Annual Report 2007

China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

China.com Inc. (GEM Stock 8006) is a CDC Corporation company (NASDAQ:CHINA)

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This annual report, for which the Directors (the "Directors") of China.com Inc. (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: – (1) the information contained in this annual report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Executive Directors
Yip Hak Yung, Peter
(Vice-Chairman, Acting Chief Executive Officer)
Cheng Loi

Non-Executive Directors
Ch'ien Kuo Fung, Raymond
(Chairman of the board of directors)
Fang Xin

Independent Non-Executive Directors
Chia Kok Onn
Lam Lee G.
Wang Cheung Yue, Fred
Wong Sin Just
Anson Wang

COMPANY SECRETARY
Cheng Loi

QUALIFIED ACCOUNTANT
Cheng Loi

COMPLIANCE OFFICER
Cheng Loi

AUDIT COMMITTEE
Wong Sin Just *(Committee Chairman)*
Chia Kok Onn
Lam Lee G.
Wang Cheung Yue, Fred

EXECUTIVE COMMITTEE
Yip Hak Yung, Peter *(Committee Chairman)*
Ch'ien Kuo Fung, Raymond
Wang Cheung Yue, Fred

REMUNERATION COMMITTEE
Wang Cheung Yue, Fred *(Committee Chairman)*
Chia Kok Onn
Ch'ien Kuo Fung, Raymond
Wong Sin Just
Yip Hak Yung, Peter

NOMINATING COMMITTEE
Chia Kok Onn *(Committee Chairman)*
Wong Sin Just
Wang Cheung Yue, Fred

AUTHORIZED REPRESENTATIVES
Cheng Loi
Michael James Latimore *(Chief Financial Officer)*

REGISTERED OFFICE
P.O. Box 309GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

PLACE OF BUSINESS
33/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

AUDITORS
Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Bermuda (Cayman) Limited
P.O. Box 513GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKER
Citibank N.A.

STOCK CODE
8006

WEBSITE
www.inc.china.com

RESULTS

	Year ended 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**154,665**	320,045	338,400	231,411	181,738
Discontinued operation	**–**	254,536	48,915	3,890	5,925
	154,665	574,581	387,315	235,301	187,663
(Loss) profit from ordinary activities attributable to shareholders	**(599,723)**	621,487	9,737	53,594	105,143

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31st December,				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	**1,791,333**	2,499,068	1,725,638	1,815,254	1,830,916
Liabilities	**(50,253)**	(192,687)	(177,568)	(292,509)	(389,737)
Minority interests	**–**	(12,933)	(32,249)	(30,670)	(5,525)
	1,741,080	2,293,448	1,515,821	1,492,075	1,435,654

KEY FINANCIAL DATA

	Year ended 31st December,				
	2007	2006	2005	2004	2003
	cents	cents	cents	cents	cents
(Loss) earnings per share – basic	**(13.69)**	14.42	0.23	1.30	2.54

	As at 31st December,				
	2007	2006	2005	2004	2003
	cents	cents	cents	cents	cents
Net assets (note) per share – basic	**39.75**	53.20	36.50	36.06	34.73

Note: Net assets represent total assets less total liabilities and minority interests.

EXECUTIVE DIRECTOR
Yip Hak Yung, Peter
(Vice-Chairman and Acting Chief Executive Officer, aged 56)

Mr. Yip was appointed to the board of directors (the "Board") on 15th October, 1999. He is the vice chairman of the Board and acting chief executive officer of the Company. Mr. Yip is also the vice chairman of the Board and chief executive officer of CDC Corporation ("CDC"), the ultimate parent of the Company. He is also executive chairman of CDC Software Corporation and also director and chief executive officer of CDC Games Corporation. Both CDC Software Corporation and CDC Games Corporation are wholly owned subsidiaries of CDC. Mr. Yip was a founder of CDC and was the founding chief executive officer between January 1999 and February 2004. Under his leadership, CDC was one of the first successful initial public offerings of an internet company from Greater China to be listed on NASDAQ, opening the door for other Chinese entrepreneurs to list their ventures in the US capital markets. In addition, Mr. Yip has made a number of successful co-investments with institutional investors, corporate investors and high net worth individuals, a Temasek Holdings company, Xinhua News Agency, Bechtel Enterprises Inc., Mitsui & Co., Ltd., America Online, Inc., Merrill Lynch-Fred Adler Technology Fund II and the New World Group. Mr. Yip has authored research papers published at Harvard Asia Pacific Review, Nanjing University Press, National Science Foundation. He co-authored a book titled "The China's Century" with former China Premier Zhu Yongji, amongst others. Mr. Yip previously held management positions at KPMG Consulting and Wharton Applied Research. Mr. Yip received a master's degree in business administration from the Wharton School and both a master's degree and bachelor's degree in electrical engineering from the University of Pennsylvania. He also holds an associate degree from Vincennes University in Indiana.

EXECUTIVE DIRECTOR
Cheng Loi
(Company Secretary, aged 54)

Dr. Cheng was appointed as the company secretary and qualified accountant of the Company in December, 2007 and also as executive director, compliance officer and authorized representative of the Company in February 2008. He is also a director of TTG Asia Media Pte Ltd, an indirect wholly owned subsidiary of the Company. Dr. Cheng has also been newly appointed as director of CDC Corporation's subsidiary namely CDC Mobile Corporation; as director of CDC Games Corporation's subsidiaries namely CDC Games Holdings Limited, CDC Games Limited, Equity Pacific Limited, Hong Kong Online Games Investment Holdings Limited and Prime Leader Holdings Limited; and as director of the Company's subsidiaries namely Asian Business Press (Hong Kong) Limited, China.com Sports Limited, hongkong.com Travel Holdings (HK) Limited, hongkong.com Travel Holdings Limited, CDC Mobile Media Corporation, Clovelly Logistics Limited, Double Keen Limited, Group Team Investments Limited, hongkong.com Strategic, Inc., Unitedcrest Investments Limited, TTG Asia Limited, CDC Software Property Holdings Limited, CDC Software Chengdu Development Limited, CDC Software Nanjing Development Limited, CDC Software Nanjing Information Technology Limited and Straight Show Holdings Limited. CDC Games Corporation is a wholly owned subsidiary of CDC Corporation, the ultimate holding company of the Company. Dr. Cheng has extensive financial management experience, before joining the Company, he has held senior management positions in international institutions including Shanda Interactive Entertainment Ltd in Shanghai, Salomon Smith Barney Ltd, Citibank Canada, Bank of America Trust, Hong Kong and Unisys Corporation Hong Kong and Singapore etc. Dr. Cheng has served as group financial controller and director of finance of CDC Corporation, the ultimate holding company of the Company from 1999 to 2001. Dr. Cheng is familiar with company secretarial matters and the related regulatory requirements. Dr. Cheng holds a doctoral degree in Business Administration from University of South Australia, Australia and a master degree in Business Administration majoring in finance and investment from University of Hull, the United Kingdom. He is also a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants, the United Kingdom, an associate member of both The Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators, the United Kingdom.

NON-EXECUTIVE DIRECTOR
Ch'ien Kuo Fung, Rayond
(Chairman, aged 56)

Dr. Ch'ien is chairman of the board of directors ("Board") of the Company. Dr. Ch'ien served as an executive director of the Company from 25th November, 1999 to 31st October, 2005 at which point he was re-designated as a non-executive director. Dr. Ch'ien is also chairman of CDC Corporation, its ultimate parent company, from August 2005 after serving as executive chairman from April 2001 to August 2005; acting chief executive officer from March 2004 to March 2005 and chief executive officer from March 2005 to August 2005. Dr. Ch'ien is also Chairman of MTR Corporation Limited and Chairman of Hang Seng Bank Limited. He serves on the boards of the Hongkong and Shanghai Banking Corporation Limited, Inchcape plc, Convenience Retail Asia Limited, VTech Holdings Ltd. and The Wharf (Holdings) Limited. Dr. Ch'ien received a doctoral degree in economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star medal.

