

China.com Inc.

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



First Quarterly Report

2013

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.

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This report, for which the Directors (the “Directors”) of China.com Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in This report is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in This report misleading; and (3) all opinions expressed in This report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

On 29 March 2013, I took over the position of Chairman of the Board from Dr. Ch'ien Kuo Fung, Raymond. I am deeply honored and privileged to have been appointed as Chairman of the Board, a position which is charged with great responsibilities towards our employees, shareholders and the society. I am most grateful to Dr. Ch'ien for his outstanding leadership of the Board over the past 10 years during his tenure as our Chairman.

I would also like to express my gratitude towards the retiring directors, Mr. Marcus Alexander Watson, Mr. Carrick John Clough, Mr. Joseph David Stutz, and Mr. Ding Chun, for their invaluable contributions during their terms of service with the Company. In their stead, the board welcomes Mr. Chow Chi Wa as executive Director as well as compliance officer and authorized representative of the Company.

Below are the financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 31 March 2013 (the "Quarterly Period"):

- The Group's revenue for the quarter was HK\$36.5 million, up 10% compared with the same period last year, but down by 8% when compared to the previous quarter.
- Gross profit from the quarter was HK\$19.5 million, up 13% compared with the same period last year, but down by 23% when compared to the previous quarter.
- Other income for the quarter was HK\$9.7 million, compared to HK\$2.2 million in the same period last year. The significant increase can be attributed to the income from our private equity investments.
- Profit attributable to owners of the Company amounted to HK\$4.8 million, compared to a loss of HK\$6.4 million in the same period last year.
- Earnings per share (EPS) was HK cents 4.44, compared to loss per share (LPS) of HK cents 5.98 in the same period last year.
- Financial position remains strong, with the aggregate bank balances and available-for-sale investments amounting to HK\$357.4 million as of 31 March 2013.

Portal saw a reasonably good start to its business in Quarterly Period. Revenue for the Quarterly Period was HK\$12.7 million, up 22% from the corresponding period in 2012 with the growth in Revenue coming mainly from Portal advertising income. Portal not only retained existing customers in the automobile and IT sectors, but continued to add to its advertising client base with new notable clients including PingAn Bank, Online UnionPay, China Telecom, OPPO and Avitoy.

Significant marketing activities in the Quarterly Period were as follows. Our Travel Channel organized the Tourism Summit Forum – Nanjing 2013 named “WenDao Jinling” during the 2013 China (Nanjing) International Vacation Travel and Recreational Vehicle Show held in Nanjing International Expo Center in March 2013. Our Automobile Channel assisted our manufacturing clients in organizing several car shows in Chengdu and Wuhan. Our Fashion Channel organized a wine tasting event for single malt whiskey in Four Points by Sheraton Beijing Haidian. All these marketing activities were successful in attracting traffic to our Portal and bringing in additional revenue to the Company.

TTG revenue for the Quarterly Period was HK\$23.8 million, up 5% from the corresponding period in 2012. TTG’s positive performance can be attributed to strong revenue from both the events and the special projects group. The events group organized a successful exhibition, the ASEAN Tourism Forum (ATF) 2013 in Vientiane, Laos, while the travel trade publishing group produced 2 special publications – the ATF Official Daily and the ITB Daily in Berlin, Germany.

On 13 January 2013, CDC Trust entered into a Share Purchase Agreement with QiYi Holdings Limited (“QiYi”) to sell its 79,492,700 Shares in the Company to QiYi. The transaction has been completed on 31 January 2013 and QiYi has become our new controlling shareholder holding approximately 74.17% of the equity interests of the Company. Pursuant to the Takeovers Code, QiYi made a mandatory unconditional cash offer (the “MGO”) for all issued Shares (other than those already owned by QiYi and parties acting in concert with it), and to cancelled all outstanding Share Options. The MGO has been completed on 28 March 2013 with QiYi further acquiring 771,342 shares. Immediately following the completion of the MGO, QiYi holds 80,264,042 Shares, representing approximately 74.89% of the entire issued share capital of the Company with 26,909,599 Shares, representing approximately 25.11% of the entire issued share capital of the Company, held by the public.

