china.com

# China.com Inc.

中華網科技公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8006)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

**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.**



*This announcement, 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 announcement 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 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 2008, our business operations were adversely affected by the global financial crisis.

Below are the financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group"):

- Revenue decreased 25% to HK$116.2 million in 2008 from HK$154.7 million in 2007.

- Revenue from Portal increased 18% to HK$28.9 million from HK$24.5 million in 2007. Revenue from TTG increased 21% to HK$77.8 million from HK$64.5 million in 2007. Revenue from MVAS decreased 86% to HK$9.5 million from HK$65.7 million in 2007.

- Gross profit decreased 28% to HK$59.9 million from HK$83.5 million in 2007.

- Due to decline in global financial market, the Group recorded impairment charges of HK$59.4 million including impairment charges of HK$53.0 million against certain available-for-sale investments and HK$6.4 million against certain accounts receivable.

- Loss attributable to equity holders was HK$26.8 million, compared to loss of HK$599.7 million in 2007.

- Not counting impairment charges, the Group posted operating profit before tax of HK$36.0 million.

- Basic loss per share (LPS) was 24.72 HK cents, compared to 547.66 HK cents in 2007.

- Balance sheet remained strong, with more than HK$1.2 billion of cash and cash equivalent, held-for-trading investments and available-for-sale investments as of 31st December, 2008.

- On 27th June, 2008, a special dividend of HK$5.34 per share totaling HK$577.1 million was declared and paid to shareholders. Subsequent to the balance sheet date, a special dividend of HK$3.66 per share totaling HK$392.3 million was declared on 9th February 2009.

- Pursuant to the approval of shareholders in the extraordinary general meeting held on 26th June, 2008, every 40 issued and unissued ordinary shares of HK$0.10 each in the share capital were consolidated into one share of HK$4.00 each with effect from 27th June, 2008.

- Pursuant to the approval of shareholders in the extraordinary general meeting held on 16th January 2009, the share capital of the Company will be reduced by HK$3.99 per existing ordinary share of HK$4.00 each by cancelling an equivalent amount of paid-up capital per existing ordinary share so that the par value of each new share in issue will be HK$0.01 subject to the approval of the Grand Court of Cayman Islands.

- In view of the difficult regulatory environment for the MVAS business in China, the Group announced in February 2008 that it was in the process of reducing the MVAS workforce and that it intended to de-emphasize the business.

- Given the turmoil in finance markets, the Group conducted an impairment assessment of its available-for-sale investments. Management determined the decline in the value of some investments was not temporary and, in accordance with applicable accounting standards, the Group decided to write down the affected investments to their fair market value. This resulted in an impairment charge of HK$53.0 million against investments in a principal protected structured financial investment coupled with a US treasury strip and the equity interest in the Group's ultimate holding company, CDC Corporation.

On the positive side, our portal recorded encouraging revenue growth in 2008. For the year ended 31st December 2008, portal revenue increased 18% to HK$28,939,000. The growth was mainly attributable to higher advertising revenue from the vertical channels as well as a community platform.

During the year, we enriched the contents of our Automobile and Web-Game vertical channels and successfully attracted world-class automobile manufacturers and distributors to enter into long term relationships with us. We also launched a community platform which provides user friendly professional fora and created traffic and page views. In the future, the Group will continue to develop professional vertical channels and community platforms.

In 2008, our portal was awarded AAA rating (the highest rating in the Internet industry in China) by Internet Society of China (ISC), a renowned Internet professional association in China. In September 2008, we signed a cooperation agreement with the municipal government of Jianyin city, Jiangsu province to launch and maintain the city's official website "http://js.china.com". We also entered into a strategic partnership with Beijing Shihua International Information Co., Ltd. and Caixun.com (www.caixun.com) to launch our finance channel.

Our Automobile channel won the award of the "2008 Fifth China Brand Media Planning Excellence Award" (the annual top rating in Advertising industry in China) from the China Advertising Association (CAA). In 2008, we won advertising contracts with reputable multinational car manufacturers including Volkswagen, Mercedes-Benz, Toyota, Ford, Shanghai General Motors. In partnership with China Automobile Dealers

Association, we held the second annual survey for China automobile user consumption for major brands and services and organized an award-presentation ceremony in Beijing in December 2008, which was covered by more than 200 media organizations.

We also won other awards in 2008 including the "2008 China Top Ten Games Media" awarded by the Games Committee of China General Administration of Press and Publication, and the "Outstanding Report Prize for the 2008 Beijing Olympic Games and Paralympics Games" jointly awarded by the Press and Propaganda Department of the Organizing Committee of the Beijing Olympic Games, the Beijing Internet Publicity Management Office and the Information Office of the Beijing Municipal Government.

