as described in note 17(a) was determined by reference to latest quoted market bid prices as at the Effective Date adjusting the effect of capital distribution of US$3.3 per Trust Units by the CDC Liquidation Trust on 24 December 2012.

As at 31 December 2011, this available-for-sale investment as described in note 17(a) was determined by reference to quoted market bid prices. Due to the changes in fair value measurement methodology, the Group transferred their interest in CDC Corporation from Level 1 to Level 2 of the fair value hierarchy.

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except that the private equity funds are stated at cost less impairment as detailed in note 17(b), management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

25. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(c) Fair value of financial instruments – Continued

Based on the lowest level input that is significant to the fair value measurement in its entirely, the fair value hierarchy has the following levels:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Except as disclosed above, there is no transfer between level 1 and level 2 of the fair value hierarchy during both years.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. As the Company is in a cash-rich position, the directors do not intend to rely on external financing. The Group had no bank borrowings as at 31 December 2012 and 2011. The Group's overall strategy remains unchanged from the prior years.

Accordingly, the capital structure of the Group consists only of equity attributable to owners of the Group, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors consider the cost of capital and the risks associated with capital.

26. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

Both Pre-IPO Scheme and Post-IPO Scheme had expired in 2010 and 2011 respectively. For the 2002 Scheme, the maximum number of shares which can be granted must not exceed 10% of the issued share of the Company at the date of approval of such scheme. At 31 December 2012, the number of shares issuable under the 2002 Scheme was 8,498,201 (31 December 2011: 8,209,105), which represented approximately 7.93% (31 December 2011: 7.66%) in aggregate of the Company's shares in issue at that date. The maximum number of shares issuable as share options to each eligible participant shall not exceed 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit must be subject to shareholders' approval with that participant and his associates abstaining from voting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

The offer of a grant of share options of the 2002 Scheme must be accepted within 7 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the Board. There is no general requirement on the minimum period for which option must be held before an option can be exercised. All option shares must be exercised within 10 years from the date of grant of options.

The exercise price of the 2002 Scheme share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (ii) the nominal value of the share.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(i) Pre-IPO Scheme

All the share options of the Pre-IPO Scheme had expired in 2010.

(ii) Post-IPO Scheme

All the share options of the Post-IPO Scheme had expired in 2011.

Year ended 31 December 2011

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	Number of share options At 1 January 2011	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011
Employees						
In aggregate	24 November 2000 and 10 April 2001	20.72 and 11.44	3,146	–	(3,146)	–
Other Eligible Persons						
In aggregate	28 February 2002	13.88	1,552	–	(1,552)	–
			4,698	–	(4,698)	–
Number of share options exercisable at the end of the year			4,698			–
Weighted average exercise price			15.35	–	15.35	–

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme

Year ended 31 December 2012

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	Number of share options: At 1 January 2012	Granted/ (Exercised) during the year	Reclassified during the year	Forfeited/ lapsed during the year	At 31 December 2012
Directors/chief executive							
Carrick John Clough	3 January 2006	21.040	–	–	137,500	–	137,500
Ch'ien Kuo Fung, Raymond	5 June 2003	25.040	100,000	–	–	–	100,000
	10 October 2005	25.200	100,000	–	–	–	100,000
Chen Mouhua	15 September 2005	22.400	–	–	5,000	–	5,000
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 (note c)	–	(5,983,912)	–	–
	19 August 2008	5.436	540,160	–	(540,160)	–	–
Wang Cheung Yue, Fred	5 June 2003	25.040	50,000	–	(50,000)	–	–
	15 September 2005	22.400	100,000	–	(100,000)	–	–
Cheng Loi	26 March 2008	11.000	37,500 (note d)	–	–	(37,500)	–
			375	–	–	(375)	–
Wong Kwong Chi	3 January 2006	21.040	137,500	–	–	–	137,500
	11 May 2010	4.124	500,000 (note e)	–	–	–	500,000

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Year ended 31 December 2012 – Continued

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	Number of share options: At 1 January 2012	Granted/ (Exercised) during the year	Reclassified during the year	Forfeited/ lapsed during the year	At 31 December 2012
Employees							
In aggregate	24 February 2003	6.840	807	–	–	–	807
	29 May 2003	28.640	1,614	–	–	–	1,614
	5 June 2003	25.040	–	–	16,250	–	16,250
	7 September 2004	20.400	1,291	–	–	–	1,291
	15 September 2005	22.400	15,000	–	43,750	(15,000)	43,750
	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 (note f)	–	–	(30,000)	360,000
Other Eligible Persons							
In aggregate	5 June 2003	25.040	16,250	–	133,750	–	150,000
	15 September 2005	22.400	48,750	–	51,250	–	100,000
	10 October 2005	25.200	–	–	100,000	–	100,000
	3 January 2006	21.040	137,500	–	87,500	–	225,000
	14 August 2006	17.800	–	–	5,983,912 (note c)	–	5,983,912
	25 August 2006	18.000	125,000	–	–	–	125,000
	19 August 2008	5.436	–	–	540,160	–	540,160
			8,719,409	–	–	(82,875)	8,636,534
Number of share options exercisable at the end of the year			8,209,105				8,498,201
Weighted average exercise price			16.29	–	–	10.65	16.54

