



China.com Inc.

中華網科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8006)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This announcement, for which the Directors (the “Directors”) of China.com Inc. (the “Company”) collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

CHAIRMAN'S STATEMENT

During the second quarter, our Portal operations maintained robust growth. Below are some financial and business highlights for the three months ended 30th June, 2008:

- Revenue from Portal was HK\$9 million, up 29% year-over-year and up 68% quarter-over-quarter.
- Revenue from TTG was HK\$23 million, up 43% year-over-year and up 88% quarter-over-quarter.
- Profit attributable to equity holders was HK\$14.6 million, compared to HK\$6.7 million in Q1 2008, and HK\$3.8 million in Q2 2007.
- On 27th June, 2008, a special dividend of HK\$5.34 per share totaling HK\$577.1 million was declared.
- At an extraordinary general meeting held on 26th June, 2008, the shareholders of the Company approved the consolidation of every 40 issued and unissued ordinary shares of HK\$0.10 each in the share capital of the Company into one share of HK\$4.00 each with effect from 27th June, 2008.
- Balance sheet remains strong, with approximately HK\$1.3 billion in net cash, held-for-trading investments and available-for-sale investments.

Our portal business based in China is the Group's foundation. During the second quarter, it continued to produce encouraging financial returns, thanks to strong brand recognition rapid growth of online advertising, and the take-off of new channels operations. For the three months ended 30th June, 2008, Portal revenue increased by 29% year-over-year, and 68% quarter-over-quarter.

As previously announced, the Chinese government has implemented strict restrictions on online advertisements for medical treatments and pharmaceutical products. In response to these measures, we successfully shifted our focus from the pharmaceutical sector to the automobile and other vertical channels. Through continuous content optimization and innovation, our automobile channel has become the industry leader in China. Our video display platform and car user data mining service are favoured by leading auto industry OEMs. During the second quarter, we successfully partnered with clients such as Toyota, Ford, Shanghai General Motors and Michelin to run advertising and promotional events. We also won the contract to promote joint-membership cooperation and promotional events with United Automobile Association (UAA), which is the leading automobile association in China.

Anticipating other channels' growing popularity in China, China.com Portal became a pioneer in this burgeoning market. With the rich contents and continuous technology upgrading of our innovative interactive platform, we intend to maintain our position as industry leader.

We will continue to focus on increasing China.com's brand equity and content development. Building on the success of our automobile and other channels, we plan to judiciously broaden the portal's revenue base and sustain a strong pace of development.

TTG continued to perform well in the second quarter of 2008, with revenue growing by 43% year-over-year and 88% quarter-over-quarter. B to B advertising sales and hosting of industry travel events in China were main revenue drivers. Both Incentive Travel & Conventions, Meetings China and Corporate Travel & Technology World in Shanghai attracted large number of delegates. In addition, TTG has been awarded a contract by Vietnam Government to manage the exhibition component of ASEAN Tourism Forum (ATF) in January 2009.

After paying a special dividend of HK\$577 million, we retain around HK\$1.3 billion of net cash, held-for-trading investments and available-for-sale investments. We remain well resourced to pursue strategic opportunities in emerging Asia, including China.

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

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 11th August, 2008

UNAUDITED CONSOLIDATED INTERIM RESULTS

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 30th June, 2008, together with the comparative unaudited figures for the corresponding periods in 2007.

		(Unaudited) Three months ended 30th June, 2008		(Unaudited) Six months ended 30th June, 2008	
		2007	2008	2007	2008
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	47,707	34,741	89,465	56,806
Cost of sales		(20,879)	(16,680)	(41,197)	(28,095)
Gross profit		26,828	18,061	48,268	28,711
Other income		22,692	21,482	45,305	44,524
Selling and distribution costs		(12,935)	(7,498)	(24,693)	(12,164)
Administrative expenses		(27,839)	(16,822)	(59,191)	(37,263)
Other expenses		(5,259)	(384)	(10,314)	(1,514)
Interest expense on bank borrowings wholly repayable within five years		(678)	–	(2,093)	–
Profit (loss) before tax		2,809	14,839	(2,718)	22,294
Income tax (expense) credit	5	104	(281)	633	(995)
Profit (loss) for the period	4	2,913	14,558	(2,085)	21,299
Attributable to:					
Equity holders of the Company		3,848	14,558	154	21,299
Minority interests		(935)	–	(2,239)	–
		2,913	14,558	(2,085)	21,299
Earnings per share	6				
Basic		3.51 cents	13.36 cents	0.14 cent	19.55 cents
Diluted		3.48 cents	13.36 cents	0.14 cent	19.55 cents

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June, 2008

		(Unaudited) 30th June, 2008 HK\$'000	(Audited) 31st December, 2007 HK\$'000
	Notes		
ASSETS			
Non-current Assets			
Plant and equipment		6,919	8,593
Goodwill		450	450
Available-for-sale investments		213,268	175,426
Note receivable		—	491,592
		<u>220,637</u>	<u>676,061</u>
Current Assets			
Accounts receivable	8	25,300	23,850
Prepayments, deposits and other receivables		8,582	13,697
Available-for-sale investments		78,504	341,471
Held-for-trading investments		1,752	4,525
Amounts due from fellow subsidiaries		6,453	6,701
Amount due from ultimate holding company		—	697
Bank balances and cash		1,008,607	724,331
		<u>1,129,198</u>	<u>1,115,272</u>
Total Assets		<u><u>1,349,835</u></u>	<u><u>1,791,333</u></u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	10	432,294	438,114
Reserves		732,265	1,302,966
		<u>1,164,559</u>	<u>1,741,080</u>
Equity attributable to equity holders of the Company		1,164,559	1,741,080
Minority interests		—	—
		<u>1,164,559</u>	<u>1,741,080</u>
Total Equity		<u>1,164,559</u>	<u>1,741,080</u>

