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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 2009

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 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 2009, our business operations continued to be affected by the economic slow down caused by the global financial crisis. Nevertheless, we were able to return to profitability.

- Revenue from continuing operations decreased 11% to HK$95.0 million in 2009 from HK$106.7 million in 2008.

- Gross profit from continuing operations decreased 6% to HK$52.2 million in 2009 from HK$55.8 million in 2008.

- Profit attributable to owners of the Company amounted to HK$19.4 million (inclusive of HK$3.5 million of profit from discontinued MVAS operation) in 2009, compared to a loss of HK$26.8 million in 2008.

- Basic earning per share (EPS) was HK cents 18.07, compared to basic loss per share (LPS) of HK cents 24.72 in 2008.

- Pursuant to the approval of the Grand Court of Cayman Islands, the share capital of the Company was reduced by HK$3.99 per existing ordinary share from HK$4.00 each to HK$0.01 each by cancelling an equivalent amount of paid-up capital per existing ordinary share effective on 19 June 2009.

- The Company declared and paid dividends totaling HK$700.9 million in 2009, as follows:

  – On 9 February 2009, a special dividend of HK$3.66 per share totaling HK$392.3 million was declared and paid to shareholders.

  – On 10 August 2009, an interim dividend of HK$1.00 per share totaling HK$107.2 million was declared and paid to shareholders.

  – On 15 October 2009, a special dividend of HK$1.88 per share totaling HK$201.4 million was declared and paid to shareholders.

- The process of closing down MVAS operations, announced in 2008, was completed in the third quarter of 2009.

- Financial position remains strong, with an aggregate amount of HK$483.7 million of bank balances and cash, held-for-trading investments and available-for-sale investments as of 31 December 2009.

Despite challenging economic conditions, the Company stayed focused on its two core businesses, "Portal" and "TTG", and tapped into new sources of revenue by rolling out new projects and embarking on new marketing and promotional initiatives.

The portal team launched a new version of its community platform, which provides richer contents and more user-friendly features. This drew in substantial new users and traffic. In May 2009, the portal team hosted the much lauded nationwide "Webgames Summit Forum" in the city of Jiaxing in Zhejiang Province, and has entered into agreements with the municipal government of Jiaxing to set up the "Webgames Incubation Centre". As the first Webgames incubator in China that aims to provide comprehensive support to the domestic webgame industry, the project has attracted wide attention.

The portal team was recognised with the following awards in 2009: "Most Influential Interactive Media in the Chinese Internet Industry 2008"; "Top Ten Internet Portal in China", "The Best Website for Beijing Olympics Event Coverage", "Distinguished Creative Network Award" and "2009 Outstanding Games Media Awards".

In 2009, TTG successfully organised and managed three world-class Meeting, Incentives, Conventions & Exhibitions (MICE) events in Asia, namely, ASEAN Tourism Forum (ATF), Incentive Travel & Conventions, Meetings Asia (IT&CMA) and Incentive Travel & Conventions, Meetings China (IT&CM China). These events have brought in significant revenue for the Group. TTG also won the Pacific Asia Travel Association Gold Awards in 2009.

With the economic recovery underway, we will continue to focus on growing our two core businesses and will commit resources to pursuing new strategic opportunities, particularly in China. In this vein, I wish to welcome Mr. Wong Kwong Chi, who became CEO of the Company on 5 March 2010. Mr. Wong is a seasoned manager and investment professional, with clear understanding of business opportunities in Greater China. I expect Mr. Wong to lead the Company into profitable new frontiers over time.

Finally, I would like to take this opportunity to thank all Board colleagues and employees at China.com for their good work and our shareholders for their continuing support.

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 22 March 2010

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 31 December 2009, together with the comparative figures for the year ended 31 December 2008.