NON-EXECUTIVE DIRECTOR
Fang Xin
(aged 55)

Mr. Fang has been serving as a non-executive director of the Company since July 2005. Mr. Fang has also served as a director of CDC Corporation, the ultimate holding company of the Company. Mr. Fang is currently Deputy Director and general manager of the Asia-Pacific Regional Bureau and Hong Kong SAR Branch of Xinhua News Agency ("Xinhua") and president of Golden Tripod (Holdings) Limited and Golden Tripod Technology Limited. Golden Tripod Technology Limited, an indirect wholly owned subsidiary of Xinhua, is one of the major shareholders of CDC Corporation. Mr. Fang is also a senior correspondent of Xinhua. Mr. Fang has approximately 25 years of experience in news reporting, editing, economic information analysis, and business management with governmental and non-governmental organizations and companies. Former positions held by Mr. Fang include serving as the general manager of the Guangdong Provincial Branch of Xinhua, the editor of "OUTLOOK" (a weekly publication of Xinhua), a correspondent for the Shenzhen sub-branch of Xinhua, a director of the Domestic News for Foreign Service group of the Guangdong Provincial Branch of Xinhua, chief of the Zhuhai sub-branch of Xinhua, and editor-in-chief and director of Economic Information Services of the Guangdong Provincial Branch of Xinhua. Mr. Fang graduated from Sun Yat-Sen University in Guangzhou, People's Republic of China.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Chia Kok Onn
(aged 54)

Mr. Chia has been serving as an independent non-executive director of the Company since July 2003. Mr. Chia also served as an independent director of CDC Corporation, the ultimate holding company of the Company, until 15th November 2007. Currently, Mr. Chia serves as the president of the Hong Kong Venture Capital & Private Equity Association. His 30-year career includes being a US-Asia venture capitalist with Walden International as managing director; member of the founding management team that built Premisys Communications, Inc., a venture backed start-up technology company; and various management roles at Hewlett-Packard and Apple Computer. Mr. Chia holds a MBA degree from Strathclyde University, Scotland and a BEng (Hons) in Electronic Engineering from Sheffield University, England.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Lam Lee G.
(aged 48)

Dr. Lam was appointed to the board of directors of the Company as an independent non-executive director in December 2006. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the U.K., and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 25 years of multinational operations and general management, strategy consulting, corporate governance, investment banking, and direct investment experience in the telecommunications, media and technology (TMT), retail, property and financial services sectors. He is Chairman of Monte Jade Science and Technology Association of Hong Kong, and serves as a non-executive director of several publicly-listed companies in the Asia Pacific region. He is a Member of the Hong Kong Institute of Bankers, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and the China Institute of Directors, a Member of the General Council of the Chamber of Hong Kong Listed Companies, and a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Wang Cheung Yue, Fred
(aged 64)

Mr. Wang has been serving as an independent non-executive director of the Company since February 2002. Mr. Wang serves as an independent director of CDC Corporation, the ultimate holding company of the Company and as a director of CDC Games Corporation, a wholly owned subsidiary of CDC Corporation. The Wang family founded Salon Films (Hong Kong) Limited ("Salon") in 1969. Mr. Wang has been a director of Salon since 1969 and he has worked with various major Hollywood film and television companies in setting up projects in Asia. Since 1985, Mr. Wang has been involved with various investment groups in Asia notably Unifund S.A., a Geneva based investment service company. Mr. Wang is the Hon. Vice President of the China Film Foundation, a member of the Board of Governors of the Federation of Hong Kong Business Associations Worldwide, Director of the Board of the Hong Kong International Film Festival Society Limited and Hon. Vice Director of the China Society of Motion Picture and Television Engineers. Mr. Wang graduated with a Bachelor of Arts Degree in Business and Economics from Whittier College, California.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Wong Sin Just
(aged 42)

Mr. Wong has been serving as an independent non-executive director of the Company since November 1999. Mr. Wong has also served as director and chairman of the audit committee of CDC Games Corporation, and as director and member of the audit committee of CDC Software Corporation. Both CDC Games Corporation and CDC Software Corporation are wholly owned subsidiaries of CDC Corporation, the ultimate holding company of the Company. Mr. Wong is the executive and co-chairman of E2-Capital (Holdings) Limited, vice chairman of China Renji Medical Group Limited (formerly known as Softbank Investment International (Strategic) Limited), chairman of SBI E2-Capital Asia Holdings Limited and independent non-executive director of Capital Strategic Investment Limited and Intelligent Edge Technologies Berhad and non-executive of Westcomb Financial Group Limited. Mr. Wong possesses over 10 years of investment banking and venture capital experience and has held positions with a number of premier international investment banks. Mr. Wong holds a degree of Bachelor of Engineering from the Imperial College of Science, Technology and Medicine in London and is an associate of the Institute of Chartered Accountants, England and Wales.

INDEPENDENT NON-EXECUIVE DIRECTOR
Anson Wang
(aged 60)

Mr. Wang was appointed to the board of directors of the Company as an independent non-executive director in July 2007. He is the Co-founder and Managing Partner of the CMIA Capital Partners, a private equity firm focused on providing growth capital to mid-sized companies in China with the potential to become industry or market leaders. Mr. Wang has over 25 years of experience in private equity and venture capital, fund management, corporate banking and finance. Mr. Wang was previously Regional Managing Director at HSBC Asset Management, responsible for HSBC's institutional fund management business. Prior to HSBC, Mr. Wang was the founding Chief Executive Officer at State Street Global Advisors (Asia), the fund management arm of the State Street Bank Corporation. Mr. Wang previously worked in Chicago, New York, London, Beijing and Hong Kong. Mr. Wang holds a Bachelor of Arts degree in Economics and a Masters degree in Business Administration in International Finance from Rutgers University, where he was also a fellowship recipient and honors graduate.

SENIOR MANAGEMENT
Michael James Latimore
(Chief Financial Officer, aged 40)

Mr. Latimore ("Mr. Latimore") was appointed as chief financial officer in October, 2007. He is currently the chief financial officer of CDC Corporation ("CDC"), the ultimate holding company of the Company, and also the chief financial officer of CDC Games Corporation, a wholly owned subsidiary of CDC. Immediately prior to joining CDC, Mr. Latimore was a senior equity analyst with extensive experience in preparing and marketing institutional equity research. He focused on communications and applications software companies, emphasizing the areas of customer interaction management and wireless applications. Mr. Latimore holds a Juris Doctor Degree from William Mitchell College of Law and a Bachelor of Arts in Political Science from The John Hopkins University.

SENIOR MANAGEMENT
Fang Donglei
(Chief Operation Officer, aged 33)

Mr. Fang joined the Company in November 2005. He is currently the Chief Operation Officer of the Company. In this role, Mr. Fang has been carrying out major restructuring programs for the mobile and portal business units of the Company, bridging partnerships with important players such as Google and Amazon, and continued to build and sharpen the management team. Prior to joining the Company, Mr. Fang worked for Sina for over six years with extensive experience in sales and marketing, distribution, corporate client services, research and development.

During 2007, our Portal experienced robust growth while our Mobile Value Added Service (MVAS) business continued to be impacted by previously announced industry-wide regulatory changes.

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

- Revenue from continuing operations decreased 52% to HK$154.7 million in 2007 from HK$320.0 million in 2006

- Gross profit from continuing operations decreased 55% to HK$83.5 million from HK$186.7 million in 2006

- Loss attributable to equity holders was HK$599.7 million, as compared to a profit attributable to equity holders of HK$621.5 million in 2006

- Basic loss per share was 13.69 cents, as compared to a basic earnings per share (EPS) of 14.42 cents in 2006

- Balance sheet remained strong, with more than HK$1.2 billion in net cash, held-for-trading investments and available-for-sale investments as of 31st December, 2007

- In view of the difficult regulatory environment for the MVAS business in China, in February 2008, the Group announced it was in the process of reducing the MVAS workforce and that it intended to scale down its emphasis on the business. This resulted in a one-time write-down of all the goodwill and intangible assets attributable to the MVAS business amounting to HK$533,419,000

- 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

As previously announced, we believe that the regulatory environment for the MVAS industry will continue to be challenging and we foresee conditions to remain difficult for the entire MVAS sector in the future. Since the beginning of the regulatory changes starting in June 2006, we have significantly reduced headcount in our MVAS business and the marketing and promotion expenses incurred for the MVAS business. In 2007, we worked hard to explore various strategies to achieve long term growth. These strategies included: 1) Continue to move further upstream into the content provider segment of the business. 2) Continue to launch popular mobile games. 3) Develop mobile applications for enterprises and government offices in China.

However, as the regulatory environment for the MVAS industry continued to be difficult and we see no reasonable instance where our MVAS business may turn profitable in the foreseeable future, in February 2008, the Group announced that it was in the process of reducing the MVAS workforce and intended to scale down its emphasis on this business. After the scale down, the Group will re-channel its resources to expanding and developing automobile, games, and travel vertical portal business as well as new media business operations.

The portal business represents the company's origin. Thanks to our strong brand recognition and booming growth of online advertising in mainland China, we have produced encouraging financial returns. For the year ended 31st December 2007, our portal revenue increased 53% to HK$24,515,000 from 2006. The increasing sales were mainly attributable to enhanced brand equity, strategic partnership with an increasing number of industry leaders and encouraging sales growth over the automobile and games channels.

The China.com portal and Google formed a strategic partnership in July 2006. After a year of successful and deepening cooperation, in July 2007, the two companies expanded their strategic partnership in search and advertisement services to improve the search experiences for Internet users in China. In addition, China.com portal will utilize the Google AdSense program to deliver relevant advertisements that generate revenue and enhance the user experience. Through the partnership, advertisers on the China.com portal will be able to leverage the popular China.com portal and Google's proven AdSense program.

The China.com portal has a long history in online coverage of and involvement in sporting events in China. In January 2007, the China.com portal provided exclusive online coverage of the 2007 Asian Winter Games as the Games' exclusive web sponsor. Through such exclusive online coverage in the form of both information and video, the China.com portal gained important recognition by thousands of athletes and officials from Asian countries, as well as tens of millions of sports fans worldwide.