		(Unaudited) 30th June, 2008 HK\$'000	(Audited) 31st December, 2007 HK\$'000
	<i>Notes</i>		
Non-current Liabilities			
Deferred tax liabilities		137	128
Current Liabilities			
Accounts payable	9	12,532	10,660
Other payables and accrued liabilities		21,973	22,010
Dividend payable		128,308	–
Deferred revenue		9,796	4,278
Tax liabilities		2,571	4,760
Amounts due to fellow subsidiaries		8,702	8,417
Amount due to ultimate holding company		1,257	–
		185,139	50,125
Total Equity and Liabilities		1,349,835	1,791,333
Total assets less current liabilities		1,164,696	1,741,208

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	(Unaudited)											
	Attributable to equity holders of the Company											
	Share capital	Share premium	Goodwill reserve	Investment revaluation reserve	Capital redemption reserve	Reserve funds	Translation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2007	437,926	1,018,727	(31,193)	(18,649)	–	24,123	18,115	33,168	811,231	2,293,448	12,933	2,306,381
Deficit on revaluation of available-for-sale investments	–	–	–	(3,379)	–	–	–	–	–	(3,379)	–	(3,379)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	774	–	–	774	–	774
Net (expense) income recognised directly in equity	–	–	–	(3,379)	–	–	774	–	–	(2,605)	–	(2,605)
Profit (loss) for the period	–	–	–	–	–	–	–	–	154	154	(2,239)	(2,085)
Investment revaluation reserve released on disposal of available-for-sale investments	–	–	–	280	–	–	–	–	–	280	–	280
Total recognised income and expense for the period	–	–	–	(3,099)	–	–	774	–	154	(2,171)	(2,239)	(4,410)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	11,963	–	11,963	–	11,963
Shares issued upon exercises of share options	298	1,106	–	–	–	–	–	–	–	1,404	–	1,404
Transfer to share premium upon exercises of share options	–	703	–	–	–	–	–	(703)	–	–	–	–
Transaction cost attributable to issue of new shares	–	(2)	–	–	–	–	–	–	–	(2)	–	(2)
Repurchase of shares	(110)	(427)	–	–	110	–	–	–	(110)	(537)	–	(537)
At 30th June, 2007	438,114	1,020,107	(31,193)	(21,748)	110	24,123	18,889	44,428	811,275	2,304,105	10,694	2,314,799

(Unaudited)												
Attributable to equity holders of the Company												
	Share capital	Share premium	Goodwill reserve	Investment revaluation reserve	Capital redemption reserve	Reserve funds	Translation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2008	438,114	1,020,109	(31,193)	(10,336)	110	24,123	36,262	52,493	211,398	1,741,080	–	1,741,080
Deficit on revaluation of available-for-sale investments	–	–	–	(23,065)	–	–	–	–	–	(23,065)	–	(23,065)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	15,553	–	–	15,553	–	15,553
Net (expense) income recognised directly in equity	–	–	–	(23,065)	–	–	15,553	–	–	(7,512)	–	(7,512)
Profit for the period	–	–	–	–	–	–	–	–	21,299	21,299	–	21,299
Investment revaluation reserve released on disposal of available- for-sale investments	–	–	–	98	–	–	–	–	–	98	–	98
Total recognised income and expense for the period	–	–	–	(22,967)	–	–	15,553	–	21,299	13,885	–	13,885
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	3,122	–	3,122	–	3,122
Dividend paid	–	(577,112)	–	–	–	–	–	–	–	(577,112)	–	(577,112)
Repurchase of shares	(5,820)	(10,596)	–	–	5,820	–	–	–	(5,820)	(16,416)	–	(16,416)
At 30th June, 2008	432,294	432,401	(31,193)	(33,303)	5,930	24,123	51,815	55,615	226,877	1,164,559	–	1,164,559

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30th June, 2008*

	Six months ended	
	30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(3,862)	(34,095)
Net cash generated by investing activities	240,141	208,565
Net cash generated by (used in) financing activities	37,880	(104,655)
Net increase in cash and cash equivalents	274,159	69,815
Cash and cash equivalents at 1st January	724,331	681,059
Effect of foreign exchange rate changes	10,117	771
Cash and cash equivalents at 30th June	<u>1,008,607</u>	<u>751,645</u>

Notes:

1. BASIS OF PREPARATION

The unaudited interim 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 the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The Unaudited Interim Results of the Group have not been reviewed by the Company’s auditors. Adjustments may be identified during the course of annual audit to be performed by the Company’s auditors.

The Unaudited Interim 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 interim consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31st December, 2007.

2. REVENUE

Revenue represents: (1) subscription revenue from the provision of short messaging services and other mobile value-added services and other related products to mobile phone users; and (2) internet and media revenue from sale of online banner advertising, sponsorships, offline advertising campaigns, direct mailings and online sales.

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

	Six months ended	
	30th June,	
	2008	2007
	HK\$’000	HK\$’000
Mobile services and applications revenue	7,393	50,418
Internet and media	49,413	39,047
	56,806	89,465

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – mobile services and applications and internet and media. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Mobile services and applications	–	provision of short messaging services and other mobile value-added services and other related products to mobile phone users; and
Internet and media	–	sale of online banner advertising, sponsorships, offline advertising campaigns, direct mailings and online sales.

Segment information about these businesses is presented below.

