

China.com Inc.

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



Interim Report

2013

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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

Below are some financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 30 June 2013:

- The Group's revenue for the quarter was HK\$40.3 million, up 15% from the same period last year and up 10% when compared to the previous quarter.
- Gross profit from this quarter was HK\$25.6 million, up 32% from the same period last year and up 31% when compared to the previous quarter.
- Other income for the quarter was HK\$10.6 million, up 854% from the same period last year and up 9% when compared to the previous quarter. The significant increase can be attributed to the income from our private equity investments.
- Profit attributable to owners of the Company amount to HK\$9.0 million, compared to HK\$4.8 million in the first quarter of 2013 and a loss of HK\$7.8 million in the second quarter of 2012.
- Earnings per share (EPS) was HK cents 8.41, compared to HK cents 4.44 in the first quarter of 2013 and a loss per share (LPS) of HK cent 7.24 in the second quarter of 2012.
- Our financial position remains strong, with a total amount of HK\$365.1 million of bank balances, cash and available-for-sale investments as of 30 June 2013.

Portal revenue for the quarter was HK\$16.8 million, up 38% from the corresponding period in 2012 and up 33% from the previous quarter. There is a steady growth of advertising revenue from branded customers due to the marketing and promotion activities in the Automobile and Webgame Channels. An increase in advertising revenue derived from both existing customers and new notable clients, such as Beijing Automobile, Mercedes-Benz China, COFCO, Macau Government Tourist Office and Giants Games etc.

Our Automobile Channel had participated in the Shanghai International Auto Show held in April 2013, to promote the brand image of our Portal, and successfully drawn traffic. The Webgame Channel has hosted the Sixth National Webgame & Mobile Games Summit in late April 2013. The Summit, with over 1000 webgame developers, operators and guests participating, was well received and had promoted development and communication in the industry.

TTG revenue for the quarter was HK\$23.5 million, up 7% from the corresponding period in 2012, but down 2% when compared to the previous quarter. During the first half of 2013, TTG has successfully organised two events – ASEAN Tourism Forum (ATF) 2013 and IT&CM China 2013 in Vientiane and Shanghai respectively. Other than our regular publication, the travel trade publishing group also produced special project daily, such as ATF Official Daily, ITB Daily and TTG Show Daily: IT&CM China 2013. TTG has been appointed the official media partner for 8 major international events in this quarter that spanned Asia, Middle East and Europe.

Our investment in private equity funds also generated impressive returns in this quarter which contributed a HK\$10.2 million investment income.

In this quarter, the Board conducted a more detailed review on the existing business operation and investments with a view to improving the performance of the assets of the Group. The Company had disposed one of its private equity funds. The disposal enables the Group to apply its resources to its core business as the Company will no longer be required to make further capital contribution to the Fund. Moreover, the Company had entered into a framework agreement with a third party for a possible disposal of the Portal business. The Directors consider that the disposal of the Portal business represents a good opportunity for the Group to reallocate its resources, focus on core business and to invest in new business if opportunities arise. However, as of today, the disposal of the Portal business is still subject to the execution of the relevant sale and purchase agreement i.e. the disposal may or may not proceed. The Board will continue to develop a corporate strategy to broaden the income stream and the future development of the Group.

The Board welcomes the appointment of Mr. Huang Honghua and Mr. Xiao Hua as our executive directors and Ms. Peng Jiang, Mr. Zhu Xiangrong and Mr. Wu Guilong as independent non-executive directors. The Board would also like to express its gratitude to the retiring directors, Mr. Anson Wang, Professor Li On-kuok, Victor and Mr. Kenneth Blake Fowler for their valuable contributions during their services as directors of the Company.