We took part in reporting the Tokyo Game Show and published comprehensive first-hand information of the game show in our web-game channel, which attracted heavy traffic and increased page views. Our first hand contents were reprinted and reposted widely by many media in China. We hosted the 2008 China Web-Games Summit Forum in Beijing in May 2008 with more than 100 online game developers and operators attended the forum.

TTG's revenue grew 21% in 2008 to HK$77,784,000. This is partly due to the division's ad hoc projects. TTG's new and re-renewed media and publishing contracts with national government bodies and industry stakeholders such as Vietnam National Administration of Tourism, Philippine Convention and Visitors Corporation and Pacific Asia Travel Association, re-affirm TTG's position as the industry's trusted media and publishing company. In 2008, TTG's exhibitions division successfully organised five travel and general interest events in Singapore, Bangkok and China.

To harness new opportunities for growth, TTG embarked on new initiatives such as the addition of a new industry accolade (TTG China Travel Awards in Shanghai) and travel publication (The Asean Tourism Guide) to its portfolio of products and services. This is part of the Group's strategic efforts to strengthen its foothold in Asia's travel industry. At the end of 2008, TTG launched its first B2B online room reservation portal, "Roomonger", to create a new source of revenue for the Group.

Putting things in perspective, excluding impairment charges, the Group achieved a profit before tax of HK$36.0 million from operations in 2008.

With continuing global recession, we expect to see cut back in advertising spending that will impact our portal and TTG revenue performance in the coming quarters. The Group will stay slim and fit. The Group remains long term bullish on Asia and well resourced to pursue strategic opportunities, particularly in China.

Finally, I would like to take this opportunity to thank all employees at China.com for their hard work and our shareholders for their continued support during 2008. We look forward to sharing our progress with you in the coming year.

**Dr. Ch'ien Kuo Fung, Raymond**
*Chairman*

Hong Kong, 23rd March, 2009

## RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31st December 2008, together with the comparative figures for the year ended 31st December 2007.

| | Notes | **2008** | 2007 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| Revenue | 3 | **116,238** | 154,665 |
| Cost of sales | | **(56,311)** | (71,121) |
| Gross profit | | **59,927** | 83,544 |
| Other income | | **56,989** | 84,484 |
| Selling and distribution expenses | | **(20,918)** | (35,792) |
| Administrative expenses | | **(58,632)** | (113,466) |
| Impairment losses | | **(59,447)** | (617,544) |
| Other expenses | | **(1,359)** | (14,885) |
| Interest expense on bank borrowings wholly repayable within five years | | **–** | (1,793) |
| Loss before tax | | **(23,440)** | (615,452) |
| Income tax (expense) credit | 5 | **(3,336)** | 2,796 |
| Loss for the year | 4 | **(26,776)** | (612,656) |
| Attributable to: | | | |
| Equity holders of the Company | | **(26,776)** | (599,723) |
| Minority interests | | **–** | (12,933) |
| | | **(26,776)** | (612,656) |
| Loss per share | 6 | | |
| Basic | | **(24.72) cents** | (547.66) cents |

## CONSOLIDATED BALANCE SHEET

*At 31st December 2008*

| | Notes | 2008 *HK$'000* | 2007 *HK$'000* |
|---|---|---|---|
| ASSETS | | | |
| Non-current Assets | | | |
| Plant and equipment | | **4,690** | 8,593 |
| Goodwill | | **450** | 450 |
| Available-for-sale investments | | **179,383** | 175,426 |
| Note receivable | | **–** | 491,592 |
| Deferred tax assets | | **725** | – |
| | | **185,248** | 676,061 |
| Current Assets | | | |
| Accounts receivable | 10 | **23,679** | 23,850 |
| Prepayments, deposits and other receivables | | **7,936** | 13,697 |
| Available-for-sale investments | | **38,292** | 341,471 |
| Held-for-trading investments | | **80,291** | 4,525 |
| Amounts due from fellow subsidiaries | | **6,704** | 6,701 |
| Amount due from ultimate holding company | | **697** | 697 |
| Bank balances and cash | | **870,461** | 724,331 |
| | | **1,028,060** | 1,115,272 |
| Total Assets | | **1,213,308** | 1,791,333 |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Share capital | 12 | **426,534** | 438,114 |
| Reserves | | **724,951** | 1,302,966 |
| Total Equity | | **1,151,485** | 1,741,080 |
| Non-current Liabilities | | | |
| Deferred tax liabilities | | **–** | 128 |
| Current Liabilities | | | |
| Accounts payable | 11 | **15,042** | 10,660 |
| Other payables and accrued liabilities | | **19,409** | 22,010 |
| Deferred revenue | | **12,321** | 4,278 |
| Tax liabilities | | **6,417** | 4,760 |
| Amounts due to fellow subsidiaries | | **8,634** | 8,417 |
| | | **61,823** | 50,125 |
| Total Equity and Liabilities | | **1,213,308** | 1,791,333 |
| Total assets less current liabilities | | **1,151,485** | 1,741,208 |