Six months ended 30th June, 2008

	Mobile services and applications <i>HK\$'000</i>	Internet and media <i>HK\$'000</i>	Elimination <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	7,393	49,413	–	56,806
Inter-segment sales	3,178	4,143	(7,321)	–
Total	<u>10,571</u>	<u>53,556</u>	<u>(7,321)</u>	<u>56,806</u>
RESULT				
Segment results	<u>(5,088)</u>	<u>(3,455)</u>	<u>–</u>	(8,543)
Interest income and unallocated other corporate income				44,524
Unallocated corporate expenses				<u>(13,687)</u>
Profit before tax				22,294
Income tax expense				<u>(995)</u>
Profit for the period				<u>21,299</u>

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2008

	Mobile services and applications HK\$'000	Internet and media HK\$'000	Consolidated HK\$'000
BALANCE SHEET			
ASSETS			
Segment assets	145,861	90,947	236,808
Available-for-sale investments, held-for-trading investments and unallocated corporate assets			1,113,027
Total assets			1,349,835
LIABILITIES			
Segment liabilities	11,876	35,807	47,683
Unallocated corporate liabilities			137,593
Total liabilities			185,276

Six months ended 30th June, 2007

	Mobile services and applications HK\$'000	Internet and media HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	50,418	39,047	–	89,465
Inter-segment sales	–	4,200	(4,200)	–
Total	50,418	43,247	(4,200)	89,465
RESULT				
Segment results	(24,521)	1,532	–	(22,989)
Interest income and unallocated other corporate income				45,305
Interest expense on bank borrowings wholly repayable within five years				(2,093)
Unallocated corporate expenses				(22,941)
Loss before tax				(2,718)
Income tax credit				633
Loss for the period				(2,085)

Inter-segment sales are charged at prevailing market rates.

As at 30th June, 2007

	Mobile services and applications	Internet and media	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
BALANCE SHEET			
ASSETS			
Segment assets	693,649	56,454	750,103
Available-for-sale investments, held-for-trading investments and unallocated corporate assets			1,643,604
Total assets			2,393,707
LIABILITIES			
Segment liabilities	15,091	31,869	46,960
Unallocated corporate liabilities			31,948
Total liabilities			78,908

Geographical segments

The Group's operations are located in the PRC, Hong Kong and Singapore.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the services:

	Six months ended 30th June,	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
PRC	21,648	62,025
Hong Kong	123	293
Singapore	35,035	27,147
	56,806	89,465

4. PROFIT (LOSS) FOR THE PERIOD

The Group's profit (loss) for the period is arrived at after charging (crediting):

	Six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Depreciation of plant and equipment	2,213	3,688
Amortisation of other intangible assets (included in other expenses)	–	8,226
Allowance for bad and doubtful debts (included in other expenses)	1,290	2,130
Auditors' remuneration	1,822	1,488
Staff costs (including directors' emoluments)	25,318	42,503
Loss (gain) on disposal of plant and equipment (included in other expenses)	47	(42)
Net foreign exchange loss	8,255	1,587
Gain on disposal of held-for-trading investments (included in other income)	(337)	–
Interest income on available-for-sale investments (included in other income)	(20,546)	(18,436)
Other interest income	(23,498)	(26,869)
	<u> </u>	<u> </u>

5. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits in Hong Kong during the Half-Yearly Period and the corresponding period in 2007.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

6. EARNINGS PER SHARE

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

	Three months ended 30th June,		Six months ended 30th June,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Earnings</i>				
Profit for the period attributable to equity holders of the Company	<u>14,558</u>	<u>3,848</u>	<u>21,299</u>	<u>154</u>

	Three months ended 30th June, 2008 '000		Six months ended 30th June, 2008 '000	
		2007 '000		2007 '000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	108,969	109,487	108,953	109,484
Effect of dilutive potential ordinary shares:				
Options	<u>—</u>	<u>1,229</u>	<u>1</u>	<u>1,021</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>108,969</u>	<u>110,716</u>	<u>108,954</u>	<u>110,505</u>

The weighted average number of ordinary shares for the purpose of earnings per share has been adjusted for the Company's share consolidation effective on 27th June, 2008.

7. DIVIDENDS

On 27th June, 2008, a special dividend of HK\$5.34 per share (2007: HK\$ Nil) totaling HK\$577,112,000 was declared.

The Board does not recommend the payment of an interim dividend for the Half-Yearly Period and the corresponding period in 2007.

8. ACCOUNTS RECEIVABLE

An aged analysis of trade receivables as at the balance sheet date, based on invoice date, and net of allowance for doubtful debts, is as follows:

	(Unaudited) 30th June, 2008 HK\$'000	(Audited) 31st December, 2007 HK\$'000
Within 90 days	18,618	21,824
91-120 days	1,052	528
121-180 days	1,874	1,404
Over 180 days	<u>3,756</u>	<u>94</u>
	<u>25,300</u>	<u>23,850</u>

9. ACCOUNTS PAYABLE

An aged analysis of accounts payables as at the balance sheet date, based on invoice date is as follows:

	(Unaudited) 30th June, 2008 HK\$'000	(Audited) 31st December, 2007 HK\$'000
Within 90 days	7,521	6,460
91-120 days	465	247
121-180 days	129	252
Over 180 days	4,417	3,701
	<u>12,532</u>	<u>10,660</u>

10. SHARE CAPITAL

	Six months ended 30th June, 2008		Twelve months ended 31st December, 2007	
	<i>No. of shares</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)	<i>No. of shares</i> (Audited)	<i>HK\$'000</i> (Audited)
Ordinary shares of HK\$4.00 each				
Authorised	<u>250,000,000</u>	<u>1,000,000</u>	<u>250,000,000</u>	<u>1,000,000</u>
Issued and fully paid				
At beginning of period/year	109,528,481	438,114	109,481,424	437,926
Repurchase of shares	(1,455,050)	(5,820)	(27,500)	(110)
Exercise of share options	<u>–</u>	<u>–</u>	<u>74,557</u>	<u>298</u>
At end of period/year	<u>108,073,431</u>	<u>432,294</u>	<u>109,528,481</u>	<u>438,114</u>

Pursuant to an extraordinary general meeting held on 26th June, 2008, the shareholders of the Company have approved the consolidation of every 40 issued and unissued ordinary shares of HK\$0.10 each in the share capital of the Company into one share of HK\$4.00 each.

11. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

12. POST BALANCE SHEET EVENTS

There is no significant post balance sheet event for the Half-Yearly period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Half-Yearly Period was HK\$56,806,000 representing a HK\$32,659,000, or 37% decrease as compared with the same period last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications revenue of HK\$43,024,000; and (2) an increase in advertising revenue from the internet and media segment of HK\$10,365,000.