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

Ms. Xu Yun
Chairlady

Hong Kong, 7 August 2013

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results (the "Unaudited Interim Results") of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and six months (the "Half-Yearly Period") ended 30 June 2013, together with the comparative unaudited figures for the corresponding periods in 2012.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2013	2012	2013	2012
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	40,270	34,095	76,784	67,156
Cost of sales		(14,620)	(14,679)	(31,594)	(30,473)
Gross profit		25,650	19,416	45,190	36,683
Other income		10,638	1,115	20,385	3,317
Selling and distribution expenses		(10,972)	(9,319)	(17,503)	(15,322)
Administrative expenses		(14,247)	(18,840)	(31,584)	(38,106)
Impairment losses (recognized) reversed		(1,455)	467	(1,275)	628
Profit (loss) before tax		9,614	(7,161)	15,213	(12,800)
Income tax expense	5	(604)	(534)	(1,403)	(1,148)
Profit (loss) for the period	6	9,010	(7,695)	13,810	(13,948)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation		(860)	(224)	(1,221)	1,056
Fair value (loss) gain on available-for-sale investments		-	(214)	-	8,735
Other comprehensive income for the period		(860)	(438)	(1,221)	9,791
Total comprehensive income for the period		8,150	(8,133)	12,589	(4,157)
Profit (loss) attributable to:					
Owners of the Company		9,014	(7,760)	13,768	(14,168)
Non-controlling interests		(4)	65	42	220
		9,010	(7,695)	13,810	(13,948)
Total comprehensive income attributable to:					
Owners of the Company		8,154	(8,198)	12,547	(4,377)
Non-controlling interests		(4)	65	42	220
		8,150	(8,133)	12,589	(4,157)
Earnings (loss) per share					
Basic and diluted (cents per share)	7	8.41	(7.24)	12.85	(13.22)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

		(Unaudited) 30 June 2013 <i>HK\$'000</i>	(Audited) 31 December 2012 <i>HK\$'000</i>
	Notes		
Non-current Assets			
Property, plant and equipment		1,550	1,625
Available-for-sale investments		63,311	63,641
		<u>64,861</u>	<u>65,266</u>
Current Assets			
Accounts receivable	9	19,604	22,382
Prepayments, deposits and other receivables		7,846	17,293
Amounts due from fellow subsidiaries		–	2,526
Amount due from ultimate holding company		–	336
Bank balances and cash		301,790	286,542
		<u>329,240</u>	<u>329,079</u>
Current Liabilities			
Accounts payable	10	7,604	9,899
Other payables and accrued liabilities		14,528	16,816
Deferred revenue		13,842	22,132
Tax liabilities		3,476	3,452
		<u>39,450</u>	<u>52,299</u>
Net Current Assets		<u>289,790</u>	<u>276,780</u>
Total Assets less Current Liabilities		<u>354,651</u>	<u>342,046</u>
Capital and Reserves			
Share capital	11	1,072	1,072
Share premium and reserves		351,464	338,901
Equity attributable to owners of the Company		352,536	339,973
Non-controlling interests		2,115	2,073
Total Equity		<u>354,651</u>	<u>342,046</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2013

	Share capital	Share premium	Capital reserve	Goodwill reserve	Investment revaluation reserve	Capital redemption reserve	Reserve funds	Translation reserve	Share options reserve	Retained profits	Subtotal	Attributable to non-controlling interests	Total
	HK\$'000	HK\$'000 (note a)	HK\$'000 (note a)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2012	1,072	39,337	24,650	(31,193)	-	11,690	19,025	44,285	62,412	142,258	313,536	1,721	315,257
Loss for the period	-	-	-	-	-	-	-	-	-	(14,168)	(14,168)	220	(13,948)
Other comprehensive income for the period	-	-	-	-	8,735	-	-	1,056	-	-	9,791	-	9,791
Total comprehensive income for the period	-	-	-	-	8,735	-	-	1,056	-	(14,168)	(4,377)	220	(4,157)
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	93	-	93	-	93
At 30 June 2012	1,072	39,337	24,650	(31,193)	8,735	11,690	19,025	45,341	62,505	128,090	309,252	1,941	311,193
At 1 January 2013	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
Profit for the period	-	-	-	-	-	-	-	-	-	13,768	13,768	42	13,810
Other comprehensive income for the period	-	-	-	-	-	-	-	(1,221)	-	-	(1,221)	-	(1,221)
Total comprehensive income for the period	-	-	-	-	-	-	-	(1,221)	-	13,768	12,547	42	12,589
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	16	-	16	-	16
Transfer upon cancellation of share options	-	-	-	-	-	-	-	-	(62,678)	62,678	-	-	-
At 30 June 2013	1,072	39,337	24,650	(31,193)	3,502	11,690	19,025	45,338	-	239,115	352,536	2,115	354,651