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Year ended 31 December 2011

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	Number of share options: At 1 January 2011	Granted/ (Exercised) during the year	Reclassified during the year	Forfeited/ lapsed during the year	At 31 December 2011
Directors							
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 (note c)	–	–	–	5,983,912
	19 August 2008	5.436	540,160	–	–	–	540,160
Wang Cheung Yue, Fred	5 June 2003	25.040	50,000	–	–	–	50,000
	15 September 2005	22.400	100,000	–	–	–	100,000
Cheng Loi	26 March 2008	11.000	37,500 (note d)	–	–	–	37,500
	26 March 2008	11.000	375	–	–	–	375
Wong Kwong Chi	3 January 2006	21.040	137,500	–	–	–	137,500
	11 May 2010	4.124	500,000 (note e)	–	–	–	500,000

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Year ended 31 December 2011 – Continued

			Number of share options				
Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	At 1 January 2011	Granted/ (Exercised) during the year	Reclassified during the year	Forfeited/ lapsed during the year	At 31 December 2011
Employees							
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 (note f)	–	–	–	390,000
Other Eligible Persons							
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
			8,806,909	–	–	(87,500)	8,719,409
Number of share options exercisable at the end of the year			8,022,344				8,209,105
Weighted average exercise price			16.37	–	–	24.49	16.29

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Notes:

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

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

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

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

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

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(c) This option grant was approved by the shareholders of the Company at the extraordinary general meeting held on 18 September 2006. 108,798,412 (2,719,960 after Share Consolidation) of such option shall vest quarterly over 2 years effective from 1 October 2006 to 1 July 2008 subject to the terms and conditions as set out in the Executive Services (Acting CEO) Agreement (the "Services Agreement") as follows:

- 12.5% options shall vest from 1 October 2006
- 12.5% options shall vest from 1 January 2007
- 12.5% options shall vest from 1 April 2007
- 12.5% options shall vest from 1 July 2007
- 12.5% options shall vest from 1 October 2007
- 12.5% options shall vest from 1 January 2008
- 12.5% options shall vest from 1 April 2008
- 12.5% options shall vest from 1 July 2008

Of the 130,558,095 options (3,263,952 options after Share Consolidation), 50% shall vest upon the occurrence of one of the below events (the date of occurrence shall be the vesting date for such options) pursuant to the terms and conditions as set out in the Services Agreement as described below provided (i) Mr. Yip Hak Yung, Peter remains at the Company to provide the services on the day vesting of the relevant portion of those options takes place and (ii) the Services Agreement has not otherwise been terminated:

- Event 1: The grant by the relevant authorities in the PRC of an asset management license or equivalent that would allow the Company or its affiliate or associate to raise and manage a Renminbi denominated fund or funds which will invest in any of the following: a) "A" shares listed on a recognised stock exchange in the PRC; b) pre-initial public offering "A" shares; and c) convertible loans. For Event 1, the vesting date shall be the date of the grant of the license.

- Event 2: The completion of a real estate development project in the PRC which will comprise of both residential and commercial units for use by the Company and CDC Corporation and for rental to third parties. For Event 2, the vesting date shall be the date of the completion of the real estate development project, such date to be determined by the Board of the Company in their absolute discretion.

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Notes: – Continued

(d) The vesting schedule of 37,500 options is as follows:

- 12,500 options shall vest on 26 March 2009
- 12,500 options shall vest on 26 March 2010
- 12,500 options shall vest on 26 March 2011

(e) The vesting schedule of 500,000 options is as follows:

- 41,666 options shall vest on 5 June 2010
- 41,666 options shall vest on 5 September 2010
- 41,666 options shall vest on 5 December 2010
- 41,666 options shall vest on 5 March 2011
- 41,667 options shall vest on 5 June 2011
- 41,667 options shall vest on 5 September 2011
- 41,667 options shall vest on 5 December 2011
- 41,667 options shall vest on 5 March 2012
- 41,667 options shall vest on 5 June 2012
- 41,667 options shall vest on 5 September 2012
- 41,667 options shall vest on 5 December 2012
- 41,667 options shall vest on 5 March 2013