Gross profit margin maintained at a relatively stable level of 51% for the Half-Yearly Period, compared to 54% in the same period last year.

Other income

Other income decreased by 2% to HK\$44,524,000 for the Half-Yearly Period, compared with HK\$45,305,000 for the corresponding period in 2007. The decrease was primarily due to (1) a HK\$2,110,000 increase in interest income from available-for-sale investments as a result of increasing yield for long term available-for-sale investments; (2) a HK\$3,275,000 decrease in bank interest income as a result of decreasing yield for cash and bank balances; and (3) a HK\$337,000 gain on disposal of held-for-trading investments.

Selling and distribution costs

Selling and distribution costs decreased to HK\$12,164,000 for the Half-Yearly Period, compared with HK\$24,693,000 for the corresponding period in 2007. The decrease was mainly attributable to the decrease in marketing and promotion expenses incurred for our mobile services and applications business amounting to HK\$10,132,000 during the Half-Yearly Period.

Administrative expenses

Administrative expenses decreased by 37% to HK\$37,263,000 for the Half-Yearly Period, compared with HK\$59,191,000 for the corresponding period last year. The net decrease was primarily due to the scale down of our mobile services and applications business operation during the Half-Yearly Period. Administrative expenses include share option expenses for the Half-Yearly Period amounting to HK\$3,122,000 (2007: HK\$11,963,000) recognised in accordance with HKFRS 2.

Other expenses

Other expenses decreased by HK\$8,800,000 to HK\$1,514,000 for the Half-Yearly Period, compared to HK\$10,314,000 for the corresponding period last year. The decrease was primarily due to the decrease in amortisation expense for intangible assets and bad debt expense.

Income tax

The Group recorded an income tax expense of HK\$995,000 for the Half-Yearly Period, compared to an income tax credit of HK\$633,000 for the corresponding period last year. The income tax expense for the Half-Yearly Period represented provision for income tax.

Minority interests

Profit shared by minority interests was HK\$Nil for the Half-Yearly Period, compared to a loss shared by minority interests of HK\$2,239,000 for the same period last year. Loss shared by minority interests for the corresponding period in 2007 represented minority interests' share of loss in the Group's mobile services and applications segment.

Profit for the period attributable to equity holders of the Company

Profit for the period attributable to equity holders of the Company was HK\$21,299,000 for the Half-Yearly Period, compared to HK\$154,000 for the same period last year.

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 HK\$1,164,559,000 shareholders' funds as at 30th June, 2008 (2007: HK\$1,741,080,000). Total assets amounted to HK\$1,349,835,000 as at 30th June, 2008 (2007: HK\$1,791,333,000), of which HK\$1,008,607,000 (2007: HK\$724,331,000) was bank balances and cash, HK\$1,752,000 (2007: HK\$4,525,000) was held-for-trading investments and HK\$291,772,000 (2007: HK\$516,897,000) was available-for-sale investments.

Capital structure

Except for the full repayment of the Group's promissory note of HK\$468,000,000 (US\$60,000,000) during the Half-Yearly Period, there was no change in the capital structure of the Group as at 30th June, 2008 as compared with that as at 31st December, 2007.

Charges on the Group's assets

There was no charge on the Group's assets as at 30th June 2008 (2007: HK\$Nil).

Gearing ratio

The Group has a zero gearing ratio as at 30th June, 2008 (2007, 0%) as calculated by net debts dividend by shareholders' equity.

Exposure to fluctuations in exchange rates and any related hedges

As most of the Group's monetary assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, the exchange rate risks of the Group were considered to be minimal. As at 30th June, 2008, no related hedges were made by the Group.

Contingent liabilities

The directors of the Company assess the contingent tax liability that may arise from the disposal of Online Games during the year ended 31st December, 2006 and consider such contingent tax liability is possible and will be confirmed only when the Inland Revenue Department concludes that the gain arising from the disposal is taxable. The directors of the Company do not consider such contingent tax liability is probable based on the information currently available and therefore no tax provision has been made in the consolidated financial statements. If such tax provision is recorded, the profit for the period will decrease approximately by HK\$110,000,000.

Material acquisitions and significant investments

The Group did not make any material acquisitions or significant investments during the Half-Yearly Period.

Employee information

As at 30th June, 2008, the Group had 260 (2007: 364) full-time employees, of which 6 (2007: 8) were based in Hong Kong, 207 (2007: 315) in China and 47 (2007: 41) in Singapore. 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

Portal

The portal business is the Group's origin. Thanks to our strong brand recognition and the rapid growth of online advertising as well as other channels operations in mainland China, our Portal business continues to generate encouraging financial return to our investors. We will continue to put our focus on automobile and other channels, intending to become the leading vertical media in China.

During the second quarter of 2008, our portal revenue increased 29% year-over-year, and 68% quarter-over-quarter. The increasing revenue was mainly attributable to enhanced brand equity, strategic partnership with an increasing number of industry leaders and encouraging revenue growth over the automobile and other vertical channels. As Beijing Olympic is going to take place soon, our Olympic channel has also attracted a large number of advertisements.

As previously announced, the Chinese government had implemented strict restrictions on online advertisements for medical treatments and pharmaceutical products. These measures had negatively impacted the growth of Portal's advertising revenue. To minimize the adverse impact of this new government policy, we have successfully

shifted our focus from the pharmaceutical sector to the automobile and other channels. Through the continuous content optimization and innovation, our automobile channel has become the leading online media in the industry in China and evolved to be an advanced video display platform for new car models and the first tier market research service provider on auto user behaviour. During the second quarter, we have successfully partnered with reputable auto clients such as Toyota, Ford, Shanghai General Motors and Michelin to run advertising and promotional events.