In addition, strategic partnerships with other vertical sites such as China's number one real estate website "Soufun" has enriched our content in those channels and improved user experience. The China.com portal will continue to broaden its partnership with leading websites in various vertical sectors.

Recognizing the potential of the online gaming sector in China, the China.com portal is also building and strengthening its current games channel into an informational and interactive gaming platform. We are forging strategic partnership with leading domestic and international webpage games companies to launch webpage games, many of which are sports games, to capture a niche yet fast growing market and to capture the advertising opportunities brought on by the 2008 Olympics. We are also strengthening content on gaming news and information, offering the China.com gaming channel as an attractive choice for game advertisers.

Overall, we continue to believe that there are high growth opportunities in the PRC market. The Group will continue to identify, invest and operate compelling next generation businesses in media, technology and other related fields. We believe that this is the right strategy to assist the Group in returning to profitability and to create shareholder value in the years to come.

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 2007. We look forward to sharing our progress with you in the coming year.

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 25th March, 2008

FINANCIAL REVIEW

Revenue and gross profit

Revenue from continuing operations for the year ended 31st December, 2007 was HK$154,665,000 representing a HK$165,380,000, or 52%, decrease as compared with last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications revenue of HK$175,870,000; and (2) an increase in advertising revenue from the internet and media segment of HK$10,490,000.

Gross profit margin maintained at a relatively stable level of 54% in 2007, compared to 58% in 2006.

Other income

Other income increased by 127% to HK$84,484,000 in 2007, compared with HK$37,197,000 in 2006. The net increase was primarily due to (1) a HK$25,827,000 increase in bank interest income during the year as a result of an increase in cash and bank balances and increasing yield of such cash and bank balances; (2) a HK$23,592,000 increase in note interest income arising from the note receivable associated with the disposal of the online games segment; and (3) a HK$3,590,000 decrease in interest income from available-for-sale investments.

Selling and distribution costs

Selling and distribution costs decreased to HK$35,792,000 in 2007, compared with HK$102,101,000 in 2006. The decrease was mainly attributable to the decrease in marketing and promotion expenses incurred for our mobile services and applications business amounting to HK$66,840,000 in 2007.

Administrative expenses

Administrative expenses decreased by 1% to HK$113,466,000 in 2007 versus HK$114,134,000 in 2006. Administrative expenses include share option expenses in 2007 amounting to HK$20,028,000 (2006: HK$17,484,000) recognized in accordance with HKFRS 2.

Impairment loss

In 2007, the Group recorded an impairment charge of HK$612,110,000 which included (1) a HK$519,831,000 impairment of goodwill associated with the Group's mobile services and application segment; (2) a HK$13,588,000 impairment of intangible assets related to the Group's mobile services and application segment; and (3) a HK$78,691,000 impairment loss on available-for-sale investments.

Other expenses

Other expenses increased by about HK$5,901,000 to HK$20,319,000 in 2007, compared to HK$14,418,000 in 2006. The increase was primarily due to the increase in amortization expense of intangible assets.

Income tax

The Group recorded an income tax credit of HK$2,796,000 in 2007, compared to an income tax expense of HK$7,559,000 in 2006. The provision of income tax was HK$1,819,000 in 2007 which was offset by the deferred tax income of HK$4,615,000.

Discontinued operation

In December 2006, the Group discontinued its operation under the online games segment. Further details of the discontinued operation are set out in note 9 to the consolidated financial statements.

Minority interests

Loss shared by minority interests was HK$12,933,000 in 2007, compared to a profit shared by minority interests of HK$2,584,000 in 2006. Loss shared by minority interests in 2007 represented minority interests' share of loss in the Group's mobile services and applications segment.

Profit shared by minority interests in 2006 included HK$3,601,000 share of profit in the Group's minority interest in 17game which was set off by minority interests' share of loss in the Group's mobile services and applications segment in relation to the acquisition of TimeHeart Science Technology Limited and Beijing TimeHeart Information Technology Limited.

(Loss) profit for the year attributable to equity holders of the Company

Loss for the year attributable to equity holders of the Company was HK$599,723,000 in 2007, compared with profit attributable to equity holders of the Company of HK$621,487,000 in 2006.

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$1,741,080,000 shareholders' funds as at 31st December, 2007. Shareholders' funds as at 31st December, 2006 were HK$2,293,448,000. Total assets amounted to HK$1,791,333,000 as at 31st December, 2007 as compared to HK$2,499,068,000 as at 31st December, 2006, of which HK$724,331,000 were bank balances and cash versus HK$681,059,000 as at 31st December, 2006, HK$4,525,000 were held-for-trading investments versus nil as at 31st December, 2006 and HK$516,897,000 were available-for-sale investments versus HK$719,584,000 as at 31st December, 2006.

Capital structure

Except for the full repayment of the Group's bank borrowings amounting to HK$127,530,000 during the year, there was no change in the capital structure of the Group as at 31st December, 2007 as compared with that as at 31st December, 2006.

Charges on the Group's assets

As at 31st December, 2007, none (2006: HK$194,000,000) of the Group's available-for-sale investments was held by banks as collateral for securing the Group's bank borrowings which was fully repaid as at 31st December, 2007 (2006: HK$127,530,000). Neither time deposits nor bank balances (2006: nil) were pledged to banks as guarantee.

Gearing ratio

The Group's gearing ratio, representing total bank borrowings divided by shareholders' funds, decreased from 6% as at 31st December, 2006 to 0% as at 31st December, 2007. The change was due to the full repayment of bank borrowings of HK$127,530,000 during the year ended 31st December, 2007.

The Group's net cash, held-for-trading investments, and available-for-sale investments was HK$1,245,753,000 (2006: HK$1,273,113,000), comprising of bank balances and cash of HK$724,331,000 (2006: HK$681,059,000), held-for-trading investments of HK$4,525,000 (2006: nil), available-for-sale investments of HK$516,897,000 (2006: HK$719,584,000) and bank borrowings of nil (2006: HK$127,530,000).

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, 2007, no related hedges were made by the Group.

Contingent liabilities

The directors of the Company have assessed the contingent tax liability amounting to HK$110,000,000 that may arise from the disposal of Online Games as detailed in note 33 to the consolidated financial statements 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.

BUSINESS REVIEW

Mobile Value Added Services

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

As a result of this prolonged, industry-wide impact, for the year ended 31st December 2007, our total mobile services and application revenue was HK$65.7 million, down 73% from 2006. During the year, SMS and MMS were our major revenue generators, representing 52% and 24% respectively of the total mobile services and applications revenue. Remaining was mainly shared by our WAP and IVR services.

In order to minimize the industry wide impact, in 2007 the Group had emphasized three strategies to achieve long term growth: 1) Continue to move further upstream into the content provider segment of the business. 2) Continue to launch popular mobile games. 3) Develop mobile application for enterprises and government offices in China.

Continue to move further upstream into the content provider segment of the business
In April 2007, we entered into a mobile content agreement with Jiangsu Wuxi Mobile, a subsidiary of China Mobile. Under the terms of the agreement, we will provide the carrier with rich MMS (Multimedia Message Service) and WAP (Wireless Application Protocol) content, including ring tones, graphics, weather forecast, and more. We will also send the content on behalf of the carrier to designated mobile subscribers. Expanding on such cooperation, we had subsequently entered into another WAP content contract with Jiangsu Wuxi Mobile.

Continue to launch popular mobile games
We are one of the mobile gaming providers in China, and provided mobile games over various technical platforms including WAP, JAVA and Brew, and compatible to all available handset models.

According to each mobile game title's characteristic, we have a variety of charging methods for game players to choose from, including monthly payment, single time downloading, single time downloading in limited time usage, single time play, etc. Moreover, we are also the pioneer of free mobile game model adopter.

Develop mobile applications for enterprises and government offices in China
We explored opportunities in enterprise service applications and sought opportunities to develop mobile applications for enterprises and government offices in China. During 2007, we had completed several projects for other local governments, including SMS voting projects for Chang Tu City government, Liao Yang City government and Jin Zhou City government.

However, as the regulatory environment for the MVAS industry continued to be difficult and we see no reasonable instance where our MVAS business may turn profitable in the foreseeable future, in February 2008, the Group announced that it was in the process of reducing its workforce in its MVAS business and intended to scale down its emphasis on this business.

Portal
The portal business is the company's origin. Thanks to our strong brand recognition and the booming growth of online advertising in mainland China, we brought encouraging financial return to our investors. During 2007, the China.com portal has enjoyed robust growth through various innovative practices, including acquiring a leading Web2.0 company, exploring advertising opportunity in automobile and gaming channels, and establishing strategic partnerships with industry leaders such as Google and www.Alibaba.com.

For the year ended 31st December 2007, our portal revenue increased 53% to HK$24,515,000 from 2006. The increasing sales were mainly attributable to enhanced brand equity, strategic partnership with an increasing number of industry leaders and encouraging sales growth over the automobile and gaming channels.