(f) The vesting schedule of 390,000 options (2011: 390,000 options) is as follows:

- 97,500 options (2011: 97,500 options) shall vest on 5 July 2011
- 97,500 options (2011: 97,500 options) shall vest on 5 July 2012
- 97,500 options (2011: 97,500 options) shall vest on 5 July 2013
- 97,500 options (2011: 97,500 options) shall vest on 5 July 2014

Details of specific categorized options are as follows:

2002 Scheme

Date of grant	Exercise Period	Exercise Price HK$
24 February 2003	24 February 2004 to 23 February 2013	6.8400
29 May 2003	29 May 2004 to 28 May 2013	28.640
5 June 2003	5 June 2004 to 4 June 2013	25.040
7 September 2004	7 September 2005 to 6 September 2014	20.400
15 September 2005	15 September 2006 to 14 September 2015	22.400
10 October 2005	10 October 2006 to 9 October 2015	25.200
3 January 2006	3 January 2007 to 2 January 2016	21.040
14 August 2006	14 August 2007 to 13 August 2016	17.800
25 August 2006	25 August 2007 to 25 August 2011	18.000
2 October 2007	2 October 2008 to 1 October 2017	17.160
26 March 2008	26 March 2009 to 25 March 2018	11.000
19 August 2008	19 August 2009 to 18 August 2018	5.436
11 May 2010	11 May 2011 to 11 May 2020	4.124
5 July 2010	5 July 2011 to 4 July 2020	4.330

26. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

2002 Scheme – Continued

No share option was exercised during the year ended 31 December 2012 and 2011. As at 31 December 2012, the Company had in aggregate 8,636,534 (2011: 8,719,409) share options outstanding under the three schemes, which represented approximately 8.06% (2011: 8.14%) of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,636,534 (2011: 8,719,409) additional ordinary shares of the Company and additional share capital of approximately HK$86,365 (2011: HK$87,194) and share premium of approximately HK$141,046,000 (2011: HK$141,927,000) (before issue expenses).

During the year ended 31 December 2012 and 2011, no option was granted.

The Group recognised a total expense of HK$250,000 for the year ended 31 December 2012 (2011: HK$657,000) in relation to share options granted by the Company.

The Company's share options granted to other eligible persons are measured by reference to the fair value of options granted as these participants render services similar to those as employees.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 10% (2011: 10%) of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in the profit and loss with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The fair value of an option varies with different variables of certain subjective assumptions.

27. OPERATING LEASES

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**7,256**	5,146
In the second to the fifth year inclusive	**4,914**	3,943
	12,170	9,089

Operating leases relate to office premises and office equipment with lease terms of between 1 month to 5 years (2011: 1 month to 5 years).

28. COMMITMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Commitment in respect of investments in private equity fund (note 17(b))	**40,243**	44,045

29. RETIREMENT BENEFITS PLANS

Retirement benefits are also paid by an overseas subsidiary to its employees who contribute to certain retirement benefits plans managed by relevant government authorities. The retirement benefits paid by the overseas subsidiary are based on a certain percentage of its employees' basic salaries in accordance with the relevant regulations and are charged to profit or loss as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement benefits to its employees.

30. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

	2012	2011
	HK$'000	HK$'000
– SLC Management Consulting International Limited	**595**	–

Cheng Loi, one of the directors of the Group but resigned on 17 July 2012, is the sole director of SLC Management Consulting International Limited providing management service. During the year, the management service consultancy fee was paid to Cheng Loi in the name of the SLC Management Consulting International Limited.

During the year ended 31 December 2012, the Group was licensed the right to use the Uniform Resources Locator ("URL") of hongkong.com and china.com by Chinadotcom Strategic, Inc., a fellow subsidiary of the Company, at nil consideration (2011: HK$Nil) and at an annual license fee of US$1 (equivalent to HK$8) (2011: HK$8), respectively.

Compensation of key management personnel

The remuneration of key management consisting of directors and four employees (2011: directors and two employees) during the year was as follows:

	2012	2011
	HK$'000	HK$'000
Short-term benefits	**7,649**	5,166
Share-based payments	**140**	497
	7,789	5,663

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

31. SUBSEQUENT EVENTS

On 7 March 2013, the Company has issued a Composite Document relating to mandatory unconditional cash offers by Optima Capital Limited for and on behalf of Qiyi Holdings Limited for all the issued shares in the Company (other than those shares already owned by Qiyi Holdings Limited and parties acting in concert with it) and to cancel all the outstanding share options of the Company.

32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2013.