*Notes:*

**1. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

**2. Application of Hong Kong Financial Reporting Standards**

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective or have become effective.

| | |
|---|---|
| HKAS 39 & HKFRS 7 (Amendments) | Reclassification of Financial Assets |
| HK (IFRIC) – Int 11 | HKFRS 2: Group and Treasury Share Transactions |
| HK (IFRIC) – Int 12 | Service Concession Arrangements |
| HK (IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs[1] |
| HKAS 1 (Revised) | Presentation of Financial Statements[2] |
| HKAS 23 (Revised) | Borrowing Costs[2] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements[3] |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation[2] |
| HKAS 39 (Amendment) | Eligible hedged items[3] |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2] |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations[2] |
| HKFRS 3 (Revised) | Business Combinations[3] |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments[2] |
| HKFRS 8 | Operating Segments[2] |
| HK (IFRIC) – Int 9 & HKAS 39 (Amendments) | Embedded Derivatives[4] |
| HK (IFRIC) – Int 13 | Customer Loyalty Programmes[5] |
| HK (IFRIC) – Int 15 | Agreements for the Construction of Real Estate[2] |
| HK (IFRIC) – Int 16 | Hedges of a Net Investment in a Foreign Operation[6] |
| HK (IFRIC) – Int 17 | Distribution of Non-cash Assets to Owners[3] |
| HK (IFRIC) – Int 18 | Transfers of Assets from Customers[7] |

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods ending on or after 30 June 2009
[5] Effective for annual periods beginning on or after 1 July 2008
[6] Effective for annual periods beginning on or after 1 October 2008
[7] Effective for transfers on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. 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 for the year is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Mobile services and applications income | **9,515** | 65,672 |
| Internet and media | **106,723** | 88,993 |
| | **116,238** | 154,665 |

## 4. Loss for the year

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging (crediting): | | |
| Depreciation of plant and equipment | **5,871** | 7,153 |
| Amortisation of other intangible assets included in other expenses | **–** | 14,885 |
| Total depreciation and amortisation | **5,871** | 22,038 |
| Staff costs (including directors' emoluments) | **45,385** | 72,122 |
| Retirement benefits scheme contributions | **3,300** | 3,700 |
| Total staff costs | **48,685** | 75,822 |
| Auditors' remuneration | **2,176** | 3,028 |
| Loss (gain) on disposal of plant and equipment (included in other expenses (income)) | **61** | (7) |
| Gain on disposal of available-for-sale investments (included in other income) | **–** | (358) |
| Gain on held-for-trading investments (included in other income) | **(193)** | (1,992) |
| Loss on deregistration of a subsidiary (included in other expenses) | **1,298** | – |
| Interest income on available-for-sale investments (included in other income) | **(23,642)** | (26,337) |
| Net foreign exchange loss | **3,632** | 11,475 |
| Other interest income (included in other income) | **(33,154)** | (55,790) |

## 5. Taxation

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no significant assessable profits in Hong Kong for either year.

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

## 6. Loss per share

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

| | 2008 | 2007 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| *Earnings* | | |
| Loss for the year attributable to equity holders of the Company | **(26,776)** | (599,723) |

*Number of shares*

| | 2008 | 2007 |
|---|---|---|
| | *'000* | *'000* |
| Weighted average number of ordinary shares for the purposes of basic loss per share | **108,319** | 109,506 |

No diluted loss per share has been presented because the exercise of options would result in a decrease in loss per share.

The weighted average number of ordinary shares for the purpose of basic loss per shares has been adjusted for the Company's share consolidation in June 2008, details of which are set out in note 12.