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	(Unaudited)	
	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash used in operating activities	(14,283)	(16,716)
Cash flows from investing activities		
Investment income received from available-for-sale investments	25,921	179
Repayment received from (advanced to) fellow subsidiaries	2,222	(2,428)
Proceeds from capital return of available-for-sale investments	2,075	81
Interest received	777	1,874
Repayment received from (advanced to) ultimate holding company	296	(846)
Proceeds from disposal of property, plant and equipment	8	12
Purchase of available-for-sale investments	(2,225)	(370)
Purchase of property, plant and equipment	(533)	(142)
Net cash generated by (used in) investing activities	28,541	(1,640)
Net cash used in financing activities	-	(11)
Net increase (decrease) in cash and cash equivalents	14,258	(18,367)
Cash and cash equivalents at 1 January	286,542	253,087
Effect of exchange rate changes on the balance of cash held in foreign currencies	990	1,214
Cash and cash equivalents at 30 June, representing bank balances and cash	301,790	235,934

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial statements 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under historical cost basis, except for certain financial instruments, which are measured at fair value. Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

3. REVENUE

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

	Six months ended 30 June	
	2013 HK\$’000	2012 HK\$’000
Travel media	47,309	44,576
Internet portal	29,475	22,580
	<u>76,784</u>	<u>67,156</u>

4. SEGMENT INFORMATION

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

Segment revenues and results

	Travel media		Internet portal		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Reportable segment revenue	<u>47,309</u>	<u>44,576</u>	<u>29,475</u>	<u>22,580</u>	<u>76,784</u>	<u>67,156</u>
Reportable segment profit/(loss)	<u>8,249</u>	<u>6,770</u>	<u>656</u>	<u>(1,070)</u>	<u>8,905</u>	<u>5,700</u>
Bank interest income	11	12	135	163	146	175
Depreciation and amortisation	125	149	495	447	620	596
(Recognition)/reversal of impairment loss	(560)	622	(715)	7	(1,275)	629
Income tax expense	(1,403)	(1,148)	-	-	(1,403)	(1,148)
Additions to non-current assets	<u>294</u>	<u>67</u>	<u>239</u>	<u>66</u>	<u>533</u>	<u>133</u>

Reconciliation of segment results to profit (loss) before tax

	Six months ended 30 June	
	2013 HK\$'000	2012 HK\$'000
Segment profit	8,905	5,700
Investment and other income	20,196	2,707
Central administration costs	<u>(13,888)</u>	<u>(21,207)</u>
Profit (loss) before tax	<u>15,213</u>	<u>(12,800)</u>

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

Segment profit represents the profit earned by each segment without allocation of investment and other income, other expenses, central administration costs. Included in investment and other income consists of investment income, interest income from unallocated bank balances, gain on disposal of fixed assets and other non-operating income. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Segment assets		
Travel media	48,182	73,125
Internet portal	30,381	27,898
Total segment assets	78,563	101,023
Unallocated bank balances and cash	250,022	217,586
Available-for-sale investments	63,311	63,641
Others	2,205	12,095
Consolidated assets	<u>394,101</u>	<u>394,345</u>
Segment liabilities		
Travel media	15,610	29,262
Internet portal	19,887	19,703
Total segment liabilities	35,497	48,965
Others	3,953	3,334
Consolidated liabilities	<u>39,450</u>	<u>52,299</u>

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

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

Geographical information

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

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

	Revenue from customers		Non-current assets	
	Six months ended 30 June		30 June	31 December
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Singapore	47,309	44,576	488	319
PRC	29,475	22,580	1,062	1,306
	<u>76,784</u>	<u>67,156</u>	<u>1,550</u>	<u>1,625</u>

* Non-current assets excluded financial instruments.