With increasing penetration and maturity on China's internet environment, online community has been identified as our new selling point. During the second quarter of 2008, China.com Portal is the first online media reported CNN's unfair coverage on Tibet riot event, and our report has been quoted by many leading media such as CCTV and Phoenix TV. By positioning ourselves as the leader of online community, we expect it to be new revenue stream to China.com Portal.

We will continue focusing on increasing China.com's brand equity and content development. Apart from exploring new revenue streams, we will continue improve the automobile and other channels to become a professional portal in China. We believe this strategy, combined with various new sales initiatives, will help maintaining continuous revenue growth in the coming quarters.

Mobile Value Added Services

As noted in prior announcements, the Group was alerted in June 2006 to policy changes for all subscription services on China Mobile's ("CMCC") Monternet platform which affected the Group's MVAS subscription services. The changes, which were implemented under the policy directives of China's Ministry of Information Industry, aim to address industry-wide objectives, including reducing customer complaints, increasing customer satisfaction and promoting the healthy development of the MVAS industry and CMCC's Monternet.

As a result of this prolonged, industry-wide impact, for the quarter ended 30th June, 2008, our total mobile services and application revenue was down 89% year-over-year, and 38% quarter-over-quarter. During the second quarter, SMS and MMS continued to be our major revenue generators, representing 69% and 19% respectively of the total mobile services and applications revenue. Remaining was mainly shared by our WAP and IVR services.

As the regulatory environment for the MVAS industry continued to be difficult and we see no reasonable instance where our MVAS business may turn profitable in the foreseeable future, as announced previously, the Group is continuously scaling down the majority of MVAS business operation and only minimum resource is maintained to cater for 3G's arrival in China.

Media and Travel

TTG has continued to perform well in the second quarter of 2008 with revenue exceeding budget by 19%. During the second quarter of 2008, revenue has increased 43% year-over-year, and 88% quarter-over-quarter. The increase was attributed by continuous improvement in B to B advertising sales as well as advertising projects and hosting of travel events in Shanghai China.

During the second quarter, TTG's two travel trade events, Incentive Travel & Conventions, Meetings China and Corporate Travel & Technology World in Shanghai attracted large number of delegates. In addition, other contributing activities achieved by TTG during the quarter include publishing of the Official Great Singapore Sale Guide, organizing of the inaugural China Travel Awards and the printing and production of the Philippines Department of Tourism's Zaragoza Project. TTG's honorable appointment as media partner by the Taiwan Visitors Association and the Vietnam National Administration of Tourism for their respective travel trade event also adds to our proud achievements this quarter.

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

As at 30th June, 2008, 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:

The Company

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

Name of directors	Number of shares <i>Note (4)</i>	Number of underlying shares <i>Note (4)</i>	Nature of Interests/ Holding Capacity	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	450,000	Personal/ beneficiary	0.54%
Chia Kok Onn	—	62,500	Personal/ beneficiary	0.06%
Fang Xin	—	25,000	Personal/ beneficiary	0.02%
Lam Lee G.	—	—	—	—
Anson Wang	—	—	—	—
Cheng Loi	—	37,875	Corporate <i>Note (3)</i>	0.03%
Wang Cheung Yue, Fred	—	150,000	Personal/ beneficiary	0.14%
Wong Sin Just	—	112,500	Personal/ beneficiary	0.10%
Yip Hak Yung, Peter	85,400	—	Corporate <i>Note (1)</i>	0.08%
Yip Hak Yung, Peter	22,500	425,000	Personal/ beneficiary	0.41%
Yip Hak Yung, Peter	—	5,983,912	Interest of children or spouse <i>Note (2)</i>	5.46%

Notes:

- (1) These shares were beneficially owned by Asia Internet Holdings Limited which is 100% owned by Mr. Yip Hak Yung, Peter.
- (2) These options were beneficially owned by Asia Pacific Online Limited, a company 50% owned by Mr. Yip Hak Yung, Peter's spouse and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (4) Adjustments were made to the balances of the number of shares and the number of underlying shares resulting from the consolidation ("Share Consolidation") of every 40 existing ordinary shares of HK\$0.10 each in the issued and unissued share capital into one (1) consolidated share of HKD4.00 each in the issued and unissued share capital of the Company duly approved at the extraordinary general meeting held on 26th June, 2008 by the shareholders and becoming effective 27th June, 2008.

Options to subscribe for ordinary shares in the Company pursuant to the pre-IPO share option scheme, the post-IPO share option scheme and the 2002 share option scheme

Name of Directors	Date of grant <i>Note (6)</i>	Exercise price <i>Note (5)</i> HK\$	Number of share options outstanding as at 30th June, 2008 <i>Note (5)</i>
Ch'ien Kuo Fung, Raymond	9th March, 2000	75.20	250,000
	5th June, 2003	25.04	100,000
	10th October, 2005	25.20	100,000
Chia Kok Onn	15th September, 2005	22.40	62,500
Fang Xin	10th October, 2005	25.20	25,000
Wang Cheung Yue, Fred	5th June, 2003	25.04	50,000
	15th September, 2005	22.40	100,000

Name of Directors	Date of grant <i>Note (6)</i>	Exercise price <i>Note (5)</i> <i>HK\$</i>	Number of share options outstanding as at 30th June, 2008 <i>Note (5)</i>
Cheng Loi	26th March, 2008	11.00	37,500 <i>Note (7)</i>
	26th March, 2008	11.00	375
Wong Sin Just	9th March, 2000	75.20	25,000
	5th June, 2003	25.04	62,500
	15th September, 2005	22.40	25,000
Yip Hak Yung, Peter	5th June, 2003	25.04	100,000
	10th October, 2005	25.20	100,000
	3rd January, 2006	21.04	225,000
	14th August, 2006	17.80	5,983,912 <i>Note (8)</i>

Notes:

- (5) Adjustments were made to the exercise prices and balances of the number of share options outstanding as at 30th June, 2008 resulting from Share Consolidation effective 27th June, 2008.
- (6) All the share options may be exercised in accordance with the terms of the relevant share option schemes at any time during the period commencing from one year after the date of grant of options to the year ending 10 years after the date of grant of options. The consideration for the grant was HK\$1.00. These share options other than those set out in Notes (7) & (8) below shall vest over a period of four years.
- (7) These options shall vest over a period of three years.
- (8) These options were granted to Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. Before Share Consolidation, the grant of 239,356,507 options was approved by the shareholders of the Company at the extraordinary general meeting held on 18th September, 2006 and the number of such options was adjusted to 5,983,912 after Share Consolidation effective 27th June, 2008.