In 2007, the China.com portal received several awards which highlighted our portal's achievements including "Outstanding Web Channel of 2007" award from State Council Information office of the People's Republic of China, Internet News Research Institute and Internet Society of China; "Innovative Internet Firm of 2007"from China Internet Annual Meeting held by China Center for Information Industry Development ("CCID"). In addition, various channels of our portal also received several leading industry awards. The automobile channel received "Annual Innovative Business Model Award" in China Information Industry Annual Meeting and "The Most Recommended Internet Advertising Platform by Customer" in China Internet Annual Meeting held by CCID. The Gaming channel received "The Most Potential Channel Award" in China Internet Annual Meeting held by CCID and "Top Ten Gaming Media of 2007"in China Game Industry Annual Meeting.

The increasing pageviews and strong brand recognition helped the China.com portal to acquire more advertising contracts and reputable clients such as IBM, Haier, Unilever, Menniu, and including Honda, Toyota, Nissan, Volkswagen in the automobile industry, and Giant and Shanda in the gaming industry.

The China.com portal and Google formed a strategic partnership in July 2006. After a year of successful and deepening cooperation, in July 2007, the two companies expanded their strategic partnership in search and advertisement services to improve search experiences for Internet users in China. Under the agreement, Google's WebSearch service will be embedded in China.com's search box, allowing users to easily and conveniently switch between online content and web page search. In addition, China.com portal will utilize Google AdSense program to deliver relevant advertisements that generate revenue and enhance the user experience. Through the partnership, advertisers on China.com portal will be able to leverage the popular China.com portal and Google's proven AdSense program.

The China.com portal has a long history in online coverage and involvement in sporting events in China. In January 2007, the China.com portal provided exclusive online coverage of the 2007 Asian Winter Games as the Games' exclusive web sponsor. For the first time in the history of Asian Winter Games, all 45 countries and regions from the Olympic Council of Asia (OCA) family came together to participate in the 6th Asian Winter Game. Through the exclusive online coverage in the forms of both information and video, the China.com portal gained important recognition by thousands of athletes and officials from Asian countries, as well as tens of millions of sports fans worldwide.

In addition, strategic partnerships with other vertical sites such as China's number one real estate website "Soufun" has enriched our content in those channels and improve user's experience. The China.com portal will continue to broaden its partnership with leading websites in various vertical sectors.

Recognizing the potential of the online gaming sector in China, the China.com portal is also building and strengthening its current games channel into an informational and interactive gaming platform. We are forging strategic partnerships with leading domestic and international webpage games companies to launch webpage games, many of which are sports games, to capture a niche yet fast growing market and to capture the advertising opportunities brought on by 2008 Olympics. We are also strengthening content on gaming news and information, offering the China.com gaming channel as an attractive choice for game advertisers.

Overall, we will continue to focus on increasing China.com's brand equity, and deepening strategic partnerships with industry leaders. We believe this strategic focus, combined with various new sales initiatives, will help the portal business to maintain a robust growth.

Media and Travel

TTG has done well in 2007 with consistent quarterly performance and overall results exceeding annual budget. The good performance in 2007, growing 3% to HK$64,478,000, can be attributed to the better than expected advertising revenues from print as well as from ad hoc special projects.

TTG events/exhibitions launched 2 new travel trade events in Shanghai; IT&CM China and CT&TW China. IT&CM China is an exhibition platform for buyers and sellers from the Meetings, Incentives, Convention & Exhibition (MICE) sector of the travel industry to meet and conduct business whereas, CT&TW is a conference for corporate travel managers in China. Both events were well received by delegates and exhibitors.

During the year, TTG also successfully organized 3 other events namely; Incentive Travel & Conventions, Meetings Asia/Corporate Travel World, The Gift & Stationary Fair and International Feng Shui Convention.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

EMPLOYEE INFORMATION

As at 31st December, 2007, the Group has 307 (2006:445) full-time employees of which 5 (2006:9) are based in Hong Kong, 262 (2006: 394) in China and 40 (2006: 42) in Singapore. 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.

The directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31st December, 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 38 to the consolidated financial statements. The Company and its subsidiaries (the "Group") are principally engaged in the operation of a broad range of content value-added community services and e-commerce capabilities through online, offline and wireless media in principally the PRC and also Hong Kong and Singapore, comprising operations of mobile value added services, Internet portal, trade publication and events.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31st December, 2007, and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 34 to 94.

The directors do not recommend the payment of any dividend in respect of the year.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 25 and 30 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

The Company has repurchased a total of 1,100,000 ordinary shares of the Company on the Stock Exchange in February 2007 for an aggregate amount of HK$534,980, net of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase are as follows:–

Date of repurchase	Number of shares repurchased	Price per share repurchased Highest (HK$)	Lowest (HK$)
2nd February, 2007	700,000	0.4850	0.4800
5th February, 2007	200,000	0.4950	–
6th February, 2007	200,000	0.4950	–
Total:	1,100,000		

The repurchased shares have been cancelled during the quarter ended 31st March, 2007.

Saved 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, 2007.

In February 2008, the Company has repurchased a total of 1,066,000 ordinary shares of the Company on the Stock Exchange for an aggregate amount of HK$334,720, net of transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase are as follows:–

Date of repurchase	Number of shares repurchased	Price per share repurchased Highest (HK$)	Lowest (HK$)
14th February, 2008	96,000	0.3100	–
18th February, 2008	150,000	0.3100	0.3000
19th February, 2008	470,000	0.3150	–
20th February, 2008	200,000	0.3200	0.3150
22nd February, 2008	150,000	0.3150	–
Total:	1,066,000		

The Company is in the process of canceling the repurchased shares.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31st December, 2007, the Company's reserves available for distribution amounted to HK$1,126,347,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 12% of the total sales for the year and sales to the largest customer included therein amounted to 4%. Purchases from the Group's five largest suppliers accounted for 18% of the total purchases for the year and purchases from the largest supplier included therein amounted to 5%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive directors

Yip Hak Yung, Peter
(vice-chairman and acting chief executive officer)
Cheng Loi (appointed as executive director on 20th February, 2008 and also as company secretary on 10th December, 2007)
Chen Xiaowei (resigned as executive director and president on 15th February, 2008)

Non-executive directors

Ch'ien Kuo Fung, Raymond *(Chairman)*
Fang Xin

Independent non-executive directors

Chia Kok Onn
Wang Cheung Yue, Fred
Wong Sin Just
Lam Lee G.
Anson Wang (appointed on 5th July, 2007)

In accordance with article 99 of the Company's restated articles of association, Mr. Anson Wang and Dr. Cheng Loi will hold office until the forthcoming annual general meeting of the Company and will then be eligible for re-election at that meeting. In accordance with article 116 of the Company's restated articles of association, Dr. Ch'ien Kuo Fung, Raymond, Mr. Fang Xin and Mr. Chia Kok Onn will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Emoluments of the directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 11 and 12 to the consolidated financial statements, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

China.com Corp. Limited, a wholly owned subsidiary of the Company, and Asia Pacific Online Limited ("APOL") has entered into an Executive Services (CEO) Agreement (the "Executive Services Agreement") effective as of 12th April, 2006 with the latter agreeing to provide certain services to China.com Corp. Limited, including the services of Mr. Yip Hak Yung, Peter as acting chief executive officer of the Company for a period of 2 years. APOL shall be paid a cash remuneration of HK$1 per annum and granted options and contingent options to purchase an aggregate number of 239,356,507 of the Company's shares representing 2.5% and 3.0% respectively of the issued shares of the Company as at the date of the grant, 14th August, 2006. The Executive Services Agreement shall be automatically renewed for successive periods of one year after the expiration of the term unless either China.com Corp. Limited or APOL informs the other party in writing not less than 6 months prior to the expiration of the then-current term of its desire for the Executive Services Agreement to not be automatically renewed for the successive term.

Each of the non-executive directors and independent non-executive directors are all subject to an initial term of 2 years and rotational retirement and re-election in accordance with the restated articles of association of the Company. Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company in respect of his service to the Company in the capacity of a director which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party during the year.

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

As of 31st December, 2007, the interests and short positions of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the required standard of dealings by the Directors as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

The Company

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/holding capacity	Approximate percentage of interests
Chen Xiaowei (resigned on 15th February, 2008)	–	22,700,000 *Note (3)*	Personal/ beneficiary	0.52%
Chia Kok Onn	–	2,500,000	Personal/ beneficiary	0.06%
Ch'ien Kuo Fung, Raymond	5,716,000	18,000,000	Personal/ beneficiary	0.54%
Fang Xin	–	1,000,000	Personal/ Beneficiary	0.02%
Lam Lee G.	–	–	–	–
Anson Wang	–	–	–	–
Wang Cheung Yue, Fred	–	6,000,000	Personal/ beneficiary	0.14%
Wong Sin Just	–	4,500,000	Personal/ beneficiary	0.10%
Yip Hak Yung, Peter	3,416,000	–	Corporate *Note (1)*	0.08%
Yip Hak Yung, Peter	900,000	17,000,000	Personal/ beneficiary	0.41%
Yip Hak Yung, Peter	–	239,356,507	Interest of children or spouse *Note (2)*	5.46%

Notes:

(1) These shares were beneficially owned by Asia Internet Holdings Limited, a company 100% owned by Mr. Yip Hak Yung, Peter.