## 7. 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.

*Year ended 31 December 2008*

| | Mobile services and applications<br>*HK$'000* | Internet and media<br>*HK$'000* | Elimination<br>*HK$'000* | Consolidated<br>*HK$'000* |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 9,515 | 106,723 | – | 116,238 |
| Inter-segment sales | 3,178 | 2,231 | (5,409) | – |
| Total | 12,693 | 108,954 | (5,409) | 116,238 |
| **RESULT** | | | | |
| Segment results | (12,217) | 3,457 | – | (8,760) |
| Interest income and unallocated other corporate income | | | | 56,989 |
| Impairment loss on available-for-sale investments | | | | (53,037) |
| Unallocated corporate expenses | | | | (18,632) |
| Loss before tax | | | | (23,440) |
| Income tax expense | | | | (3,336) |
| Loss for the year | | | | (26,776) |

Inter-segment sales are charged at prevailing market rates.

*As at 31 December 2008*

| | Mobile services and applications HK$'000 | Internet and media HK$'000 | Consolidated HK$'000 |
|---|---|---|---|
| **BALANCE SHEET** | | | |
| **ASSETS** | | | |
| Segment assets | 4,181 | 33,254 | 37,435 |
| Available-for-sale investments, held-for-trading investments and unallocated corporate assets | | | 1,175,873 |
| Total assets | | | 1,213,308 |
| **LIABILITIES** | | | |
| Segment liabilities | 10,148 | 44,174 | 54,322 |
| Unallocated corporate liabilities | | | 7,501 |
| Total liabilities | | | 61,823 |

*For the year ended 31 December 2008*

| | Mobile services and applications HK$'000 | Internet and media HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| **OTHER INFORMATION** | | | | |
| Depreciation and amortisation | 2,173 | 3,698 | – | 5,871 |
| Share based payments expense | 720 | 938 | 4,877 | 6,535 |
| Loss (gain) on disposal of plant and equipment | 68 | (21) | 14 | 61 |
| Impairment losses | 4,842 | 1,568 | 53,037 | 59,447 |
| Capital expenditure: | | | | |
| Plant and equipment | – | 1,681 | – | 1,681 |

*Year ended 31 December 2007*

| | Mobile services and applications HK$'000 | Internet and media HK$'000 | Elimination HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 65,672 | 88,993 | – | 154,665 |
| Inter-segment sales | – | 8,539 | (8,539) | – |
| Total | 65,672 | 97,532 | (8,539) | 154,665 |
| **RESULT** | | | | |
| Segment results | (580,470) | (6,449) | – | (586,919) |
| Interest income and unallocated other corporate income | | | | 84,484 |
| Interest expense on bank borrowings wholly repayable within five years | | | | (1,793) |
| Impairment loss on available -for-sale investments | | | | (77,489) |
| Unallocated corporate expenses | | | | (33,735) |
| Loss before tax | | | | (615,452) |
| Income tax credit | | | | 2,796 |
| Loss for the year | | | | (612,656) |

Inter-segment sales are charged at prevailing market rates.

*As at 31 December 2007*

| | Mobile services and applications *HK$'000* | Internet and media *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|
| **BALANCE SHEET** | | | |
| **ASSETS** | | | |
| Segment assets | 15,370 | 24,748 | 40,118 |
| Available-for-sale investments, held-for-trading investments and unallocated corporate assets | | | 1,751,215 |
| Total assets | | | 1,791,333 |
| **LIABILITIES** | | | |
| Segment liabilities | 12,165 | 29,474 | 41,639 |
| Unallocated corporate liabilities | | | 8,614 |
| Total liabilities | | | 50,253 |

*For the year ended 31 December 2007*

| | Mobile services and applications *HK$'000* | Internet and media *HK$'000* | Unallocated *HK$'000* | Consolidated *HK$'000* |
|---|---|---|---|---|
| **OTHER INFORMATION** | | | | |
| Depreciation and amortisation | 18,458 | 3,580 | – | 22,038 |
| Share based payments expense | 1,593 | 2,576 | 15,859 | 20,028 |
| Loss (gain) on disposal of plant and equipment | 39 | (46) | – | (7) |
| Impairment losses | 536,441 | 3,614 | 77,489 | 617,544 |
| Capital expenditure: | | | | |
| Plant and equipment | 1,268 | 3,583 | 29 | 4,880 |

**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 location of customers, irrespective of the origin of the services:

| | **Revenue by geographical market** | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$'000*** | *HK$'000* |
| PRC | **38,224** | 89,607 |
| Hong Kong | **230** | 580 |
| Singapore | **77,784** | 64,478 |
| | **116,238** | 154,665 |