	Notes	**2009** ***HK$'000***	2008 *HK$'000*
Continuing operations			
Revenue	3	**94,960**	106,723
Cost of sales		**(42,725)**	(50,940)
Gross profit		**52,235**	55,783
Other income		**26,512**	53,487
Selling and distribution expenses		**(18,568)**	(20,437)
Administrative expenses		**(40,750)**	(48,314)
Impairment losses		**(678)**	(54,605)
Other expenses		**(54)**	(440)
Profit (loss) before tax		**18,697**	(14,526)
Income tax expense	5	**(2,840)**	(3,301)
Profit (loss) for the year from continuing operations	6	**15,857**	(17,827)
Discontinued operation			
Profit (loss) for the year from discontinued operation	7	**3,495**	(8,949)
Profit (loss) for the year		**19,352**	(26,776)
Other comprehensive (expense) income			
Exchange differences arising on translation		**952**	13,863
Reclassification adjustment on translation difference upon deregistration of subsidiaries		**(10,441)**	–
Fair value gain (loss) on available-for-sale investments		**6,624**	(36,795)
Reclassification adjustment on disposal of available-for-sale investments		**(7,635)**	–
Reclassification adjustment on maturity of available-for-sale investments		**–**	1,729
Reclassification adjustment on impairment of available-for-sale investments		**–**	53,037
Other comprehensive (expense) income for the year, net of tax		**(10,500)**	31,834
Total comprehensive income for the year		**8,852**	5,058

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Profit (loss) attributable to:			
Owners of the Company		**19,352**	(26,776)
Total comprehensive income attributable to:			
Owners of the Company		**8,852**	5,058
Earnings (loss) per share	8		
From continuing and discontinued operations			
Basic and diluted (cents per share)		**18.07**	(24.72)
From continuing operations			
Basic and diluted (cents per share)		**14.81**	(16.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Non-current assets			
Plant and equipment		**2,339**	4,690
Goodwill		**450**	450
Available-for-sale investments		**108,690**	179,383
Deferred tax assets		**–**	725
		111,479	185,248
Current assets			
Accounts receivable	10	**14,968**	23,679
Prepayments, deposits and other receivables		**6,512**	7,936
Available-for-sale investments		**–**	38,292
Held-for-trading investments		**471**	80,291
Amounts due from fellow subsidiaries		**309**	6,704
Amount due from ultimate holding company		**342**	697
Bank balances and cash		**374,536**	870,461
		397,138	1,028,060
Current liabilities			
Accounts payable	11	**6,466**	15,042
Other payables and accrued liabilities		**12,347**	19,409
Deferred revenue		**20,246**	12,321
Tax liabilities		**5,125**	6,417
Amounts due to fellow subsidiaries		**–**	8,634
		44,184	61,823
Net current assets		**352,954**	966,237
Total assets less current liabilities		**464,433**	1,151,485
Capital and reserves			
Share capital	12	**1,072**	426,534
Share premium and reserves		**463,361**	724,951
Total equity		**464,433**	1,151,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium *HK$'000 (note b)*	Capital reserve *HK$'000 (note b)*	Goodwill reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Reserve funds *HK$'000 (note c)*	Translation reserve *HK$'000*	Share options reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2008	438,114	1,020,109	–	(31,193)	(10,336)	110	24,123	36,262	52,493	211,398	1,741,080
Loss for the year	–	–	–	–	–	–	–	–	–	(26,776)	(26,776)
Other comprehensive income for the year	–	–	–	–	17,971	–	–	13,863	–	–	31,834
Total comprehensive income for the year	–	–	–	–	17,971	–	–	13,863	–	(26,776)	5,058
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	6,535	–	6,535
Dividends *(note 9)*	–	(577,137)	–	–	–	–	–	–	–	–	(577,137)
Repurchase of shares	(11,580)	(12,471)	–	–	–	11,580	–	–	–	(11,580)	(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
Profit for the year	–	–	–	–	–	–	–	–	–	19,352	19,352
Other comprehensive expense for the year	–	–	–	–	(1,011)	–	–	(9,489)	–	–	(10,500)
Total comprehensive income for the year	–	–	–	–	(1,011)	–	–	(9,489)	–	19,352	8,852
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	2,076	–	2,076
Shares issued upon exercises of share options	2,161	775	–	–	–	–	–	–	–	–	2,936
Transfer to share premium upon exercise of share options	–	317	–	–	–	–	–	–	(317)	–	–
Capital reduction *(note a)*	(427,623)	–	427,623	–	–	–	–	–	–	–	–
Dividends *(note 9)*	–	(392,256)	(308,660)	–	–	–	–	–	–	–	(700,916)
At 31 December 2009	1,072	39,337	118,963	(31,193)	6,624	11,690	24,123	40,636	60,787	192,394	464,433