(2) These options were beneficially owned by Asia Pacific Online Limited, a company 50% owned by Mr. Yip Hak Yung, Peter's spouse and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

(3) All options have lapsed upon her resignation on 15th February, 2008.

Options to subscribe for ordinary shares in the Company

Details of the options to subscribe for ordinary shares in the Company are set out in note 30 to the consolidated financial statements.

Associated Corporation

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/holding capacity	Approximate percentage of interests
Chen Xiaowei (resigned on 15th February, 2008)	–	199,164 *Note (2)*	Personal/ beneficiary	0.17%
Chia Kok Onn	–	– *Note (6)*	–	–
Ch'ien Kuo Fung, Raymond	1,023,773	130,000	Personal/ beneficiary	0.98%
Fang Xin	–	70,000	Personal/ beneficiary	0.06%
Lam Lee G.	–	10,000	Personal/ Beneficiary	0.01%
Anson Wang	–	–	–	–
Wang Cheung Yue, Fred	–	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,483,649	5,744,999	Interest of children or spouse *Note (1)*	18.93%
Yip Hak Yung, Peter	–	90,000	Personal/ beneficiary	0.08%

Note:

(1) 11,987,253 of the class A common shares and 5,744,999 share options were held by Asia Pacific Online Limited, a company 50% owned by Mr. Yip Hak Yung, Peter's spouse and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. 4,496,396 of the class A common shares were held by the spouse of Mr. Yip.

(2) All options have lapsed upon her resignation on 15th February, 2008

Options/stock appreciation rights to subscribe for Class A common shares in CDC Corporation

				Number of share options/stock appreciation rights				
Name of directors	Date of grant	Exercise price US$	Exercise period	Balance as at 1st January, 2007	Granted during the year	Exercised during the year	Forfeited/ Cancelled during the year	Balance as at 31st December, 2007
Chen Xiaowei (resigned on 15th February, 2008)	19/07/2005	2.7600	19/07/2006-18/07/2015	40,000	–	–	–	40,000 *Note (2)*
	27/09/2005	3.2100	27/09/2006-26/09/2015	40,000	–	–	–	40,000 *Note (2)*
	14/07/2006	3.9500	14/10/2006-13/07/2013	120,000	–	–	–	120,000 *Note (2)*
	25/08/2006	5.2500	25/11/2006-24/08/2013	100,000	–	–	–	100,000 *Note (2)*
Chia Kok Onn	01/09/2005	2.9760	01/09/2005-31/08/2015	21,875	–	–	21,875 *Note (6)*	–
	01/09/2005	2.9760	01/09/2006-31/08/2015	20,418	–	–	20,418 *Note (6)*	–
Ch'ien Kuo Fung, Raymond	22/06/1999	3.3750	22/06/2000-21/06/2009	66,667	–	66,667 *Note (3)*	–	–
	17/10/2000	6.8125	17/01/2001-16/10/2010	100,000	–	–	–	100,000
	09/01/2001	4.2813	09/01/2001-08/01/2011	30,000	–	–	–	30,000
	27/04/2001	2.7400	27/07/2001-26/04/2011	220,000	–	220,000 *Note (3)*	–	–
	13/07/2001	2.9700	13/10/2001-12/07/2011	400,000	–	400,000 *Note (3)*	–	–
	27/04/2005	2.6860	27/07/2005-26/04/2015	62,500	–	62,500 *Note (3)*	–	–
	01/01/2006	3.2200	01/07/2006-31/12/2015	45,000	–	45,000 *Note (3)*	–	–
Fang Xin	16/11/2005	3.3000	16/11/2006-15/11/2015	70,000	–	–	–	70,000
Lam Lee G.	22/12/2006	8.5100	22/03/2007-21/12/2013	10,000	–	–	–	10,000 *Note (1)*
Wang Cheung Yue, Fred	24/10/2005	3.2100	24/10/2006-23/10/2015	90,000	–	–	–	90,000
	18/12/2006	8.5200	18/12/2007-18/12/2013	–	25,000 *Note (1)*	–	–	25,000
Wong Sin Just	22/12/2006	8.5100	22/03/2007-21/12/2013	20,000	–	–	–	20,000 *Note (1)*

Name of director	Date of grant	Exercise price US$	Exercise period	Number of share options/stock appreciation rights: Balance as at 1st January, 2007	Granted during the year	Exercised during the year	Forfeited/ Cancelled during the year	Balance as at 31st December, 2007
Yip Hak Yung, Peter	22/06/1999	3.3750	22/06/2000-21/06/2009	60,000	–	–	–	60,000
	09/01/2001	4.2813	09/01/2001-08/01/2011	30,000	–	–	–	30,000
	06/06/2002	2.8200	06/06/2002-05/06/2012	200,000*	–	–	200,000 *Note (5)*	–
	03/06/2003	4.9500	30/06/2003-02/06/2013	200,000*	–	–	–	200,000*
	16/06/2003	5.1600	16/09/2003-15/06/2013	100,000*	–	–	–	100,000*
	15/09/2005	2.9940	15/09/2005-14/09/2015	50,000*	–	–	50,000 *Note (5)*	–
	15/09/2005	2.9940	15/12/2005-14/09/2015	50,000*	–	–	50,000 *Note (5)*	–
	24/10/2005	3.2100	24/10/2006-23/10/2015	45,000*	–	–	–	45,000*
	03/01/2006	3.2200	03/04/2006-02/01/2013	600,000*	–	–	–	600,000*
	12/04/2006	3.9900	12/07/2006-11/04/2013	2,400,000*	–	–	–	2,400,000*
	12/04/2006	3.9900	*Note (4)*	2,399,999*	–	–	–	2,399,999*

Notes:

(1) This represents stock appreciation right to subscribe for Class A common shares of CDC Corporation granted under the 2005 Stock Incentive Plan.

(2) All options have lapsed upon her resignation on 15th February, 2008.

(3) During the year, Dr. Ch'ien Kuo Fung, Raymond exercised an aggregate of 66,667 options to subscribe for Class A common shares at an exercise price of US$3.3750; 220,000 options to subscribe for Class A common shares of an exercise price of US$2.7400; 400,000 options to subscribe for Class A common shares at an exercise price of US$2.9700; 62,500 options to subscribe for Class A common shares at an exercise price of US$2.6860 and 45,000 options to subscribe for Class A common shares at an exercise price of US$3.2200. Out of these options to subscribe for Class A common shares, 210,000 Class A common shares were held and the remaining were sold on the respective days of the exercise of options.

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

(5) During the year, an aggregate of 300,000 vested options including the 200,000 options granted on 06/06/2002 (exercise period 06/06/2002-05/06/2012), 50,000 options granted on 15/09/2005 (exercise period 15/09/2005-14/09/2015) and 50,000 options granted on 15/09/2005 (exercise period 15/12/2005-14/09/2015) to subscribe for Class A common shares were transferred to C W Chu Foundation, a non-profit organization that serves the public interest in Hong Kong, pursuant to the terms of an Option Transfer Agreement effective as of 15th July, 2005 and Amendment No.1 to Option Transfer Agreement dated 2nd October, 2007 among CDC Corporation, Asia Pacific Online Limited and Mr. Yip Hak Yung, Peter.

(6) All options have lapsed upon his cessation of directorship on 15th November, 2007.

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	–	25,000	Personal/ beneficiary	0.08%
Wang Cheung Yue, Fred	–	20,000	Personal/ beneficiary	0.07%
Yip Hak Yung, Peter	–	330,000	Interest of children or spouse *Note (1)*	1.10%

Note:

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

Options to subscribe for common shares in CDC Software Corporation

				Number of share options				
Name of directors	Date of grant	Exercise price US$	Exercise period	Balance as at 1st January, 2007	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Balance as at 31st December, 2007
Ch'ien Kuo Fung, Raymond	17/02/2007	13.33	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	–	25,000	–	–	25,000
Wang Cheung Yue,	17/02/2007	13.33	Date of commencement Fred of an initial public offering of CDC Software Corporation to 17th February, 2014	–	20,000	–	–	20,000
Yip Hak Yung, Peter	17/02/2007	13.33	Date of commencement of an initial public offering of CDC Software Corporation to 17th February, 2014	–	330,000	–	–	330,000

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/holding capacity	Approximate percentage of interests
Chen Xiaowei (resigned on 15th February, 2008)	–	128,000 *Note (2)*	Personal/ beneficiary	0.43%
Wang Cheung Yue, Fred	–	120,000	Personal/ beneficiary	0.40%
Wong Sin Just	–	– *Note (3)*	–	–
Yip Hak Yung, Peter	–	900,000	Interest of children or spouse *Note (1)*	3.00%

Notes:

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

(2) All options have lapsed upon her resignation on 15th February, 2008.