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

Ms. Xu Yun
Chairlady

Hong Kong, 10 May 2013

UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months ended 31 March 2013 (the "Quarterly Period"), together with the comparative unaudited figures for the corresponding period in 2012.

		(Unaudited) Three months ended 31 March	
	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	2	36,514	33,062
Cost of sales		<u>(16,974)</u>	<u>(15,794)</u>
Gross profit		19,540	17,268
Other income		9,748	2,203
Selling and distribution expenses		(6,531)	(6,004)
Administrative expenses		(17,337)	(19,266)
Impairment losses reversed		<u>179</u>	<u>161</u>
Profit (loss) before tax		5,599	(5,638)
Income tax expense	3	<u>(799)</u>	<u>(615)</u>
Profit (loss) for the period		<u>4,800</u>	<u>(6,253)</u>
Other comprehensive income			
Exchange differences arising on translation		(361)	1,280
Fair value gain on available-for-sale investments		–	8,949
Other comprehensive income for the period		<u>(361)</u>	<u>10,229</u>
Total comprehensive income for the period		<u>4,439</u>	<u>3,976</u>
Profit (loss) attributable to:			
Owners of the Company		4,754	(6,408)
Non-controlling interests		46	155
		<u>4,800</u>	<u>(6,253)</u>
Total comprehensive income attributable to:			
Owners of the Company		4,393	3,821
Non-controlling interests		46	155
		<u>4,439</u>	<u>3,976</u>
Earnings (loss) per share	4		
Basic and diluted (cents per share)		<u>4.44</u>	<u>(5.98)</u>

Notes:

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated results of the Group have not been reviewed by the Company’s auditor. Adjustments may be identified during the course of annual audit to be performed by the Company’s auditor.

The unaudited consolidated results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2012 except as described below.

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

2. REVENUE

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

3. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% for the Quarterly Period and corresponding period in 2012. No provision for Hong Kong profits tax has been made as the Group had no significant assessable profits in Hong Kong for the Quarterly Period and the corresponding period in 2012.

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

4. EARNINGS (LOSS) PER SHARE

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

	Three months ended 31 March	
	2013	2012
	HK\$'000	HK\$'000
<i>Earnings</i>		
Profit (loss) for the period attributable to owners of the Company	<u>4,754</u>	<u>(6,408)</u>

Three months ended
31 March

2013
'000

2012
'000

Number of shares

Weighted average number of ordinary shares for the purposes of basic 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 Company's shares over the reporting period.

5. MOVEMENT OF RESERVES

	Share premium HK\$'000 (note a)	Capital reserve HK\$'000 (note a)	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000 (note b)	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	SubTotal HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2012	39,337	24,650	(31,193)	-	11,690	19,025	44,285	62,412	142,258	312,464	1,721	314,185
Loss for the period	-	-	-	-	-	-	-	-	(6,408)	(6,408)	155	(6,253)
Other comprehensive income for the period	-	-	-	8,949	-	-	1,280	-	-	10,229	-	10,229
Total comprehensive income for the period	-	-	-	8,949	-	-	1,280	-	(6,408)	3,821	155	3,976
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	24	-	24	-	24
At 31 March 2012	39,337	24,650	(31,193)	8,949	11,690	19,025	45,565	62,436	135,850	316,309	1,876	318,185
At 1 January 2013	39,337	24,650	(31,193)	3,502	11,690	19,025	46,559	62,662	162,669	338,901	2,073	340,974
Profit for the period	-	-	-	-	-	-	-	-	4,754	4,754	46	4,800
Other comprehensive income for the period	-	-	-	-	-	-	(361)	-	-	(361)	-	(361)
Total comprehensive income for the period	-	-	-	-	-	-	(361)	-	4,754	4,393	46	4,439
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	16	-	16	-	16
Transfer upon cancellation of share options	-	-	-	-	-	-	-	(62,678)	62,678	-	-	-
At 31 March 2013	39,337	24,650	(31,193)	3,502	11,690	19,025	46,198	-	230,101	343,310	2,119	345,429

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

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the Quarterly Period (the corresponding period in 2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Quarterly Period was HK\$36,514,000 representing a HK\$3,452,000, or 10%, increase compared to the corresponding period in 2012. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK\$1,185,000, as the result of a successful exhibition; and (2) an increase in revenue from internet portal segment of HK\$2,267,000 as a result of continued expansion of its advertising customer base.