5. INCOME TAX

Hong Kong profits tax is calculated at 16.5% for the Half-Yearly 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 Half-Yearly Period and the corresponding period in 2012.

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

6. PROFIT (LOSS) FOR THE PERIOD

Profit (loss) for the period has been arrived at after charging (crediting) the following items:

	Six months ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	620	599
Staff costs (including directors' emoluments)	28,212	24,883
Auditor's remuneration	738	583
Investment income on available-for-sale investments (included in other income)	(19,473)	(180)
Gain on disposal of property, plant and equipment (included in other income)	(1)	(12)
Net foreign exchange (gain) loss	(670)	500
Bank interest income (included in other income)	(475)	(1,871)
	<u>(670)</u>	<u>(1,871)</u>

7. 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		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Earnings (loss)</i>				
Profit (loss) for the period attributable to owners of the Company	<u>9,014</u>	<u>(7,760)</u>	<u>13,768</u>	<u>(14,168)</u>
	Three months ended		Six months ended	
	30 June		30 June	
	2013	2012	2013	2012
	'000	'000	'000	'000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>

The calculation of diluted earnings (loss) 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.

8. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (the corresponding period in 2012: Nil).

9. ACCOUNTS RECEIVABLE

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

	(Unaudited)	(Audited)
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
Within 90 days	17,290	21,181
91-120 days	786	579
121-180 days	514	236
Over 180 days	<u>1,014</u>	<u>386</u>
	<u>19,604</u>	<u>22,382</u>

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

10. ACCOUNTS PAYABLE

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

	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Within 90 days	6,463	7,950
91-120 days	58	25
121-180 days	24	13
Over 180 days	1,059	1,911
	<u>7,604</u>	<u>9,899</u>

11. SHARE CAPITAL

	Number of shares		Share capital	
	(Unaudited) 30 June 2013	(Audited) 31 December 2012	(Unaudited) 30 June 2013 HK\$'000	(Audited) 31 December 2012 HK\$'000
Ordinary shares of HK\$0.01 each Authorised	<u>250,000,000</u>	<u>250,000,000</u>	<u>2,500</u>	<u>2,500</u>
Issued and fully paid:	<u>107,173,641</u>	<u>107,173,641</u>	<u>1,072</u>	<u>1,072</u>

12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- 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); and
- 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).

The following table presents the Group's assets and liabilities that are measured at fair value at 30 June 2013

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
– Trust Units in CDC Liquidation Trust	–	3,615	–	3,615

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2012

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Available-for-sale financial assets				
– Trust Units in CDC Liquidation Trust	–	3,615	–	3,615

For other unlisted securities included in available-for-sale financial assets, it is comprised of the private equity funds which the management, operation, policy and conduct of the private equity funds shall be vested exclusively in the general partners. The Group's investment have been accounted for at cost less impairment, if any, at the end of each 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.

The Directors of the Company consider that the following financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

- Accounts receivable
- Prepayment, deposits and other receivables
- Bank balances and cash
- Accounts payable
- Other payables and accrued liabilities

Fair value measurements and valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes. This team reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

Level 2 available-for-sale financial assets comprise Trust Units in CDC Liquidation Trust was determined by reference to latest quoted market bid prices adjusting the effect of subsequent capital distribution by CDC Liquidation Trust.

13. POST REPORTING PERIOD EVENTS

There is no significant post reporting period event for the Half-Yearly Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and Gross Profit

Revenue for the Half-Yearly Period was HK\$76,784,000 representing a HK\$9,628,000, or 14% 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\$2,733,000, as the result of two successful exhibitions, the ASEAN Tourism Forum (ATF) 2013 in Vientiane and IT&CM China 2013 in Shanghai; and (2) an increase in revenue from internet portal segment of HK\$6,895,000 due to marketing and promotion activities in Automobile and Web-game Channel which increased our customers advertising spending in our Portal.

Gross profit margin for the Half-Yearly Period was 59%, compared to 55% in the same period last year.