2,719,960 (before Share Consolidation: 108,798,412) of such options shall vest quarterly over two years effective from 1st October, 2006 to 1st 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 1st October, 2006
- 12.5% options shall vest from 1st January, 2007
- 12.5% options shall vest from 1st April, 2007
- 12.5% options shall vest from 1st July, 2007
- 12.5% options shall vest from 1st October, 2007
- 12.5% options shall vest from 1st January, 2008
- 12.5% options shall vest from 1st April, 2008
- 12.5% options shall vest from 1st July, 2008

Of the 3,263,952 (before Share Consolidation: 130,558,095) options, 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 subject 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 recognized 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.

Associated Corporation

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	1,023,773	155,000	Personal/ beneficiary	1.00%
Fang Xin	—	70,000	Personal/ beneficiary	0.06%
Lam Lee G.	—	10,000	Personal/ beneficiary	0.01%
Anson Wang	—	—	—	—
Cheng Loi	—	40,000	Corporate <i>Note(2)</i>	0.03%
Wang Cheung Yue, Fred	—	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	—	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,662,649	5,744,999	Interest of children or spouse <i>Note (1)</i>	19.02%
Yip Hak Yung, Peter	—	90,000	Personal/ beneficiary	0.08%

Notes:

- (1) 11,987,253 of the Class A common shares and 5,744,999 options were held by Asia Pacific Online Limited (“APOL”), a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter (“Mr. Yip”) and 50% owned by a trust established for the benefit of Mr. Yip’s spouse and his children. 4,675,396 of the Class A common shares were held by the spouse of Mr. Yip.
- (2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Options to subscribe for Class A common shares in CDC Corporation pursuant to its share option scheme

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options/ Stock appreciation rights outstanding as at 30th June, 2008
Ch'ien Kuo Fung, Raymond	17th October, 2000	17th January, 2001 to 16th October, 2010	6.8125	100,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000
	9th November, 2007	9th February, 2008 to 8th November, 2014	6.1800	25,000 <i>Note (1)</i>
Fang Xin	16th November, 2005	16th November, 2006 to 15th November, 2015	3.3000	70,000
Lam Lee G.	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	10,000 <i>Note (1)</i>
Cheng Loi	24th January, 2008	24th January, 2009 to 23rd January, 2015	3.9900	15,000 <i>Note (1)</i>
	28th January, 2008	28th January, 2009 to 27th January, 2015	4.1600	25,000 <i>Note (1)</i>
Wang Cheung Yue, Fred	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	90,000
	18th December, 2006	18th December, 2007 to 17th December, 2013	8.5200	25,000 <i>Note (1)</i>
Wong Sin Just	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	20,000 <i>Note (1)</i>

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options/ Stock appreciation rights outstanding as at 30th June, 2008
Yip Hak Yung, Peter	22nd June, 1999	22nd June, 2000 to 21st June, 2009	3.3750	60,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000
	3rd June, 2003	30th June, 2003 to 2nd June, 2013	4.9500	200,000*
	16th June, 2003	16th September, 2003 to 15th June, 2013	5.1600	100,000*
	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	45,000*
	3rd January, 2006	3rd April, 2006 to 2nd January, 2016	3.2200	600,000*
	12th April, 2006	12th July, 2006	3.9900	2,400,000*
	12th April, 2006	to 11th April, 2013	3.9900	2,399,999*
<i>Note (2)</i>				

Notes:

- (1) This represents stock appreciation right to subscribe for Class A common shares of CDC Corporation granted under the 2005 Stock Incentive Plan.
- (2)* These options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation were granted to Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	—	25,000	Personal/ beneficiary	0.08%
Wang Cheung Yue, Fred	—	20,000	Personal/ beneficiary	0.07%
Yip Hak Yung, Peter	—	330,000	Interest of children or spouse <i>Note (1)</i>	1.10%

Notes:

- (1) These options to subscribe for common shares were held under the name of Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

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

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options outstanding as at 30th June, 2008
Ch'ien Kuo Fung, Raymond	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.33	25,000
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.33	20,000
Yip Hak Yung, Peter	17th February, 2007	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	13.33	330,000

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests
Wang Cheung Yue, Fred	—	120,000	Personal/ beneficiary	0.40%
Yip Hak Yung, Peter	—	900,000	Interest of children or spouse <i>Note (1)</i>	3.00%
Ch'ien Kuo Fung, Raymond	—	100,000	Personal/ beneficiary	0.33%

Notes:

- (1) These options to subscribe for common shares were held under the name of Asia Pacific Online Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

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

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options outstanding as at 30th June, 2008
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	120,000
Yip Hak Yung, Peter	17th February, 2007	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	4.50	900,000
Ch'ien Kuo Fung, Raymond	21st April, 2008	Date of commencement of an initial public offering of CDC Games Corporation to 21st April, 2015	2.57	100,000

Save as disclosed above, as at 30th June, 2008, none of the directors and chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

INTEREST 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 30th June, 2008, 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
China M Interactive (BVI) Limited	84,045,700 [#]	—	76.73%
Asia Pacific Online Limited	—	5,983,912 [#]	5.46%

[#] Adjustments after Share Consolidation effective 27th June, 2008

China M Interactive (BVI) Limited is a wholly owned subsidiary of chinadotcom Mobile Interactive Corporation. chinadotcom Mobile Interactive Corporation is a wholly owned subsidiary of CDC Corporation, the ultimate holding company of the Company.