The following is an analysis of the carrying amount of segment assets, and additions to plant and equipment, analysed by the geographical area in which the assets are located:

| | **Carrying amount of segment assets** | | **Additions to plant and equipment** | |
|---|---|---|---|---|
| | | | **Year ended** | Year ended |
| | **31.12.2008** | 31.12.2007 | **31.12.2008** | 31.12.2007 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| PRC | **13,184** | 24,715 | **1,485** | 4,583 |
| Singapore | **24,131** | 15,313 | **196** | 279 |
| Hong Kong | **120** | 90 | **–** | 18 |
| | **37,435** | 40,118 | **1,681** | 4,880 |

## 8. Consolidated statement of changes in equity for the year ended 31st December 2008

| | 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* *(Note)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 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 | – | – | – | (70,531) | – | – | – | – | – | (70,531) | – | (70,531) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | – | 18,147 | – | – | 18,147 | – | 18,147 |
| Net (expense) income recognised directly in equity | – | – | – | (70,531) | – | – | 18,147 | – | – | (52,384) | – | (52,384) |
| Loss for the year | – | – | – | – | – | – | – | – | (599,723) | (599,723) | (12,933) | (612,656) |
| Investment revaluation reserve released on disposal of available-for-sale investments | – | – | – | 153 | – | – | – | – | – | 153 | – | 153 |
| Investment revaluation reserve released on impairment of available-for-sale investments | – | – | – | 78,691 | – | – | – | – | – | 78,691 | – | 78,691 |
| Total recognised income and expense for the year | – | – | – | 8,313 | – | – | 18,147 | – | (599,723) | (573,263) | (12,933) | (586,196) |
| Recognition of equity-settled share based payments | – | – | – | – | – | – | – | 20,028 | – | 20,028 | – | 20,028 |
| 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) | – | – | – | – |
| Repurchase of shares | (110) | (427) | – | – | 110 | – | – | – | (110) | (537) | – | (537) |
| At 31 December 2007 and 1 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 |
| Surplus on revaluation of available-for-sale investments | – | – | – | (36,795) | – | – | – | – | – | (36,795) | – | (36,795) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | – | – | 13,863 | – | – | 13,863 | – | 13,863 |
| Net income recognised directly in equity | – | – | – | (36,795) | – | – | 13,863 | – | – | (22,932) | – | (22,932) |
| Loss for the year | – | – | – | – | – | – | – | – | (26,776) | (26,776) | – | (26,776) |
| Investment revaluation reserve released on maturity of available-for-sale investments | – | – | – | 1,729 | – | – | – | – | – | 1,729 | – | 1,729 |
| Investment revaluation reserve released on impairment of available-for-sale investments | – | – | – | 53,037 | – | – | – | – | – | 53,037 | – | 53,037 |
| Total recognised income and expense for the year | – | – | – | 17,971 | – | – | 13,863 | – | (26,776) | 5,058 | – | 5,058 |
| Recognition of equity-settled share based payments | – | – | – | – | – | – | – | 6,535 | – | 6,535 | – | 6,535 |
| Special dividend | – | (577,137) | – | – | – | – | – | – | – | (577,137) | – | (577,137) |
| Repurchase of shares | (11,580) | (12,471) | – | – | 11,580 | – | – | – | (11,580) | (24,051) | – | (24,051) |
| At 31 December 2008 | 426,534 | 430,501 | (31,193) | 7,635 | 11,690 | 24,123 | 50,125 | 59,028 | 173,042 | 1,151,485 | – | 1,151,485 |

*Note:* 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.

## 9. Dividends

On 27th June 2008, the Company declared a special dividend of HK$5.34 per share (after the Share Consolidation) to shareholders out of the Company's share premium. The dividend was paid in July 2008 totalling to HK$577,137,000.

Subsequent to the balance sheet date, a special dividend of HK$3.66 per share totalling HK$392,256,000 was declared on 9th February 2009.

## 10. Account receivable

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

The following is an aged analysis of trade receivables net of allowance for doubtful debts at the balance sheet date:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **20,561** | 21,824 |
| 91 – 120 days | **605** | 528 |
| 121 – 180 days | **2,091** | 1,404 |
| Over 180 days | **422** | 94 |
| | **23,679** | 23,850 |

## 11. Accounts payable

An aged analysis of accounts payable as at the balance sheet date is as follows:

| | **2008** | 2007 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 90 days | **10,796** | 6,460 |
| 91 – 120 days | **104** | 247 |
| 121 – 180 days | **133** | 252 |
| Over 180 days | **4,009** | 3,701 |
| | **15,042** | 10,660 |

