

China.com Inc.

(proposed to be renamed as Sino Splendid Holdings Limited 中國華泰瑞銀控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
GEM Stock : 8006



Third 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CHAIRMAN'S STATEMENT

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

- The Group's revenue for this quarter was HK\$34.4 million, down 3% from the same period last year and down 15% when compare to the previous quarter.
- Gross profit from this quarter was HK\$22.2 million, up 7% from the same period last year and down 13% when compare to the previous quarter.
- Other income for this quarter was HK\$3.6 million, compared to HK\$25.6 million in the same period last year and HK\$10.6 million in the previous quarter. It is attributable to a significant decrease in distribution from our private equity fund investments.
- Profit attributable to owners of the Company amounted to HK\$7.4 million, compared to HK\$22.2 million in the third quarter of 2012 and HK\$9.0 million in the second quarter of 2013.
- Earnings per share (EPS) was HK cents 6.91, compared to HK cents 20.68 in the third quarter of 2012 and HK cents 8.41 in the second quarter of 2013.
- Our financial position remains strong, with a total amount of HK\$369.9 million of bank balances and cash and available-for-sale investments as of 30 September 2013.

TTG revenue for the quarter was HK\$18.9 million, down 18% from the corresponding period in 2012, and down 20% when compared to the previous quarter. TTG events group had undertook a difficult decision to cancel one trade exhibition event in India due to insufficient take-up by domestic Indian exhibitors, but in the meanwhile, TTG had organised a profitable trade exhibition in Singapore – the Singapore Gifts Show during this quarter. The trade publishing division produced two special publications namely the TTG Show Daily: PATA Travel Mart, and TTG mice Planner in this quarter.

Portal revenue for the quarter was HK\$15.5 million, up 26% from the corresponding period in 2012, but down 8% from the previous quarter. The revenue growth is driven by our on-line advertising income from branded customers as a result of our steady performance of Portal's Automobile, Webgame and Military Channels. In the past few years, there was a significant shift in user from PC to mobile, driven by rapid expansion of China's mobile internet user based, enhanced capabilities of smartphones and increased adoption of compelling mobile applications. Some of our peers have been aggressively investing in products and marketing to build their mobile user based. To response to the changing market needs, Portal has launched in this quarter an APP version of our magazine "China Military" which enjoyed a very high ranking in APP store for similar products.

For PC user, we continued to upgrade the content of our website with more interacting functions for delivering new content experiences to our users. We have also organised and participated in several successful marketing activities, such as Chengdu International Auto Show 2013 and the 2013 China International Digital Entertainment Expo (China joy), which successfully promoted our brand, attracting traffic to our Portal, comprehensively enhanced the influence of the media, and further enhanced our brand value.

As mentioned in the 2013 interim report, the Board conducted a detailed review on the existing business operation and investments with a view to improving the performance of the assets of the Group. We have received a proposal from one of the buyer in relation to our internet business in PRC. The Board reviewed and considered that the terms of the disposal are fair and reasonable and are in the best interests of the Company and the shareholders as a whole. The Board approved the disposal of our internet business in PRC and subsequently approved by our shareholders in an extra-ordinary general meeting on 9 October 2013. The disposal has been completed on 30 October 2013.

Upon completion of the disposal, we are proposed to change the name of the Company from "China.com Inc. 中華網科技公司" to "Sino Splendid Holdings Limited 中國華泰瑞銀控股有限公司" to provide the Company a fresh new corporate image and identity. The new company name shall take effect once we have completed all the necessary filing procedures.

The Company will continue to focus on travel media business and dedicate our resources for the development of the travel media business segment or other investments if opportunities arise. We will strive for a better return for the Company and our shareholders. Thank you for your continued support to China.com Inc.