Asia Pacific Online Limited is 50% owned by the spouse of Mr. Yip Hak Yung, Peter (“Mr. Yip”) and 50% owned by a trust established for the benefit of Mr. Yip’s spouse and his children.

Save as disclosed above, as at 30th June, 2008, 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 who is interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

SHARE OPTION SCHEMES

Pre-IPO Scheme

			Number of share options						
			Before					After	
			Share Consolidation					Share Consolidation	
		Exercise price of share options	As at	Granted	Exercised	Lapsed	As at	Adjusted	Adjusted
Name or category of participant	Date of grant of share options	before Share Consolidation	1st January, 2008	during the Half Yearly Period	during the Half Yearly Period	during the Half Yearly Period	26th June, 2008	exercise price of share options	balance as at 30th June, 2008
	<i>Note (a)</i>	<i>Note (b)</i> HK\$						<i>Note (b)</i> HK\$	<i>Note (b)</i>
Directors									
Ch'ien Kuo Fung, Raymond	9th Mar 2000	1.880	10,000,000	–	–	–	10,000,000	75.20	250,000
Wong Sin Just	9th Mar 2000	1.880	1,000,000	–	–	–	1,000,000	75.20	25,000
Employees									
In aggregate	–	–	–	–	–	–	–	–	–
Other Eligible Persons									
In aggregate	9th Mar 2000	1.880	980,000	–	–	–	980,000	75.20	24,500
			11,980,000	–	–	–	11,980,000		299,500

Post-IPO Scheme

			Number of share options						
			Before Share Consolidation				After Share Consolidation		
Name or category of participant	Date of grant of share options <i>Note (a)</i>	Exercise price of share options before Share Consolidation <i>Note (b)</i> HK\$	As at 1st January, 2008	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	As at 26th June, 2008	Adjusted exercise price of share options <i>Note (b)</i> HK\$	Adjusted balance as at 30th June, 2008 <i>Note (b)</i>
Directors									
Nil	-	-	-	-	-	-	-	-	-
Employees									
In aggregate	24th Nov 2000	0.518	1,050,620	-	-	(129,160)	921,460	20.72	23,031
	10th Apr 2001	0.286	166,312	-	-	(16,146)	150,166	11.44	3,751
Other Eligible Persons									
In aggregate	28th Feb 2002	0.347	62,080	-	-	-	62,080	13.88	1,552
			1,279,012	-	-	(145,306)	1,133,706		28,334

2002 Scheme

			Number of share options						
			Before Share Consolidation					After Share Consolidation	
Name or category of participant	Date of grant of share options	Exercise price of share options	As at 1st January, 2008	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	As at 26th June, 2008	Adjusted exercise price of share options	Adjusted balance as at 30th June, 2008
		before Share							
		Consolidation							
		<i>Note (a)</i> <i>Note (b)</i> HK\$							
Directors									
Ch'ien Kuo Fung, Raymond	5th Jun 2003	0.626	4,000,000	–	–	–	4,000,000	25.04	100,000
	10th Oct 2005	0.630	4,000,000	–	–	–	4,000,000	25.20	100,000
Wong Sin Just	5th Jun 2003	0.626	2,500,000	–	–	–	2,500,000	25.04	62,500
	15th Sep 2005	0.560	1,000,000	–	–	–	1,000,000	22.40	25,000
Yip Hak Yung, Peter	5th Jun 2003	0.626	4,000,000	–	–	–	4,000,000	25.04	100,000
	10th Oct 2005	0.630	4,000,000	–	–	–	4,000,000	25.20	100,000
	3rd Jan 2006	0.526	9,000,000	–	–	–	9,000,000	21.04	225,000
	14th Aug 2006	0.445	239,356,507	–	–	–	239,356,507	17.08	5,983,912
			<i>Note (c)</i> <i>Note (c)</i>						
Wang Cheung Yue, Fred	5th Jun 2003	0.626	2,000,000	–	–	–	2,000,000	25.04	50,000
	15th Sep 2005	0.560	4,000,000	–	–	–	4,000,000	22.40	100,000
Chia Kok Onn	15th Sep 2005	0.560	2,500,000	–	–	–	2,500,000	22.40	62,500
Fang Xin	10th Oct 2005	0.630	1,000,000	–	–	–	1,000,000	25.20	25,000
Chen Xiaowei	15th Sep 2005	0.560	4,000,000	–	–	(4,000,000)	–	–	–
	3rd Jan 2006	0.526	11,200,000	–	–	(11,200,000)	–	–	–
	1st Jul 2006	0.460	7,500,000	–	–	(7,500,000)	–	–	–
Cheng Loi	26th Mar 2008	0.275	–	1,515,000	–	–	1,515,000	11.00	37,875
				<i>Notes (d)</i> <i>and (e)</i> <i>Note (e)</i>					

			Number of share options						
			Before					After	
			Share Consolidation					Share Consolidation	
		Exercise price of share options before Share Consolidation	As at 1st January, 2008	Granted during the Half Yearly Period	Exercised during the Half Yearly Period	Lapsed during the Half Yearly Period	As at 26th June, 2008	Adjusted exercise price of share options	Adjusted balance as at 30th June, 2008
Name or category of participant	Date of grant of share options	Consolidation							
	Note (a)	Note (b)						Note (b)	Note (b)
		HK\$						HK\$	
Employees									
In aggregate	24th Feb 2003	0.171	32,290	–	–	–	32,290	6.84	807
	29th May 2003	0.716	64,580	–	–	–	64,580	28.64	1,614
	22nd Dec 2003	0.634	103,320	–	–	–	103,320	25.36	2,582
	7th Sep 2004	0.510	169,285	–	–	(77,500)	91,785	20.40	2,294
	26th Nov 2004	0.528	245,420	–	–	–	245,420	21.12	6,135
	15th Sep 2005	0.560	8,025,000	–	–	(2,625,000)	5,400,000	22.40	135,000
	3rd Jan 2006	0.526	1,250,000	–	–	(1,000,000)	250,000	21.04	6,250
	2nd Oct 2007	0.429	3,450,000	–	–	(2,200,000)	1,250,000	17.16	31,250
	13th Nov 2007	0.444	500,000	–	–	–	500,000	17.76	12,500
	26th Mar 2008	0.275	–	350,000	–	(100,000)	250,000	11.00	6,250
				Note (d)					
Other Eligible Persons									
In aggregate	29th May 2003	0.716	90,420	–	–	–	90,420	28.64	2,260
	5th Jun 2003	0.626	1,400,000	–	–	(750,000)	650,000	25.04	16,250
	15th Sep 2005	0.560	4,325,000	–	–	(2,375,000)	1,950,000	22.40	48,750
	3rd Jan 2006	0.526	16,187,500	–	–	(187,500)	16,000,000	21.04	400,000
	25th Aug 2006	0.450	5,000,000	–	–	–	5,000,000	18.00	125,000
							Note (f)		Note (f)
			340,899,322	1,865,000	–	32,015,000	310,749,322		7,768,729