Options to subscribe for common shares in CDC Games Corporation

				Number of share options				
Name of directors	Date of grant	Exercise price US$	Exercise period	Balance as at 1st January, 2007	Granted during the year	Exercised during the year	Lapsed/ Cancelled during the year	Balance as at 31st December, 2007
Chen Xiaowei (resigned on 15th February, 2008)	17/02/2007	4.50	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	–	128,000	–	–	128,000 *Note (2)*
Wang Cheung Yue, Fred	17/02/2007	4.50	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	–	120,000	–	–	120,000
Wong Sin Just	17/02/2007	4.50	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	–	50,000	–	50,000 *Note (3)*	–
Yip Hak Yung, Peter	17/02/2007	4.50	Date of commencement of an initial public offering of CDC Games Corporation to 17th February, 2014	–	900,000	–	–	900,000

Notes:

(3) The 50,000 options granted on 17th February, 2007 were given up by the grantee during the year.

Save as disclosed above and the Company's share option scheme disclosures in note 30 to the consolidated financial statements, as at 31st December, 2007, none of the directors, chief executive and their associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31st December, 2007, the interests and short positions of the substantial shareholders in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long positions in shares:

Name	Number of shares	Number of underlying shares	Capacity and nature of interests	Approximate percentage of interests
China M Interactive (BVI) Limited	3,361,828,000	–	Direct beneficial owner	76.73%
Asia Pacific Online Limited	–	239,356,507	Direct beneficial owner	5.46%

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

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

Saved as disclosed above and in note 30 to the consolidated financial statements, as at 31st December, 2007, the Company had not been notified of any substantial shareholders' interests which are required to be recorded in the register kept under Section 336 of the SFO.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 30 to the consolidated financial statements.

The directors have obtained the following theoretical valuations of the share options granted during the year, calculated using the Black-Scholes option pricing model as at the date of the grant of the options:

	Number of options granted during the year	Theoretical value of share options HK$
2002 Scheme:		
Other employees – in aggregate	3,950,000	977,500

The Black-Scholes model is a generally accepted method of valuing options, using certain variables, including risk-free interest rate, expected life of the options and expected volatility and expected dividend of the shares of the Company.

The range of interest rate applied in the Black-Scholes model is 2.93% – 4.08% per annum, representing the five-year yield of the Hong Kong Exchange Fund Notes as at the date of grant of the share options. The expected life of the option used is five years and the expected volatility of the expected share prices of the Company ranging from 67.16% – 67.26% is used in the Black-Scholes model. It is assumed that based on historical pattern, no dividend would be paid out during the vesting period. The measurement dates used in the theoretical valuation calculations were the dates on which the options were granted.

The values of share options calculated using theoretical models are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of the assumptions of expected future performance input to the model, and certain inherent limitations of the model itself.

COMPETING INTERESTS

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

CONNECTED TRANSACTION

During the year, the Group had the following connected transaction, details of which have been disclosed in compliance with the requirements of the GEM Listing Rules.

On March 6, 2008, the Board of Directors of China.com Inc. (the "Company") announces that the Company purchased an aggregate of 751,550 shares of CDC Stock (the "Purchases") on the NASDAQ Global Market between September 13, 2007 and December 18, 2007, for aggregate consideration of US$4,885,668 (equivalent to approximately HK$38,108,210).

Mr. Yip Hak Yung Peter is director and chief executive of the Company. Mr. Yip (together with his associates) is also a substantial shareholder of CDC. Therefore, the Purchases of CDC Stock constitute a connected transaction under Rule 20.13(1)(b)(i) of the GEM Listing Rules. As all relevant percentage ratios of this transaction are less than 2.5%, this transaction is exempt from the independent shareholders' approval requirement under Rule 20.32 of the GEM Listing Rules, but is still subject to the reporting and announcement requirements under Rule 20.45 to 20.47 of the GEM Listing Rules.

Stock Buying Program

Date

The Company entered into the Rule 10b5-1 Plan with GunnAllen as of September 20, 2007, and purchased 366,000 shares of CDC Stock thereunder. The maximum number of shares of CDC Stock that the Company agreed to purchase, as contemplated by the Rule 10b5-1 Plan was 366,000 shares of CDC Stock.

Depending on timing and other factors, the Company may make purchases of CDC Stock either with or without a Rule 10b5-1 Purchase Plan in place. A benefit of establishing a Rule 10b5-1 Purchase Plan, however, is that it provides the Company with affirmative defenses to alleged violation of Rule 10b5-1 (insider trading) under the U.S. Securities Laws. Since Rule 10b5-1 Purchase Plans (which include purchase or sale instructions, price targets, volume limitations and other criteria) must be established when the Company is not in receipt of material non-public information, the transactions thereunder are, subject to certain conditions, non-discretionary. As a result, the Company can continue (through a third party) to transact open-market purchases and sales under the pre-determined criteria even though it may subsequently become aware of material non-public information, at which time transactions without having a Rule 10b5-1 Purchase Plan in place would be prohibited.

The Company is restricted from subsequent sale of CDC Stock when it is aware of the material nonpublic information of CDC Corporation or any of its subsidiaries or affiliates.

Furthermore, there are additional restrictions on subsequent sales of CDC Stock. CDC owns approximately 77% of the Company's issued ordinary shares. The Company is an affiliate of CDC under applicable U.S. securities laws. Once shares of CDC Stock are acquired by the Company under a Rule 10b5-1 Plan, the securities will become "control shares".

Control shares are subject to the following limitations and restrictions:

(i) There must be adequate current information about the issuer of the securities (CDC) before sales of the CDC Stock could be made by the Company. This generally means that CDC must have complied with the periodic reporting requirements of the Securities Exchange Act of 1934.

(ii) The number of shares of CDC Stock that the Company may sell during any three-month period must not exceed the greater of 1% or the average reported weekly trading volume during the four weeks preceding the filing a notice of the sale on Form 144.

(iii) Sales of CDC Stock by the Company must be handled in all respects as routine trading transactions, and brokers may not receive more than a normal commission.

(iv) At the time the Company places its order to sell CDC Stock, the Company must file a notice with the SEC on Form 144 if the sale involves more than 5,000 shares or the aggregate dollar amount is greater than US$50,000 in any three-month period. The sale must take place within three months of filing the Form and, if the securities have not been sold, the Company must file an amended notice.

Additionally, CDC must maintain an effective registration statement on file with the SEC.

Parties

The parties to both the Rule 10b5-1 Plan are the Company, which is established under the laws of the Cayman Islands with limited liability, and whose shares are listed on the GEM (Stock Code: 8006), and GunnAllen, a brokerage and investment banking firm conducting business in the State of Florida. The Company confirms that, in accordance with GEM Rule 19.58(4), to the best of its directors' knowledge, information and belief having made all reasonable enquiry, GunnAllen and its ultimate beneficial owners are third parties independent of the Company and its connected persons. CDC Stock is traded on the NASDAQ Global Market. GunnAllen is a FINRA registered securities broker-dealer. Since all the Purchases were made on the open market, the Company does not know the identities of the sellers of the CDC Stock. However, the Company does not have any evidence that the sellers are connected persons of the Company.

Value of Transaction

Up to the date hereof, the Company has purchased 751,550 shares of CDC Stock, or approximately 0.7% of all outstanding CDC Stock, for an aggregate amount of approximately US$4,885,668 (equivalent to approximately HK$38,108,210). Out of those 751,550 shares, 366,000 shares were purchased under the Rule 10b5-1 Plan. All Purchases were made on the open market at market price. A breakdown of the Previous Purchases is set out below:

Date of Purchase	Volume (Shares)	Price (US$ per share)
9/13/07	170,200	7.3098
9/14/07	76,800	7.1309
9/18/07	21,000	7.1057
9/20/07	57,550	6.9170
11/6/07	25,000	6.9536
11/7/07	25,000	6.8472
11/8/07	25,000	6.5638
11/8/07	50,000	6.3434
11/9/07	50,000	6.2209
11/12/07	100,000	5.9738
11/13/07	50,000	6.1667
11/14/07	41,000	6.4927
12/18/07	60,000	3.9558

The closing price of CDC Stock on February 29, 2008 was US$3.81 per share, and the market value of the 751,550 shares of CDC Stock as at such date was US$2,863,400 (equivalent to approximately HK$22,334,560).

CDC Corporation did not declare any dividends in the last two financial years. Therefore, the net profits attributable to the CDC Stock purchased or to be purchased was nil for the last two financial years.

Certain key financial information about CDC for the last two financial years is set out below for reference:

	Year ended Dec. 31, 2005	**Year ended Dec. 31, 2006**
Net profits before tax and extraordinary items	US$2,902,000	US$16,214,000
Net profits after tax and extraordinary items	(US$3,464,000)	US$10,840,000
Net asset value	US$446,498,000	US$454,623,000
Net profits per share before tax and extraordinary items	US$0.03	US$0.15
Net profits per share after tax and extraordinary items	(US$0.03)	US$0.10
Net asset value per share	US$4.02	US$4.17

Consideration and Payment Terms
The price, daily volume and cumulative volume limits under the Rule 10b5-1 Plan were:

Price Limit (US$ per share)	**Daily Volume Limit (Shares)**	**Cumulative Volume Limit (Shares)**
$6.00 or below	100,000	None
$6.50 or below	50,000	None
$7.00 or below	25,000	None
Total	175,000	366,000

In determining the bid price for purchases made between September 13, 2007 and September 20, 2007 and on December 18, 2007 and the price limits for the Rule 10b5-1 Plan, the Company considered the following factors:

(i) the publicly-available financial information of CDC;

(ii) recommendations contained in publicly-available reports from independent, professional financial analysts; and

(iii) the historical price performance of the CDC Stock.