Note a: Pursuant to the approval of the Grand Court of the Cayman Islands, the share capital of the Company was reduced from HK$1,000,000,000 divided into 250,000,000 shares of HK$4.00 each to HK$2,500,000 divided into 250,000,000 shares of HK$0.01 each (the "Capital Reduction") effective on 19 June 2009. A credit of HK$427,623,000 arising from the Capital Reduction was transferred to the capital reserve account.

Note b: Under the Companies Law of the Cayman Islands (2009 Revision as amended from time to time), the share premium and capital reserve of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

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

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") issued by the HKICPA and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising On Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of Improvement to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving Disclosures about Financial Instruments

(Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

Early adoption of Amendment to HKFRS 5 as part of Improvement to HKFRSs 2009

The amendment has clarified that HKFRS 5 has specified the disclosure required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment of HKFRS 5 as part of Improvement to HKFRSs 2008 [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 5 [2]
HKAS 24 (Revised)	Related Party Disclosures [6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendment)	Classification of Rights Issues [4]
HKAS 39 (Amendment)	Eligible Hedged Items [1]
HKFRS 1 (Revised)	First-time Adopters of Hong Kong Financial Reporting Standards [1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [3]
HKFRS 3 (Revised)	Business Combinations [1]
HKFRS 9	Financial Instruments [7]
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [6]
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments [5]

[1] Effective for annual periods beginning on or after 1 July 2009

[2] Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

[3] Effective for annual periods beginning on or after 1 January 2010

[4] Effective for annual periods beginning on or after 1 February 2010

[5] Effective for annual periods beginning on or after 1 July 2010

[6] Effective for annual periods beginning on or after 1 January 2011

[7] Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group's financial assets.

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 consolidated financial statements.

3. Revenue

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2009	2008
	HK$'000	*HK$'000*
Travel media	**66,587**	77,784
Internet portal	**28,373**	28,939
	94,960	106,723

4. Segment information

In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group's operating divisions (i.e. (1) mobile services and application and (2) internet and media). However, information reported to the chief operating decision maker, the Chief Executive Officer of the Company, is more specifically focused on the category of customer for each type of services. The Group's operating and reportable segments are therefore as follows:

1. Travel media
2. Internet portal
3. Mobile services and application

The Group was involved in the provision of mobile services and application. That operation was discontinued starting from the third quarter of 2009 (see note 7).

Segment information about these businesses is presented below.

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments:

Continuing operations

	Segment revenue		**Segment profit (loss)**	
	Year ended 31 December		**Year ended 31 December**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Travel media	**66,587**	77,784	**11,772**	14,327
Internet portal	**28,373**	28,939	**(8,051)**	(10,885)
	94,960	106,723	**3,721**	3,442

Reconciliation of segment results to profit (loss) before tax:

Segment profit	**3,721**	3,442
Gain (loss) on deregistration of subsidiaries	**10,435**	(440)
Investment and other income	**16,077**	53,487
Impairment loss on available-for-sale investments	**–**	(53,037)
Central administration costs	**(11,536)**	(17,978)
Profit (loss) before tax	**18,697**	(14,526)