Other Income

Other income increased by 515% to HK\$20,385,000 for the Half-Yearly Period, compared to HK\$3,317,000 for the corresponding period in 2012. The significant increase was primarily due to an HK\$19,294,000 increase in investment income from our private equity fund investments. The increase is partly off-set by a HK\$818,000 decrease in other non-operating income and HK\$1,395,000 decrease in interest income from bank balances.

Selling and Distribution Expenses

Selling and distribution expenses increased by 14% to HK\$17,503,000 for the Half-Yearly Period, compared to HK\$15,322,000 for the corresponding period in 2012. The increase is in line with increase of revenue.

Administrative Expenses

Administrative expenses decreased by 17% to HK\$31,584,000 for the Half-Yearly Period, compared to HK\$38,106,000 for the corresponding period in 2012. The decrease was primarily attributable to a decrease in legal and professional fees which were incurred in 2012 in relation to the restructuring plan for CDC Corporation's Chapter 11 case. Administrative expenses include share option expenses of HK\$16,000 (2012: HK\$92,000) recognised in accordance with HKFRS 2.

Impairment Losses (Recognised) Reversed

An impairment loss of HK\$1,275,000 (2012: recovery of impairment loss of HK\$628,000) has been recognised for the Half-Yearly Period based on the management assessment on the possibility of collecting the payments.

Income Tax

The Group recorded an income tax expense of HK\$1,403,000 for the Half-Yearly Period, compared to HK\$1,148,000 for the corresponding period in 2012.

Non-controlling Interests

Profit shared by non-controlling interests was HK\$42,000 for the Half-Yearly Period, compared to HK\$220,000 for the corresponding period in 2012. The Group's equity interest in this company is 90% as at 30 June 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\$13,768,000 for the Half-Yearly Period, compared to a loss of HK\$14,168,000 for the corresponding period in 2012.

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\$354,651,000 as at 30 June 2013, compared to HK\$342,046,000 as at 31 December 2012. Total assets amounted to HK\$394,101,000 as at 30 June 2013, compared to HK\$394,345,000 as at 31 December 2012, of which HK\$301,790,000 (2012: HK\$286,542,000) was bank balances and cash and HK\$63,311,000 (2012: HK\$63,641,000) was available-for-sale investments.

Capital Structure

There was no change in the capital structure of the Group as at 30 June 2013 as compared to that as at 31 December 2012.

Charges on the Group's Assets

There was no charge on the Group's assets as at 30 June 2013 and 31 December 2012.

Gearing Ratio

The Group has a zero gearing ratio as at 30 June 2013 and 31 December 2012 as calculated by net debts divided by total equity.

Exposure to Fluctuations in Exchange Rates and any Related Hedges

The majority of the Group's assets and liabilities and business transactions were denominated in Renminbi, Singapore dollars, Hong Kong dollars and United States dollars. During the six months period ended 30 June 2013, the Group had not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Contingent Liabilities

The Group had no significant contingent liability as at 30 June 2013 and 31 December 2012.

Material Acquisitions, Disposals and Significant Investments

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

Employee Information

As at 30 June 2013, the Group had 226 (2012: 266) full-time employees, of which 11 (2012: 18) were based in Hong Kong, 167 (2012: 201) in China, 47 (2012: 46) in Singapore and 1 (2012: 1) in Malaysia. The Group has introduced share option schemes to recognise the contributions of the employees to the growth of the Group. The schemes have been or will be amended from time to time to take into account changes in market conditions and the GEM Listing Rules.

BUSINESS REVIEW

Internet Portal

Portal revenue for the quarter was HK\$16.8 million, up 38% from the corresponding period in 2012 and up 33% from the previous quarter. There is a steady growth of advertising revenue from branded customers due to the marketing and promotion activities in the Automobile and Webgame Channels. An increase in advertising revenue derived from both existing customers and new notable clients, such as Beijing Automobile, Mercedes-Benz China, COFCO, Macau Government Tourist Office and Giants Games etc.

