

**CHINA.COM INCORPORATED:
IT IS, STILL, A HOPELESS COMPANY, IN THIS MEDIUM'S OPINION**

According to the 2007 Annual Report of China.com Incorporated () (Code: 8006, The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd), the principal activities of the company and its subsidiaries are *'the provision of mobile services and applications; the operation of portal sites; and the provision of content and internet services, advertising services through the internet and a travel magazine, event organising services and magazine publication. In prior years, the Group was also engaged in the development and operations of online games. That operation was discontinued in 2006 ...'* (Page 40)

However, at Page 8 of the 2007 Annual Report, the Chairman, Dr Raymond Ch'ien Kuo Fung (), has stated:

'In 2006, the Group made two principal protected structured finance investments: i) a collateralized debt obligation (CDO) that is backed by US mortgage backed securities, including sub-prime mortgages, and ii) a collateralized loan obligation (CLO) backed by corporate loan and debt obligations. Based on the decline in the market conditions of the US mortgage industry, the Group conducted an assessment on these investments. Management determined the decline in the value of the CDO and CLO, all being principal protected at maturity, was other than temporary and, according to the relevant accounting standards, was required to write down these investments to their fair market value. This resulted in the recording of an impairment charge of HK\$77,489,000 against the CDO and CLO in 2007'

In short, China.com became another victim of the chaos in the US subprime, mortgage-lending industry.

The 2 questions, which, perhaps, should be posed at this juncture, include:

1. *For what reason is this publicly listed company, dabbling in speculative ventures of the sort, outlined in the Chairman's statement, dated March 25, 2008? and,*
2. *Will there be further requirements for impairment charges in respect of these speculations in the Current Financial Year?*

For the 2007 Financial Year, ended December 31, on a Turnover of about \$HK154.67 million, China.com logged in a Net Loss Attributable to Shareholders of about \$HK612.66 million.

In the 2006-Year, the company logged in a Net Profit Attributable to Shareholders of about \$HK624.07 million on a Turnover of about \$HK320.05 million.

According to the database of **TOLFIN** () (The Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), the 2007-Year was the worst Financial Year on record since going public on The GEM in March 2000 – and the worst financial year, ever, in the relatively short history of the company.

The Turnover of the 2007-Year was, definitely, the lowest in the past 5 Financial Years.

The situation appears to be akin to a financial disaster area.

The Recent Event

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