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

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of investment and other income and expenses, central administration costs, directors' salaries, gain (loss) on deregistration of subsidiaries and impairment loss on financial assets. Included in investment and other income consists of interest income, gain on disposal of available-for-sale investments and gain on held-for-trading investments. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	2009	2008
	HK$'000	*HK$'000*
Segment assets		
Travel media	**56,971**	56,893
Internet portal	**33,563**	30,902
Total segment assets for continuing operations	**90,534**	87,795
Assets relating to discontinued operation	**107,823**	138,869
Unallocated bank balances and cash	**198,516**	681,231
Available-for-sale investments	**108,690**	217,675
Held-for-trading investments	**471**	80,291
Others	**2,583**	7,447
Consolidated assets	**508,617**	1,213,308
Segment liabilities		
Travel media	**21,198**	25,422
Internet portal	**16,985**	18,752
Total segment liabilities for continuing operations	**38,183**	44,174
Liabilities relating to discontinued operation	**3,146**	10,148
Others	**2,855**	7,501
Consolidated liabilities	**44,184**	61,823

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

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

- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable.

- included in assets relating to discontinued operation at 31 December 2009 consists of bank balances and cash of HK$107,596,000 (2008: HK$134,688,000) and other assets of HK$227,000 (2008: HK$4,181,000). Included in liabilities relating to discontinued operation at 31 December 2009 consists of tax payable of HK$2,897,000 (2008: HK$3,087,000) and other liabilities of HK$249,000 (2008: HK$7,061,000).

Other segment information

Continuing operations

	Depreciation and amortisation		**Additions to non-current assets***	
	Year ended 31 December		**Year ended 31 December**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Travel media	**636**	618	**1,417**	196
Internet portal	**1,713**	3,080	**214**	1,485
	2,349	3,698	**1,631**	1,681

* Non-current assets excluding those relating to mobile services and applications and excluding financial instrument and deferred tax assets.

Geographical information

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

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

	Revenue from customers		**Non-current assets**	
	Year ended 31 December		**At 31 December**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Singapore	**66,587**	77,784	**1,058**	277
The PRC	**28,373**	28,939	**1,723**	3,365
	94,960	106,723	**2,781**	3,642

* Non-current assets excluding those relating to mobile services and applications and excluding financial instrument and deferred tax assets.

5. Taxation

	2009	2008
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Singapore	**1,934**	2,655
The PRC	**–**	695
	1,934	3,350
Under provision in prior years:		
The PRC	**181**	629
	2,115	3,979
Deferred tax charge (credit)		
Current year	**725**	(678)
	2,840	3,301

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

6. Profit (loss) for the year from continuing operations

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Depreciation of plant and equipment	**2,349**	3,698
Staff costs (including directors' emoluments)	**28,518**	40,182
Retirement benefits scheme contributions	**2,922**	3,300
Total staff costs	**31,440**	43,482
Auditors' remuneration	**1,285**	1,875
Gain on disposal of available-for-sale investments (included in other income)	**(7,312)**	–
Gain on held-for-trading investments (included in other income)	**(1,220)**	(193)
(Gain) loss on deregistration of subsidiaries (included in other (income) expenses)	**(10,435)**	440
Interest income on available-for-sale investments (included in other income)	**(4,972)**	(23,642)
Loss (gain) on disposal of plant and equipment (included in other expenses (income))	**54**	(6)
Net foreign exchange loss	**4,266**	3,074
Other interest income (included in other income)	**(2,573)**	(29,646)

7. Discontinued operation

Close down of mobile services and application operation

The Group's mobile services and applications operation has been suffering loss since the year ended 31 December 2006. The board of directors of the Company sees no reasonable instance where this operation may turn profitable in the foreseeable future. In view of this, on 4 February 2008, the board of directors passed a unanimous written consent that it was desirable and in the best interests of the Group to scale down the mobile services and applications operation. The closing down was completed on the third quarter of 2009, on which the outstanding services obligations have been completed.