Ms. Xu Yun
Chairlady

Hong Kong, 6 November 2013

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30 September 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 nine months ended 30 September 2013

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	3	34,391	35,409	111,174	102,565
Cost of sales		(12,187)	(14,725)	(43,781)	(45,197)
Gross profit		22,204	20,684	67,393	57,368
Other income		3,606	25,554	23,991	28,871
Selling and distribution expenses		(6,900)	(8,592)	(24,403)	(23,914)
Administrative expenses		(12,090)	(14,919)	(43,673)	(53,025)
Impairment losses reversed		1,349	21	74	649
Profit before tax		8,169	22,748	23,382	9,949
Income tax expense	4	(769)	(519)	(2,172)	(1,668)
Profit for the period		7,400	22,229	21,210	8,281
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation		970	563	(251)	1,619
Fair value (loss) gain on available-for-sale investments		(2,716)	859	(2,716)	9,594
Other comprehensive income for the period		(1,746)	1,422	(2,967)	11,213
Total comprehensive income for the period		5,654	23,651	18,243	19,494

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
Notes	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) attributable to:				
Owners of the Company	7,403	22,159	21,171	7,991
Non-controlling interests	(3)	70	39	290
	<u>7,400</u>	<u>22,229</u>	<u>21,210</u>	<u>8,281</u>
Total comprehensive income attributable to:				
Owners of the Company	5,657	23,581	18,204	19,204
Non-controlling interests	(3)	70	39	290
	<u>5,654</u>	<u>23,651</u>	<u>18,243</u>	<u>19,494</u>
Earnings per share				
Basic and diluted (cents per share)	6.91	20.68	19.75	7.46

Notes:

1. BASIS OF PREPARATION

The condensed 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 condensed consolidated financial statements 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.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements 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 condensed consolidated financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 31 December 2012 except as described below.

In the current Nine-Month Period, the Group had applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. The application of the HKFRSs in the current Nine-Month Period does not have any material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Revenue from operations represents revenue derived from the (1) travel media; and (2) internet portal business.

4. INCOME TAX

Hong Kong profits tax is calculated at 16.5% for the Nine-Month 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 Nine-Month Period and the corresponding periods in 2012.

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

5. EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2013 HK\$'000	2012 HK'000	2013 HK\$'000	2012 HK\$'000
<i>Earnings</i>				
Profit for the period attributable to owners of the Company	<u>7,403</u>	<u>22,159</u>	<u>21,171</u>	<u>7,991</u>
	Three months ended 30 September		Nine months ended 30 September	
	2013 '000	2012 '000	2013 '000	2012 '000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>

The calculation of diluted earnings per share does not assume the exercise of share options as the exercise prices of share options are higher than the average market price of Company's shares over the reporting period.

6. 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
Profit for the period	-	-	-	-	-	-	-	-	7,991	7,991	290	8,281
Other comprehensive income for the period	-	-	-	9,594	-	-	1,619	-	-	11,213	-	11,213
Total comprehensive income for the period	-	-	-	9,594	-	-	1,619	-	7,991	19,204	290	19,494
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	223	-	223	-	223
At 30 September 2012	<u>39,337</u>	<u>24,650</u>	<u>(31,193)</u>	<u>9,594</u>	<u>11,690</u>	<u>19,025</u>	<u>45,904</u>	<u>62,635</u>	<u>150,249</u>	<u>331,891</u>	<u>2,011</u>	<u>333,902</u>
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	-	-	-	-	-	-	-	-	21,171	21,171	39	21,210
Other comprehensive income for the period	-	-	-	(2,716)	-	-	(251)	-	-	(2,967)	-	(2,967)
Total comprehensive income for the period	-	-	-	(2,716)	-	-	(251)	-	21,171	18,204	39	18,243
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	16	-	16	-	16
Transfer upon cancellation of share options	-	-	-	-	-	-	-	(62,678)	62,678	-	-	-
At 30 September 2013	<u>39,337</u>	<u>24,650</u>	<u>(31,193)</u>	<u>786</u>	<u>11,690</u>	<u>19,025</u>	<u>46,308</u>	<u>-</u>	<u>246,518</u>	<u>357,121</u>	<u>2,112</u>	<u>359,233</u>

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 must be transferred to reserve funds which are not distributable. Transfers to this reserve are made out of the FIE's profits after taxation calculated in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and shall not be less than 10% of profit after taxation calculated in accordance with PRC GAAP. No such transfer was made during both periods as there was no such profit after tax from FIEs in both periods.

7. DIVIDENDS

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

8. POST REPORTING PERIOD EVENTS

On 9 August 2013, the Company entered into a disposal agreement in respect of disposal of our internet portal business. The disposal has been completed on 30 October 2013.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Nine-Month Period was HK\$111,174,000 representing a HK\$8,609,000, or 8% increase compared to the corresponding period in 2012. This was primarily driven by growth in revenue from internet portal segment of HK\$10,062,000. The increase was due to our effort on marketing activities and strategy to focus on small-and-medium enterprise customers. The growth was partially offset by the drop in revenue of HK\$1,453,000 from our travel media business.