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

## 12. Share capital

| | Number of shares | | | Share capital | |
|---|---|---|---|---|---|
| | **2008** | 2007 *After Share Consolidation* | 2007 *Before Share Consolidation* | ***2008 HK$'000*** | 2007 *HK$'000* |
| Ordinary shares of HK$4.00 each after Share Consolidation, or HK$0.10 each before Share Consolidation | | | | | |
| Authorised | **250,000,000** | 250,000,000 | 10,000,000,000 | **1,000,000** | 1,000,000 |
| Issued and fully paid: | | | | | |
| At beginning of year | **109,528,482** | 109,481,425 | 4,379,256,978 | **438,114** | 437,926 |
| Repurchase of shares | **(2,895,000)** | (27,500) | (1,100,000) | **(11,580)** | (110) |
| Exercise of share options | **–** | 74,557 | 2,982,298 | **–** | 298 |
| At end of year | **106,633,482** | 109,528,482 | 4,381,139,276 | **426,534** | 438,114 |

On 26th June 2008, the Company announced that every 40 issued and unissued ordinary shares of HK$0.10 each in the capital of the Company be consolidated into one share of HK$4.00 each (the "Share Consolidation").

## 13. Comparative figures

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

*Revenue and gross profit*

Revenue for the year ended 31st December, 2008 was HK$116,238,000 representing a HK$38,427,000, or 25% decrease compared to last year. The net decrease was primarily attributable to (1) an increase in advertising revenue from the internet and media segment of HK$17,730,000; and (2) a decrease in mobile services and applications revenue of HK$56,157,000.

Gross profit margin maintained at a relatively stable level of 52% in 2008, compared to 54% in 2007.

*Other income*

Other income decreased by 33% to HK$56,989,000 in 2008, compared to HK$84,484,000 in 2007. The net decrease was primarily due to (1) a HK$2,695,000 decrease in interest income from available-for-sale investments; (2) a HK$10,744,000 decrease in interest income from cash and bank balances; and (3) a HK$11,892,000 decrease in note interest income as a result of the maturity of a US$60 million promissory note on 27th June, 2008.

*Selling and distribution costs*

Selling and distribution costs decreased to HK$20,918,000 in 2008, compared to HK$35,792,000 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$17,918,000 in 2008.

*Administrative expenses*

Administrative expenses decreased by 48% to HK$58,632,000 in 2008 versus HK$113,466,000 in 2007. Administrative expenses include share option expenses in 2008 amounting to HK$6,535,000 (2007: HK$20,028,000) recognized in accordance with HKFRS 2.

*Impairment losses*

Impairment losses decreased 90% to HK$59,447,000 in 2008, compared to HK$617,544,000 in 2007. The decrease was due to (1) a HK$25,654,000 decrease in impairment charges against certain available-for-sale investments; (2) a one-time write-down of all the goodwill and intangible assets attributable to the MVAS business amounting to HK$533,419,000 in 2007; and (3) a HK$976,000 increase in impairment charges against certain accounts receivable.

Impairment losses include impairment charges of HK$53,037,000 against certain available-for-sale investments and HK$6,410,000 against certain accounts receivable.

*Other expenses*

Other expenses decreased by about HK$13,526,000 to HK$1,359,000 in 2008, compared to HK$14,885,000 in 2007. The decrease was primarily due to the decrease in amortisation expense for intangible assets.

*Income tax*

The Group recorded an income tax expense of HK$3,336,000 in 2008, compared to an income tax credit of HK$2,796,000 in 2007. The provision of income tax was HK$4,198,000 in 2008, which was offset by the deferred tax income of HK$862,000.

*Minority interests*

Loss shared by minority interests was HK$Nil in 2008, compared to a loss shared by minority interests of HK$12,933,000 in 2007. Loss shared by minority interests in 2007 represented minority interests' share of loss in the Group's mobile services and applications segment.

*Loss for the year attributable to equity holders of the Company*

Loss for the year attributable to equity holders of the Company was HK$26,776,000 in 2008, compared with loss attributable to equity holders of the Company of HK$599,723,000 in 2007.

*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$1,151,485,000 shareholders' funds as at 31st December, 2008, compared to HK$1,741,080,000 as at 31st December, 2007. Total assets amounted to HK$1,213,308,000 as at 31st December, 2008, compared to HK$1,791,333,000 as at 31st December, 2007, of which HK$870,461,000 (2007: HK$724,331,000) was bank balances, HK$80,291,000 (2007: HK$4,525,000) was held-for-trading investments and HK$217,675,000 (2007: HK$516,897,000) was available-for-sale investments.

*Capital structure*

There was no change in the capital structure of the Group as at 31st December, 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 31st December, 2008 and 2007.