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 the 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. Under each of the Pre-IPO Scheme, Post-IPO Scheme and 2002 Share Option Scheme, adjustments were made to the exercise prices and balances of the number of share options outstanding as at 30th June, 2008 resulting from the 40 to 1 Share Consolidation effective 27th June, 2008.
- (c) Please refer to Note (8) under the section **"INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS"** for the vesting schedule.
- (d) The price of the Company's shares immediately before 26th March, 2008, the date of the grant of the share options, is 0.275 which was the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.
- (e) Out of the 1,515,000 options (adjusted to 37,875 options after Share Consolidation) granted on 26th March, 2008, 15,000 options (adjusted to 375 options after Share Consolidation) shall vest over a period of four years and the other 1,500,000 options (adjusted to 37,500 options after Share Consolidation) shall vest over a period of three years.
- (f) These options should vest in equal installments, every three months, over a period of three years.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Before the 40 to 1 Share Consolidation effective 27th June, 2008, the Company has repurchased a total of 58,202,000 ordinary shares of the Company on the Stock Exchange for an aggregate amount of HK\$16,343,580, net of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase were as follows:–

Date of repurchase	Number of shares repurchased	Price per share repurchased	
		Highest (HK\$)	Lowest (HK\$)
14th February, 2008	96,000	0.310	–
18th February, 2008	150,000	0.310	0.300
19th February, 2008	470,000	0.315	–
20th February, 2008	200,000	0.320	0.315
22nd February, 2008	150,000	0.315	–
26th March, 2008	1,100,000	0.275	0.265
27th March, 2008	1,110,000	0.275	0.265
28th March, 2008	200,000	0.270	–
31st March, 2008	102,000	0.285	0.275
1st April, 2008	1,000,000	0.285	–
2nd April, 2008	256,000	0.290	0.285
7th April, 2008	1,000,000	0.300	–
8th April, 2008	970,000	0.300	0.295
9th April, 2008	3,782,000	0.300	0.290
10th April, 2008	1,000,000	0.305	0.295
11th April, 2008	750,000	0.305	0.300
14th April, 2008	2,714,000	0.300	0.295
15th April, 2008	1,862,000	0.300	0.290
16th April, 2008	2,000,000	0.300	–
17th April, 2008	734,000	0.300	–
30th May, 2008	1,326,000	0.285	–
2nd June, 2008	500,000	0.280	–
5th June, 2008	1,808,000	0.265	0.260
6th June, 2008	2,690,000	0.275	0.265
10th June, 2008	2,608,000	0.270	0.265
11th June, 2008	2,722,000	0.270	0.260
12th June, 2008	1,500,000	0.265	–
13th June, 2008	2,938,000	0.275	0.265
16th June, 2008	1,250,000	0.275	–
17th June, 2008	2,426,000	0.275	0.270
18th June, 2008	1,700,000	0.275	0.270
19th June, 2008	1,940,000	0.275	0.270
20th June, 2008	3,466,000	0.280	0.270
23rd June, 2008	3,050,000	0.280	0.270
24th June, 2008	2,160,000	0.280	0.275
25th June, 2008	1,832,000	0.280	–
26th June, 2008	4,640,000	0.285	0.280
	<u>58,202,000</u>		

After the Share Consolidation and upto 4th July, 2008, the Company has further repurchased a total of 40,950 consolidated ordinary shares of the Company on the Stock Exchange for an aggregate amount of HK\$528,355, net of transaction cost. The Directors believe that such further repurchase will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase were as follows:–

Date of repurchase	Number of shares repurchased	Price per share repurchased	
		Highest (HK\$)	Lowest (HK\$)
4th July, 2008	40,950	12.92	12.90
	<u>40,950</u>		

The repurchased shares have been cancelled.

COMPETING INTERESTS

Currently, the Board is not aware of any Director or the management shareholder of the Company (as defined under the GEM Listing Rules) having any interests in a business which competes or may compete with the business of the Group.

SECURITIES TRANSACTIONS BY DIRECTORS

During the Half-Yearly Period, 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, 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 Half-Yearly Period.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the Half-Yearly Period with the Code.

AUDIT COMMITTEE

The Company established an audit committee on 25th February 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules. The audit committee comprises four independent non-executive directors namely, Dato’ Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred, Mr. Chia Kok Onn and Dr. Lam Lee G. 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 draft of this report and has provided advice and comments thereon.

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

Hong Kong, 11th August, 2008

As at the date of this announcement, the executive directors of the Company are Mr. Yip Hak Yung, Peter, Dr. Cheng Loi, the non-executive directors are Dr. Ch’ien Kuo Fung, Raymond, Mr. Fang Xin and the independent non-executive directors are Dato’ Wong Sin Just, Mr. Wang Cheung Yue, Fred, Mr. Chia Kok Onn, Dr. Lam Lee G. and Mr. Anson Wang.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.inc.china.com.