Gross profit margin for the Nine-Month Period was 61%, compared to 56% in the same period last year.

Other income

Other income decreased by 17% to HK\$23,991,000 for the Nine-Month Period, compared to HK\$28,871,000 for the corresponding period in 2012. The decrease was primarily due to (1) a HK\$2,199,000 decrease in interest income from bank balances; (2) a HK\$1,900,000 decrease in investment income from our private equity funds investment; and (3) a HK\$732,000 decrease in other non-operating income.

Selling and distribution expenses

Selling and distribution expenses increased by 2% to HK\$24,403,000 for the Nine-Month Period, compared to HK\$23,914,000 for the corresponding period in 2012.

Administrative expenses

Administrative expenses decreased by 18% to HK\$43,673,000 for the Nine-Month Period, compared to HK\$53,025,000 for the corresponding period in 2012. The decrease was primarily attributable to a decrease in legal and professional fee 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\$223,000) in accordance with HKFRS 2.

Impairment losses reversed

Recovery of impairment loss of HK\$74,000 (2012: HK\$649,000) has been recognised for the Nine-Month Period.

Income tax

The Group recorded an income tax expense of HK\$2,172,000 for the Nine-Month Period, compared to HK\$1,668,000 for the corresponding period in 2012. Income tax expense for the Nine-Month Period represents a provision for income tax.

Non-controlling interests

Profit shared by non-controlling interests was HK\$39,000 for the Nine-Month Period, compared to HK\$290,000 for the corresponding period in 2012. The Group's equity interest in this company is 90% as at 30 September 2013 (2012: 90%).

Profit for the period attributable to owners of the Company

Profit for the period attributable to owners of the Company was HK\$21,171,000 for the Nine-Month Period, compared to a profit of HK\$7,991,000 for the corresponding period in 2012.

BUSINESS REVIEW

Internet Portal

Portal revenue for the quarter was HK\$15.5 million, up 26% from the corresponding period in 2012, but down 8% from the previous quarter. The revenue growth is driven by our on-line advertising income from branded customers as a result of our steady performance of Portal's Automobile, Webgame and Military Channels. In the past few years, there was a significant shift in user from PC to mobile, driven by rapid expansion of China's mobile Internet user based, enhanced capabilities of smartphones and increased adoption of compelling mobile applications. Some of our peers have been aggressively investing in products and marketing to build their mobile user based. To response to the changing market needs, Portal has launched in this quarter an APP version of our magazine "China Military" which enjoyed a very high ranking in APP store for similar products.

For PC user, we continued to upgrade the content of our website with more interacting functions for delivering new content experiences to our users. We have also organised and participated in several successful marketing activities, such as Chengdu International Auto Show 2013 and the 2013 China International Digital Entertainment Expo (China joy), which successfully promoted our brand, attracting traffic to our Portal, comprehensively enhanced the influence of the media, and further enhanced our brand value.

Travel Media

TTG revenue for the quarter was HK\$18.9 million, down 18% from the corresponding period in 2012, and down 20% when compared to the previous quarter. TTG events group had undertook a difficult decision to cancel one trade exhibition event in India due to insufficient take-up by domestic Indian exhibitors, but in the meanwhile, TTG had organised a profitable trade exhibition in Singapore – the Singapore Gifts Show during this quarter. The trade publishing division produced two special publications namely the TTG Show Daily: PATA Travel Mart, and TTG mice Planner in this quarter.

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

As at 30 September 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

During the Nine-Month 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 September 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 September 2013, the following companies (not being a Director or chief executive of the Company) have interests or short positions in the shares and underlying shares of the Company should 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 September 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 should 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 nine months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPETING INTERESTS

During the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2013.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied throughout the nine months ended 30 September 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 25th 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. At present, the Audit Committee comprises three independent non-executive directors namely, Ms. Peng Jiang (Committee Chairlady), Mr. Zhu Xiangrong and Mr. Wu Guilong. 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 the Nine-Month Period ended 30 September 2013 and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Nine-Month Period ended 30 September 2013.

On behalf of the Board
Ms. Xu Yun
Chairlady

Hong Kong, 6 November 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