Our Automobile Channel had participated in the Shanghai International Auto Show held in April 2013, to promote the brand image of our Portal, and successfully drawn traffic. The Webgame Channel has hosted the Sixth National Webgame & Mobile Games Summit in late April 2013. The Summit, with over 1000 webgame developers, operators and guests participating, was well received and had promoted development and communication in the industry.

Travel Media

TTG revenue for the quarter was HK\$23.5 million, up 7% from the corresponding period in 2012, but down 2% when compared to the previous quarter. During the first half of 2013, TTG has successfully organised two events – ASEAN Tourism Forum (ATF) 2013 and IT&CM China 2013 in Vientiane and Shanghai respectively. Other than our regular publication, the travel trade publishing group also produced special project daily, such as ATF Official Daily, ITB Daily and TTG Show Daily: IT&CM China 2013. TTG has been appointed the official media partner for 8 major international events in this quarter that spanned Asia, Middle East and Europe.

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

As at 30 June 2013, the interests of each of the Directors, chief executive and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

The Company

Long positions in ordinary shares and the underlying shares of equity derivatives

Name of Directors/ chief executive	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Xiao Hua	130,000	-	Personal/beneficiary	0.12%

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

During the Half-Yearly Period, Qiyi Holdings Limited had made mandatory unconditional cash offers for the shares of the Company. Upon the receipt of the share offer, the Company had (pursuant to the Company's Share Option Scheme) 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, otherwise the unexercised share options will lapse. Since none of optionholders have exercised their subscription rights, all share options of the Company had lapsed on 21 March 2013.

Save as disclosed above, as at 30 June 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 30 June 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>)	72,265,042	–	67.42%
Mr. Chen Ying Zhen (<i>Note 1</i>)	72,265,042	–	67.42%

Note:

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

Save as disclosed above, as at 30 June 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

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

During the six months ended 30 June 2013, none of the directors or the management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 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 six months ended 30 June 2013.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the six months ended 30 June 2013 with the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an Audit Committee on 25 February 2000 with written terms of reference which are of no less exacting terms than those set out in the Corporate Governance Code (the "Code") contained in Appendix 15 of the GEM Listing Rules. The primary duties of the Audit Committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy.

The Audit Committee comprised three independent non-executive directors namely Mr. Anson Wang (Committee Chairman), Professor Li On-kwok, Victor and Mr. Kenneth Blake Fowler until 11 May 2013. On 11 May 2013, the Board of the Company announced (1) the resignation of Professor Li On-kwok, Victor from his positions as independent non-executive director, member of Audit Committee, the chairman and member of Remuneration Committee, and the chairman and member of Nomination Committee of the Company; (2) the resignation of Mr. Anson Wang from his positions as independent non-executive director, the chairman and member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company; and (3) the resignation of Mr. Kenneth Blake Fowler from his positions as independent non-executive director, member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company.

On the same date, the Board of the Company announced (1) the appointment of Ms. Peng Jiang as independent non-executive director, the chairlady and member of Audit Committee, the chairlady and member of Remuneration Committee, the chairlady and member of Nomination Committee of the Company; (2) the appointment of Mr. Zhu Xiangrong as independent non-executive director, member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company; and (3) the appointment of Mr. Wu Guilong as independent non-executive director, member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company. Following the new appointments, the audit committee comprises three independent non-executive directors namely, Ms. Peng Jiang (Committee Chairlady), Mr. Zhu Xiangrong and Mr. Wu Guilong.

The Audit Committee has reviewed the final draft report for the Half-Yearly Period ended 30 June 2013 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 Half-Yearly Period ended 30 June 2013.

On behalf of the Board
Ms. Xu Yun
Chairlady

Hong Kong, 7 August 2013

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

Executive Directors:

Mr. Chow Chi Wa, Mr. Huang Honghua and Mr. Xiao Hua

Non-Executive Directors:

Ms. Xu Yun and Mr. Mao Hongcheng (with Mr. Chen Mouhua as his alternate)

Independent Non-Executive Directors:

Ms. Peng Jiang, Mr. Zhu Xiangrong, Mr. Wu Guilong