Gross profit margin maintained at a relatively stable level of 54% for the Quarterly Period, compared to 52% in the same period last year.

Other income

Other income increased by 342% to HK\$9,748,000 for the Quarterly Period, compared to HK\$2,203,000 for the corresponding period in 2012. The increase was primarily due to a net increase of (1) HK\$9,261,000 increase in investment income from our private equity funds investment; (2) HK\$1,192,000 decrease in other non-operating income; and (3) HK\$511,000 decrease in bank interest income.

Selling and distribution expenses

Selling and distribution expenses increased by 9% to HK\$6,531,000 for the Quarterly Period, compared to HK\$6,004,000 for the corresponding period in 2012. The increase is in line with increase of revenue.

Administrative expenses

Administrative expenses decreased by 10% to HK\$17,337,000 for the Quarterly Period, compared to HK\$19,266,000 for the corresponding period in 2012. The decrease was mainly attributable to a decrease in legal and professional fee which incurred in 2012 related to the restructuring plan for CDC Corporation's Chapter 11 case. Administrative expenses include share option expenses in the Quarterly Period amounting to HK\$16,000 (2012: HK\$24,000) recognised in accordance with HKFRS 2.

Impairment losses reversed

Recovery of impairment loss of HK\$179,000 (2012: HK\$161,000) has been recognised for the Quarterly Period.

Income tax

The Group recorded an income tax expense of HK\$799,000 for the Quarterly Period, compared to HK\$615,000 for the corresponding period in 2012.

Non-controlling interests

Profit shared by non-controlling interests was HK\$46,000 for the Quarterly Period, compared to HK\$155,000 for the corresponding period in 2012. The Group's equity interest in this company is 90% as at 31 March 2013 (2012: 90%).

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

Profit for the period attributable to owners of the Company was HK\$4,754,000 for the Quarterly Period, compared to a loss of HK\$6,408,000 for the corresponding period in 2012.

BUSINESS REVIEW

Internet Portal

Portal saw a reasonably good start to its business in Quarterly Period. Revenue for the Quarterly Period was HK\$12.7 million, up 22% from the corresponding period in 2012 with the growth in Revenue coming mainly from Portal advertising income. Portal not only retained existing customers in the automobile and IT sectors, but continued to add to its advertising client base with new notable clients including PingAn Bank, Online UnionPay, China Telecom, OPPO and Avitoy.

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Travel Media

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

The Company

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

During the first quarter in 2013, Qiyi Holdings Limited had made mandatory unconditional cash offers for the shareholders of the Company. Pursuant to the Company's Share Option Scheme, upon the share offer being made, the Company had given written notice to the optionholders informing them of their right to exercise the subscription rights attaching to their share options in full or in part within 14 days after which the unexercised share options shall lapse. Accordingly, all share options of the Company had lapsed on 21 March 2013.

As at 31 March 2013, none of the Directors, chief executive and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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, 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 March 2013, 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
QiYi Holdings Limited (<i>Note 1</i>)	80,264,042	–	74.89%
Mr. Chen Ying Zhen (<i>Note 1</i>)	80,264,042	–	74.89%

Note:

- (1) Mr. Chen Ying Zhen is a sole shareholder, director and the ultimate beneficial owner of QiYi Holdings Limited.

Save as disclosed above, as at 31 March 2013, none of the Directors are aware of any other persons who has an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the 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 three months ended 31 March 2013.

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.

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2013, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the three months ended 31 March 2013.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has applied the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout three months ended 31 March 2013 with the CG Code.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2000 with written terms of reference as amended and restated. At present, the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Kenneth Blake Fowler and Professor Li On-kwok, Victor. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed the final draft report for this first quarterly result and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2013.

On behalf of the Board
Ms. Xu Yun
Chairlady

Hong Kong, 10 May 2013

As at the date of this report, the directors of the Company are:

Executive Director:
Mr. Chow Chi Wa

Non-Executive Directors:
Ms. Xu Yun and Mr. Mao Hongcheng (with Mr. Chen Mouhua as his alternate)

Independent Non-Executive Directors:
Mr. Anson Wang, Mr. Kenneth Blake Fowler and Professor Li On-kwok, Victor