Analysis of profit (loss) for the year from discontinued operation

The combined results of the discontinued operation (i.e. mobile services and application segment) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative profit (loss) and cash flows from discontinued operation have been represented to include those operations classified as discontinued in the current year.

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year from discontinued operation		
Revenue	**43**	9,515
Cost of sales	**(175)**	(5,372)
Gross (loss) profit	**(132)**	4,143
Other income	**4,871**	3,508
Selling and distribution expenses	**143**	(481)
Administrative expenses	**(221)**	(10,318)
Impairment losses	**(1,166)**	(4,842)
Other expenses	**–**	(924)
Profit (loss) before taxation	**3,495**	(8,914)
Income tax expenses	**–**	(35)
Profit (loss) for the year from discontinued operation (attributable to owners of the Company)	**3,495**	(8,949)
Profit (loss) for the year from discontinued operation include the following:		
Depreciation and amortisation	**510**	2,173
Auditors' remuneration	**80**	301
Bank interest income	**1,569**	3,508
Impairment loss on plant and equipment	**971**	–
Impairment loss on accounts receivable	**195**	4,842
Cash flows from discontinued operation		
Net cash outflows from operating activities	**(28,930)**	(5,038)
Net cash inflows from investing activities	**1,569**	3,527
Net cash outflows	**(27,361)**	(1,511)

8. Earnings (loss) per share

From continuing and discontinued operations

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit (loss) for the year attributable to owners of the Company	**19,352**	(26,776)

	2009	2008
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	**107,095**	108,319

The weighted average number of shares in 2008 had been adjusted for share consolidation (see note 12).

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

From continuing operations

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

	2009	2008
	HK$'000	*HK$'000*
Earnings		
Profit (loss) for the year attributable to owners of the Company	**19,352**	(26,776)
Less: Profit (loss) from discontinued operation	**3,495**	(8,949)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	**15,857**	(17,827)

The denominators used are the same as those detailed above for basic earnings (loss) per share.

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

From discontinued operation

Basic earnings per share for discontinued operation is HK cents 3.26 (2008: loss per share HK cents 8.26), based on the profit for the year from discontinued operation of HK$3,495,000 (2008: a loss of HK$8,949,000) and the denominators detailed above for basic earnings (loss) per share.

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

9. Dividends

	2009	2008
	HK$'000	*HK$'000*
Interim dividend declared and paid		
– HK$1.00 per share *(note c)*	**107,174**	–
Special dividend declared and paid		
– HK$3.66 per share *(note b)*	**392,256**	–
– HK$1.88 per share *(note d)*	**201,486**	–
– HK$5.34 per share *(note a)*	**–**	577,137
	700,916	577,137

Notes:

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

b. On 9 February 2009, the Company declared a special dividend of HK$3.66 per share to shareholders out of the Company's share premium. The dividend was paid in March 2009 totaling HK$392,256,000.

c. On 10 August 2009, the Company declared an interim dividend of HK$1.00 per share to shareholders out of the Company's capital reserve. The dividend was paid in September 2009 totaling HK$107,174,000.

d. On 15 October 2009, the Company declared a special dividend of HK$1.88 per share to shareholders out of the Company's capital reserve. The dividend was paid in November 2009 totaling HK$201,486,000.

e. The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

10. Accounts 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 accounts receivable net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**13,794**	20,561
91 – 120 days	**92**	605
121 – 180 days	**246**	2,091
Over 180 days	**836**	422
	14,968	23,679

11. Accounts payable

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

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**6,009**	10,796
91 – 120 days	**50**	104
121 – 180 days	**60**	133
Over 180 days	**347**	4,009
	6,466	15,042