Since the relevant bid prices for the purchases made between September 13, 2007 and September 20, 2007 and on December 18, 2007, and the price limits set by the Company in the Rule 10b5-1 Plan, were below the target prices for CDC Stock set by financial analysts at the relevant times, the Company believed that they were fair and reasonable. Furthermore, the Company believes that the true value underlying CDC Stock is based on potential price appreciation and not CDC's payment, or non-payment, of dividends.

The analyst reports reviewed and considered by the Company included but not limited to those:

(a) written by Andrey Glukhov, CFA and Michael Tieu, CFA of Brean Murray Carret & Co. and issued on September 6, 2007;

(b) written by J. Derrick Wood, CFA and Frank Law of Pacific Growth Equities and issued on September 7, 2007;

(c) written by Steven Freitas of BMO Capital Markets Corp. and issued on September 7, 2007;

(d) written by Mark Verbeck of Cantor Fitzgerald and issued on December 14, 2007; and

(e) written by Michael Huang, Atul Bagga, Darren Aftahi and Traci Mangini of ThinkEquity Partners LLC and issued on December 17, 2007.

The Company paid GunnAllen a commission at the rate of US$0.03 per share. This commission rate is the result of a negotiation between the Company and GunnAllen. Brokerage companies in the United States typically charge a commission at the rate of US$0.02 to US$0.04 per share for similar transactions. The Company believes that the commission rate of US$0.03 per share offered by GunnAllen is fair and reasonable.

Reasons for the transaction

The Company has approximately HK$1.2 billion in net cash balances and available-for-sale investments, and is exploring investment opportunities to optimize its portfolio by enhancing yield and maximizing shareholders' value. Having reviewed and considered recommendations contained in publicly-available reports from independent, professional financial analysts on CDC, the Executive Committee of the Board of Directors of the Company believed that CDC Stock was currently significantly undervalued. The Executive Committee of the Board (including an independent non-executive director) was of the view that the purchase of CDC Stock was on normal commercial terms, fair and reasonable so far as the Company and the Shareholders as a whole are concerned, and was in the best interest of the Company.

The Company has determined that the investment in CDC Stock will be booked as listed securities on the Company's balance sheet. The Company intends to hold the CDC Stock as non-current available-for-sale investment.

GEM listing rules implications

Mr. Yip Hak Yung, Peter is director and chief executive of the Company. Mr. Yip (together with his associates) is also a substantial shareholder of CDC. Therefore, the Purchases of CDC Stock constitute a connected transaction under Rule 20.13(1)(b)(i) of the GEM Listing Rules. As all relevant percentage ratios of this transaction are less than 2.5%, this transaction is exempt from the independent shareholders' approval requirement under Rule 20.32 of the GEM Listing Rules, but is still subject to the reporting and announcement requirements under Rule 20.45 to 20.47 of the GEM Listing Rules.

PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the consolidated income statement for the year are set out in notes 10 and 36 to the consolidated financial statements, respectively.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31st December, 2007, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required of dealing 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, 2007.

CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

The Company has applied the principles and complied with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules for the year ended 31st December, 2007 and is satisfied that the Company has compiled throughout the year ended 31st December, 2007.

AUDIT COMMITTEE

The Company established an audit committee on 25th February, 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The audit committee comprises four independent non-executive directors namely Mr. Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred, Mr. Chia Kok Onn and Dr. Lam Lee G. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has met four times in 2007 (with an attendance rate of 100%). The Company's annual results for the year ended 31st December, 2007 have been reviewed by the audit committee of the Company.

AUDITORS

Deloitte Touche Tohmatsu retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

The accounts have been audited by Deloitte Touche Tohmatsu who retire, and being eligible, offer themselves for reappointment.

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

Hong Kong, 25th March, 2008

China.com Inc. (the "Company") and its subsidiaries (the "Group") has applied the principles of and complied with the code provisions of the newly promulgated Code on Corporate Governance Practices (the "Code"). This report summaries the Group's corporate governance practices and explains deviations, if any, from the Code.

Board of Directors

The board of directors (the "Board") is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value.

The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") require every listed issuer to have at least three independent non-executive directors, at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. As at 31st December, 2007 the Board of the Company comprises a total of nine directors, with two executive directors, two non-executive directors and five independent non-executive directors and one of them has the appropriate professional qualifications, or accounting or related financial management expertise.

At each annual general meeting of the Company, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not exceeding, one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring director shall retain office until the close of the meeting at which he retires, and shall be eligible for re-election thereat. All non-executive directors are subject to an initial term of 2 years and rotational retirement and re-election in accordance with the restated articles of association of the Company.

The Board has adopted a set of guidelines on matters that requires its approval to achieve a clear division of the responsibilities of the Board and the management. Matters requiring the Board's approval include, among others, review of overall policies and objectives for corporate contributions and approval of contributions budget (annually), corporate plan of the Company and any significant changes thereto, investment plans which would involve significant commitments of financial, technological or human resources, or would involve significant risks for the Company, significant sales, transfers, or other dispositions of property or assets, significant changes in policies of broad application, major organization changes, approval of the annual report, and review of semi-annual and quarterly financial and operating results, other matters relating to the Company's business which in the judgment of the chief executive officer/acting chief executive officer are of such significance as to merit the Board's consideration, and adoption of such policies and the taking of such other actions as the Board deems to be in the best interests of the Company.

The positions of the chairman of the Board and the chief executive officer/acting chief executive officer are held by separate individuals with a view to maintain an effective segregation of duties with respect to the management of the Board and the day-to-day management of the Group's business.

The chairman shall ensure that the Board works effectively and discharges its responsibilities, ensure that good corporate governance practices and procedures are established, encourage all directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and that all key and appropriate issues are discussed by the Board in a timely manner, all directors have been consulted about any matters proposed for inclusion in the agenda. The chairman has delegated the responsibility of drawing up the agenda for each Board meeting to the company secretary. The chairman shall hold meetings, no less than once per year, with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. The chief executive officer is responsible for strategic planning and implementation, sourcing and meeting with potential business partners and looking for business opportunities for the Group, client development, recruiting, staff development, collaboration across the affiliated company network and looking for opportunities to cross-fertilize best practices and reporting to the Board regarding the Group's overall progress.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Board met 5 times during the financial year ended 31st December, 2007 to consider, among other things, reviewing and approving the quarterly, interim and annual results of the Group. The directors attend meetings in person or via telephone conference, as permitted under the restated articles of association of the Company. A meeting between the chairman and the independent non-executive directors was held in the fourth quarter in 2007.

Executive Directors	**Attendance**
Yip Hak Yung, Peter	60%
Chen Xiaowei *(resigned as executive director, compliance officer, authorized representative and president on February 15, 2008)*	80%
Cheng Loi *(appointed as company secretary and qualified accountant on December 10, 2007 and as executive director, compliance officer and authorized representative on February 20, 2008)*	N.A.
Non-executive Directors	
Ch'ien Kuo Fung, Raymond *(chairman of the board of directors)*	100%
Fang Xin	60%
Independent Non-executive Directors	
Wong Sin Just	60%
Wang Cheung Yue, Fred	100%
Chia Kok Onn	100%
Lam Lee G.	100%
Anson Wang *(appointed on 5th July, 2007)*	67%

The company secretary attends the Board/Board committees meetings. All directors have access to the company secretary who is responsible for ensuring that Board/Board committees procedures are observed and advising the Board/Board committees on compliance matters.

All directors were given the opportunities to include matters to be discussed in the agenda of Board/Board committees meetings. The company secretary is delegated with the responsibility to prepare these agendas and, where appropriate, take into account any matters proposed by each director/committee member for inclusion in the agenda. The company secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all board meetings.

The company has in place appropriate insurance cover in respect of legal action against its directors and officers.

Directors' Securities Transactions

The Company has not adopted a code of conduct regarding securities transactions by directors but has applied the principles of the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). In response to specific enquiry from the Company, the directors have confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings for the year ended 31st December, 2007.

Board Committees

To maximize the effectiveness of the Board, the Board has established the audit committee, nominating committee and remuneration committee with specific terms of reference to assist in the execution of their duties.

Audit Committee

The Audit Committee was established on 25th February, 2000 with written terms of reference as amended and restated. The Audit Committee comprises four independent non-executive directors namely Mr. Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred, Mr. Chia Kok Onn and Dr. Lam Lee G. The terms of reference of the Audit Committee are available on the Company's website. 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. Four meetings of the Audit Committee have been held during the year with the following attendances:

Committee members	**Attendance**
Wong Sin Just	100%
Wang Cheung Yue, Fred	100%
Chia Kok Onn	100%
Lam Lee G.	100%

Nominating Committee

The Nominating Committee was established on 28th February, 2005 with written terms of reference. The Nominating Committee has three independent non-executive directors comprising Messrs. Chia Kok Onn (Committee Chairman), Wang Cheung Yue, Fred, and Wong Sin Just. The terms of reference of the Nominating Committee are available on the Company's website. The primary duties of the Nominating Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the board on a regular basis and make recommendations to the board regarding any proposed changes; (ii) identify individuals suitably qualified to become board members and select or make recommendations to the board on the selection of, individuals nominated for directorships; (iii) assess the independence of independent non-executive directors; and (iv) make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the chief executive officer. No meeting of the Nominating Committee was held during the year.