*Gearing ratio*

The Group has a zero gearing ratio as at 31st December, 2008 and 2007 as calculated by net debts divided 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 31st December, 2008, no related hedges were made by the Group.

*Contingent liabilities*

The directors of the Company have assessed the contingent tax liability that may arise from the disposal of Online Games during the year ended 31st December, 2006 and considered 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 loss for the year will increase approximately by HK$110,000,000.

## BUSINESS REVIEW

### Portal

Our portal represents the origin of our Group's business. The brand "China.com" enjoys nation-wide recognition in China. Our portal recorded encouraging revenue growth in 2008. For the year ended 31st December 2008, portal revenue increased 18% to HK$28,939,000. The growth was mainly attributable to higher advertising revenue from the vertical channels as well as a community platform.

During the year, we enriched the contents of our Automobile and Web-Game vertical channels and successfully attracted world-class automobile manufacturers and distributors to enter into long term relationships with us. We also launched a community platform which provides user friendly professional fora and created traffic and page views. In the future, the Group will continue to develop professional vertical channels and community platforms.

In 2008, our portal was awarded AAA rating (the highest rating in the Internet industry in China) by Internet Society of China (ISC), a renowned Internet professional association in China. In September 2008, we signed a cooperation agreement with the municipal government of Jianyin city, Jiangsu province to launch and maintain the city's official website "http://js.china.com". We also entered into a strategic partnership with Beijing Shihua International Information Co., Ltd. and Caixun.com (www.caixun.com) to launch our finance channel.

Our Automobile channel won the award of the "2008 Fifth China Brand Media Planning Excellence Award" (the annual top rating in Advertising industry in China) from the China Advertising Association (CAA). In 2008, we won advertising contracts with reputable multinational car manufacturers including Volkswagen, Mercedes-Benz, Toyota, Ford, Shanghai General Motors. In partnership with China Automobile Dealers

Association, we held the second annual survey for China automobile user consumption for major brands and services and organized an award-presentation ceremony in Beijing in December 2008, which was covered by more than 200 media organizations.

We also won other awards in 2008 including the "2008 China Top Ten Games Media" awarded by the Games Committee of China General Administration of Press and Publication, and the "Outstanding Report Prize for the 2008 Beijing Olympic Games and Paralympics Games" jointly awarded by the Press and Propaganda Department of the Organizing Committee of the Beijing Olympic Games, the Beijing Internet Publicity Management Office and the Information Office of the Beijing Municipal Government.

We took part in reporting the Tokyo Game Show and published comprehensive first-hand information of the game show in our web-game channel, which attracted heavy traffic and increased page views. Our first hand contents were reprinted and reposted widely by many media in China. We hosted the 2008 China Web-Games Summit Forum in Beijing in May 2008 with more than 100 online game developers and operators attended the forum.

**Mobile Value Added Services**

The regulatory environment for the MVAS industry continues to be difficult and we see no reasonable instance where our MVAS business may turn profitable in the foreseeable future. As previously announced, the Group has de-emphasized the MVAS business operation.

**Media and Travel**

TTG's revenue grew 21% in 2008 to HK$77,784,000. This is partly due to the division's ad hoc projects. TTG's new and re-renewed media and publishing contracts with national government bodies and industry stakeholders such as Vietnam National Administration of Tourism, Philippine Convention and Visitors Corporation and Pacific Asia Travel Association, re-affirm TTG's position as the industry's trusted media and publishing company. In 2008, TTG's exhibitions division successfully organised five travel and general interest events in Singapore, Bangkok and China.

To harness new opportunities for growth, TTG embarked on new initiatives such as the addition of a new industry accolade (TTG China Travel Awards in Shanghai) and travel publication (The Asean Tourism Guide) to its portfolio of products and services. This is part of the Group's strategic efforts to strengthen its foothold in Asia's travel industry. At the end of 2008, TTG launched its first B2B online room reservation portal, "Roomonger", to create a new source of revenue for the Group.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

There were no material acquisitions, disposals or significant investment during the year.

## EMPLOYEE INFORMATION

As at 31st December, 2008, the Group has 230 (2007: 307) full-time employees of which 6 (2007: 5) are based in Hong Kong, 178 (2007: 262) in China, 43 (2007: 40) in Singapore, 2 (2007: Nil) in Thailand and 1 (2007: Nil) in Malaysia. The Group has introduced share option schemes to recognize 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.