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	
	2009 After Capital Reduction	2008 Before Capital Reduction	**2009 After Capital Reduction**	2008 Before Capital Reduction
			HK$'000	*HK$'000*
Ordinary shares of HK$0.01 each after Capital Reduction or HK$4.00 each before Capital Reduction				
Authorised	**250,000,000**	250,000,000	**2,500**	1,000,000
Issued and fully paid:				
At beginning of the year	**106,633,482**	109,528,482	**426,534**	438,114
Repurchase of shares	**–**	(2,895,000)	**–**	(11,580)
Exercise of share options	**540,160**	–	**2,161**	–
Capital reduction	**–**	–	**(427,623)**	–
At end of the year	**107,173,642**	106,633,482	**1,072**	426,534

Pursuant to the approval of the Grand Court of the Cayman Islands, the share capital of the Company was reduced from HK$1,000,000,000 divided into 250,000,000 shares of HK$4.00 each to HK$2,500,000 divided into 250,000,000 shares of HK$0.01 each (the "Capital Reduction") effective on 19 June 2009. A credit of HK$427,623,000 arising from the Capital Reduction was transferred to the capital reserve account.

On 26 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. Events after the reporting period

Effective from 5 March 2010, Mr. Yip Hak Yung, Peter is re-designated from vice-chairman and executive director to vice-chairman and non-executive director of the Company and Mr. Wong Kwong Chi is appointed as an executive director of the Company. On the same date, Mr. Wong Kwong Chi is appointed in replacement of Mr. Yip Hak Yung, Peter to act as the chief executive officer and authorised representative of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the year ended 31 December 2009 was HK$94,960,000 representing a HK$11,763,000, or 11% decrease compared to last year. The net decrease was primarily attributable to a decrease in revenue from travel media segment of HK$11,197,000.

Gross profit margin maintained at a relatively stable level of 55% in 2009, compared to 52% in 2008.

Other income

Other income decreased by 50% to HK$26,512,000 in 2009, compared to HK$53,487,000 in 2008. The net decrease was primarily due to (1) a HK$18,670,000 decrease in interest income from available-for-sale investments; (2) a HK$15,563,000 decrease in interest income from cash and bank balances; (3) a HK$11,508,000 decrease in note interest income as a result of the maturity of a US$60 million promissory note on 27 June 2008; and (4) a gain on deregistration of subsidiaries of HK$10,435,000.

Selling and distribution expenses

Selling and distribution expenses decreased by 9% to HK$18,568,000 in 2009, compared to HK$20,437,000 in 2008. The decrease was mainly attributable to the decrease in sales and marketing personnel expenses amounting to HK$2,710,000.

Administrative expenses

Administrative expenses decreased by 16% to HK$40,750,000 in 2009 versus HK$48,314,000 in 2008. Administrative expenses include share option expenses in 2009 amounting to HK$2,076,000 (2008: HK$6,535,000) recognised in accordance with HKFRS 2.

Impairment losses

Impairment losses decreased 99% to HK$678,000 in 2009, compared to HK$54,605,000 in 2008. The decrease was mainly due to impairment charges against certain available-for-sale investments of HK$53,037,000 recognised in 2008. Impairment losses in 2009 represent impairment charges on accounts receivable.

Other expenses

Other expenses decreased by about HK$386,000 to HK$54,000 in 2009, compared to HK$440,000 in 2008. The decrease was primarily due to a loss on deregistration of a subsidiary recognised in 2008.

Income tax

The Group recorded an income tax expense of HK$2,840,000 in 2009, compared to HK$3,301,000 in 2008. Income tax expense in 2009 represents a provision for income tax of HK$2,114,000 and deferred tax expense of HK$726,000.

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

Profit for the year attributable to owners of the Company was HK$19,352,000 in 2009, compared to loss attributable to owners of the Company of HK$26,776,000 in 2008.

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$464,433,000 shareholders' funds as at 31 December 2009, compared to HK$1,151,485,000 as at 31 December 2008. Total assets amounted to HK$508,617,000 as at 31 December 2009, compared to HK$1,213,308,000 as at 31 December 2008, of which HK$374,536,000 (2008: HK$870,461,000) was bank balances and cash, HK$471,000 (2008: HK$80,291,000) was held-for-trading investments and HK$108,690,000 (2008: HK$217,675,000) was available-for-sale investments.