## 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 approximately HK$16,421,000, cum 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:–

| | Number of shares | Price per share repurchased | |
|---|---|---|---|
| **Date of repurchase** | **repurchased** | **Highest** | **Lowest** |
| | | *(HK$)* | *(HK$)* |
| 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 |

| Date of repurchase | Number of shares repurchased | Price per share repurchased Highest *(HK$)* | Lowest *(HK$)* |
|---|---:|---:|---:|
| 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 |
| | 58,202,000 | | |

After the Share Consolidation and upto 11th December 2008, the Company has further repurchased a total of 1,439,950 consolidated ordinary shares of the Company on the Stock Exchange for an aggregate amount of approximately HK$7,630,000, cum 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 |
| 12th August 2008 | 6,000 | 5.40 | 5.37 |
| 13th August 2008 | 41,000 | 5.35 | 5.30 |
| 14th August 2008 | 16,000 | 5.35 | – |
| 15th August 2008 | 5,000 | 5.35 | – |
| 20th August 2008 | 6,000 | 5.75 | 5.60 |
| 21st August 2008 | 11,000 | 5.78 | 5.74 |
| 5th September 2008 | 42,000 | 6.38 | 6.30 |
| 8th September 2008 | 28,000 | 6.40 | – |
| 9th September 2008 | 2,000 | 6.20 | – |
| 10th September 2008 | 30,000 | 6.25 | 6.08 |
| 11th September 2008 | 13,000 | 6.30 | 6.10 |
| 12th September 2008 | 264,000 | 6.30 | 6.05 |

| Date of repurchase | Number of shares repurchased | Price per share repurchased Highest (HK$) | Lowest (HK$) |
|---|---:|---:|---:|
| 16th September 2008 | 63,000 | 6.08 | 6.00 |
| 17th September 2008 | 91,000 | 6.10 | 5.85 |
| 18th September 2008 | 65,000 | 5.90 | 5.40 |
| 19th September 2008 | 17,000 | 5.50 | 5.40 |
| 23rd September 2008 | 16,000 | 5.40 | 5.37 |
| 24th September 2008 | 18,000 | 5.40 | – |
| 25th September 2008 | 17,000 | 5.50 | 5.37 |
| 26th September 2008 | 23,000 | 5.35 | 5.32 |
| 29th September 2008 | 6,000 | 5.24 | 5.23 |
| 30th September 2008 | 16,000 | 5.23 | 5.20 |
| 2nd October 2008 | 15,000 | 5.21 | 5.19 |
| 6th October 2008 | 4,000 | 5.20 | 5.17 |
| 8th October 2008 | 18,000 | 5.17 | 5.05 |
| 9th October 2008 | 104,000 | 5.05 | 4.93 |
| 10th October 2008 | 26,000 | 5.00 | 4.73 |
| 11th November 2008 | 18,000 | 3.20 | 3.05 |
| 12th November 2008 | 60,000 | 3.20 | 3.10 |
| 26th November 2008 | 39,000 | 3.55 | 3.35 |
| 27th November 2008 | 171,000 | 3.53 | 3.46 |
| 1st December 2008 | 5,000 | 3.50 | 3.47 |
| 2nd December 2008 | 20,000 | 3.50 | – |
| 3rd December 2008 | 13,000 | 3.55 | 3.50 |
| 5th December 2008 | 8,000 | 3.50 | – |
| 8th December 2008 | 49,000 | 3.55 | 3.50 |
| 9th December 2008 | 23,000 | 3.58 | 3.55 |
| 10th December 2008 | 29,000 | 3.68 | – |
| 11th December 2008 | 1,000 | 3.70 | – |
| | 1,439,950 | | |

The repurchased shares have been cancelled.

Save as disclosed herein, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December 2008.

## COMPETING INTERESTS

Professor Li On-kwok, Victor, an Independent Non-Executive Director of the Company, is a well recognized leader in the field of information technology development and has been appointed to various positions including consultants and directors to institutions and business entities which are engaged in research, development and business. These institutions and business entities may be in competition with the Group.

Save as disclosed herein, the Board is not aware of any Director or the management shareholder of the Company (as defined in 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 year ended 31st December 2008, 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 year ended 31st December 2008.

## 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 year ended 31st December 2008 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 three independent non-executive directors namely, Dato' Dr Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred 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 met four times in 2008. The Company's annual results for the year ended 31st December 2008 have been reviewed by the audit committee of the Company.

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

Hong Kong, 23rd March 2009

*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' Dr Wong Sin Just, Mr. Wang Cheung Yue, Fred, Dr. Lam Lee G, Mr. Anson Wang and Professor Li On-kwok, Victor.*

*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.*