Capital structure

Except that the share capital of the Company was reduced by HK$3.99 per existing ordinary share from HK$4.00 each to HK$0.01 each by cancelling an equivalent amount of paid-up capital per existing ordinary share (the "Capital Reduction") effective on 19 June 2009, there was no change in the capital structure of the Group as at 31 December 2009 as compared with that as at 31 December 2008.

Charges on the Group's assets

There was no charge on the Group's assets as at 31 December 2009 and 2008.

Gearing ratio

The Group has a zero gearing ratio as at 31 December 2009 and 2008 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 31 December 2009, no related hedges were made by the Group.

Contingent liabilities

In prior years, the Company's directors assessed a contingent tax liability amounting to HK$110,000,000 that might arise from the disposal of certain subsidiaries in December 2006 and considered such contingent tax liability was possible and would be confirmed only when the Inland Revenue Department concluded that the gain arising from the disposal was taxable. During the year ended 31 December 2009, the Inland Revenue Department concluded that such gain was not taxable and therefore the Group had no significant contingent tax or other liability at 31 December 2009.

BUSINESS REVIEW

Internet Portal

The portal team has successfully launched a new version of its community platform, which provides richer contents and more user-friendly features. This successfully drew in substantial new users and traffic. In May 2009, the portal team hosted the much lauded nationwide "Webgames Summit Forum" in the city of Jiaxing in Zhejiang Province, and has entered into agreements with the municipal government of Jiaxing to set up the "Webgames Incubation Centre". As the first Webgames incubator in China that aims to provide comprehensive support to the domestic webgame industry, the project has attracted wide attention.

The portal team was recognised with the following awards in 2009: "Most Influential Interactive Media in the Chinese Internet Industry 2008"; "Top Ten Internet Portal in China", "The Best Website for Beijing Olympics Event Coverage", "Distinguished Creative Network Award" and "2009 Outstanding Games Media Awards".

Travel Media

In 2009, TTG successfully organised and managed three world-class Meeting, Incentives, Conventions & Exhibitions (MICE) events in Asia, namely, ASEAN Tourism Forum (ATF), Incentive Travel & Conventions, Meetings Asia (IT&CMA) and Incentive Travel & Conventions, Meetings China (IT&CM China). These events have brought in significant revenue for the Group. TTG also won the Pacific Asia Travel Association Gold Awards in 2009.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

In 2009, certain available-for-sale investments were disposed of, and redeemed at an aggregate consideration of HK$127,283,000, resulting in a gain on disposal of HK$7,312,000. In 2009, the money-market fund, one of the held-for trading investments, was redeemed at HK$79,917,000 and recognised a gain on disposal of HK$426,000.

EMPLOYEE INFORMATION

As at 31 December 2009, the Group has 230 (2008: 230) full-time employees of which 7 (2008: 6) are based in Hong Kong, 176 (2008: 178) in China, 45 (2008: 43) in Singapore, 1 (2008: 2) in Thailand and 1 (2008: 1) in Malaysia. The Group has introduced share option schemes to recognise the contributions of the employees to the growth of the Group. The schemes have been or will be amended from time to time to take into account changes in market conditions and the GEM Listing Rules.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2009.

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.

Saved as disclosed herein, 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 year ended 31 December 2009, 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 31 December 2009.

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 31 December 2009 with the Code.

AUDIT COMMITTEE

The Company established an audit committee on 25 February 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices 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 2009. The Company's annual results for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

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

Hong Kong, 22 March 2010

As at the date of this announcement, the executive directors of the Company are Mr. Wong Kwong Chi and Dr. Cheng Loi; the non-executive directors are Dr. Ch'ien Kuo Fung, Raymond, Mr. Yip Hak Yung, Peter and Mr. Mao Hongcheng; 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.