Remuneration Committee

The Remuneration Committee was established on 25th February, 2000 with written terms of reference as amended and restated. The Remuneration Committee has one executive director, Mr. Yip Hak Yung, Peter, one non-executive director, Dr. Ch'ien Kuo Fung, Raymond and three independent non-executive directors, namely, Messrs. Chia Kok Onn, Wang Cheung Yue, Fred (Committee Chairman) and Wong Sin Just. The terms of reference of the Remuneration Committee are available on the Company's website. The primary duties of the Remuneration Committee are to make recommendations to the board and to conduct annual review if necessary on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. No meeting of the Remuneration Committee was held during the year.

Accountability and Audit

The Board acknowledges its responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group on a going concern basis, with supporting assumptions or qualifications as necessary. In preparing the accounts for the year ended 31st December, 2007, the directors have selected suitable accounting policies and applied them consistently and made judgments and estimates that are prudent and reasonable.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report.

Auditors' Remuneration

For the year ended 31st December, 2007, approximately HK$3,028,000 has been paid or payable to Deloitte Touche Tohmatsu, auditors of the Company for audit services.

Internal Controls

The Board has overall responsibilities for maintaining a proper and effective systems of internal control of the Group. The Group's internal control system includes a defined management structure with specified limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Budgetary Control and Financial Reporting

Budgets are prepared and are subject to the approval of the Board prior to being adopted. There are procedures for review and approval of major capital and expenses. Proper controls are in place for recording of complete, accurate and timely accounting and management information. Regular reviews and audits are carried out to ensure that the preparation of financial statements is carried out in accordance with generally accepted accounting principles, the Group's accounting policies and applicable laws and regulations.

Investor Relations and Communication with Shareholders

The Company establishes different communication channels with shareholders and investors. Apart from publication of quarterly, interim and annual reports, press announcement and release, updated and key information of the Group are available on the Company's website. The Company's website offers communication channel between the Company and its shareholders and investors. Regular media and analysts briefings are held to update the information of the Group after the quarterly, interim and annual results are released. The Company's registrars serve the shareholders in respect of all share registration matters.

Deloitte.
德勤

TO THE MEMBERS OF CHINA.COM INC.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China.Com Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 94 which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group' affairs as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 March 2008

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Revenue	5	**154,665**	320,045
Cost of sales		**(71,121)**	(133,370)
Gross profit		**83,544**	186,675
Other income		**84,484**	37,197
Selling and distribution expenses		**(35,792)**	(102,101)
Administrative expenses		**(113,466)**	(114,134)
Impairment loss	7	**(612,110)**	–
Other expenses		**(20,319)**	(14,418)
Interest expense on bank borrowings wholly repayable within five years		**(1,793)**	(4,175)
Loss before tax		**(615,452)**	(10,956)
Income tax credit (expense)	8	**2,796**	(7,559)
Loss for the year from continuing operations		**(612,656)**	(18,515)
Discontinued operation			
Profit for the year from discontinued operation	9	**–**	642,586
(Loss) profit for the year	10	**(612,656)**	624,071
Attributable to:			
Equity holders of the Company		**(599,723)**	621,487
Minority interests		**(12,933)**	2,584
		(612,656)	624,071
(Loss) earnings per share	14		
From continuing and discontinued operations			
Basic		**(13.69) cents**	14.42 cents
Diluted		**(13.69) cents**	14.41 cents
From continuing operations			
Basic		**(13.69) cents**	(0.41) cent
Diluted		**(13.69) cents**	(0.41) cent

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current Assets			
Plant and equipment	15	**8,593**	10,864
Goodwill	16	**450**	520,281
Other intangible assets	18	**–**	28,473
Available-for-sale investments	20	**175,426**	525,921
Note receivable	21	**491,592**	468,000
		676,061	1,553,539
Current Assets			
Accounts receivable	19	**23,850**	39,366
Prepayments, deposits and other receivables		**13,697**	24,683
Available-for-sale investments	20	**341,471**	193,663
Held-for-trading investments	22	**4,525**	–
Amounts due from fellow subsidiaries	23	**6,701**	6,061
Amount due from ultimate holding company	23	**697**	697
Bank balances and cash	24	**724,331**	681,059
		1,115,272	945,529
Total Assets		**1,791,333**	2,499,068

At 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	25	**438,114**	437,926
Reserves		**1,302,966**	1,855,522
Equity attributable to equity holders of the Company		**1,741,080**	2,293,448
Minority interests		**–**	12,933
Total Equity		**1,741,080**	2,306,381
Non-current Liabilities			
Deferred tax liabilities	26	**128**	4,743
Current Liabilities			
Accounts payable	27	**10,660**	16,890
Other payables and accrued liabilities		**22,010**	27,080
Deferred revenue		**4,278**	3,705
Tax liabilities		**4,760**	5,835
Amounts due to fellow subsidiaries	23	**8,417**	6,904
Bank borrowings	28	**–**	127,530
		50,125	187,944
Total Equity and Liabilities		**1,791,333**	2,499,068
Total assets less current liabilities		**1,741,208**	2,311,124

The consolidated financial statements on pages 34 to 94 were approved and authorised for issue by the board of directors on 25 March 2008 and are signed on its behalf by:

Cheng Loi
Director

Ch'ien Kuo Fung, Raymond
Director

For the year ended 31 December 2007

	Attributable to equity holders of the Company												
	Share capital HK$'000	**Share premium** HK$'000	**Goodwill reserve** HK$'000	**Investment revaluation reserve** HK$'000	**Capital redemption reserve** HK$'000	**Intangible assets revaluation reserve** HK$'000	**Reserve funds** HK$'000 *(Note)*	**Translation reserve** HK$'000	**Share options reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 January 2006	417,077	924,402	(31,193)	(17,097)	–	–	18,483	5,431	15,684	183,034	1,515,821	32,249	1,548,070
Deficit on revaluation of available-for-sale investments	–	–	–	(1,661)	–	–	–	–	–	–	(1,661)	–	(1,661)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	14,985	–	–	14,985	–	14,985
Net (expenses) income recognised directly in equity	–	–	–	(1,661)	–	–	–	14,985	–	–	13,324	–	13,324
Profit for the year	–	–	–	–	–	–	–	–	–	621,487	621,487	2,584	624,071
Investment revaluation reserve released on disposal of available-for-sale investments	–	–	–	109	–	–	–	–	–	–	109	–	109
Total recognised income and expense for the year	–	–	–	(1,552)	–	–	–	14,985	–	621,487	634,920	2,584	637,504
Transfer	–	–	–	–	–	–	5,640	–	–	(5,640)	–	–	–
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	–	17,484	–	17,484	–	17,484
Shares issued upon exercises of share options	4	4	–	–	–	–	–	–	–	–	8	–	8
Transaction costs attributable to issue of new shares	–	(16)	–	–	–	–	–	–	–	–	(16)	–	(16)
Acquisition of additional equity interest in a subsidiary	18,113	84,589	–	–	–	12,350	–	–	–	–	115,052	(35,850)	79,202
Acquisition of subsidiaries	2,732	9,748	–	–	–	–	–	–	–	–	12,480	13,950	26,430
Disposal of subsidiaries	–	–	–	–	–	(12,350)	–	(2,301)	–	12,350	(2,301)	–	(2,301)
At 31 December 2006 and 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	–	–	–	(392)	–	–	–	–	–	–	(392)	–	(392)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	18,147	–	–	18,147	–	18,147
Net (expense) income recognised directly in equity	–	–	–	(392)	–	–	–	18,147	–	–	17,755	–	17,755
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	–	–	–	8,552	–	–	–	–	–	–	8,552	–	8,552
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	438,114	1,020,109	(31,193)	(10,336)	110	–	24,123	36,262	52,493	211,398	1,741,080	–	1,741,080

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.

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
OPERATING ACTIVITIES			
Loss before tax		**(615,452)**	(10,956)
Adjustments for:			
Allowance for bad and doubtful debts		**5,434**	6,047
Amortisation of other intangible assets		**14,885**	40,679
Depreciation of plant and equipment		**7,153**	12,539
Gain on disposal of available-for-sale investments		**(358)**	(258)
Gain on disposal of plant and equipment		**(7)**	(368)
Interest expense		**1,793**	4,175
Interest income on available-for-sale investments		**(26,337)**	(29,927)
Other interest income		**(55,790)**	(7,045)
Impairment loss		**612,110**	–
Profit from discontinued operation		**–**	78,151
Share-based payments expense		**20,028**	17,484
Operating cash flows before movements in working capital changes		**(36,541)**	110,521
Decrease in accounts receivable		**12,433**	2,193
Decrease (increase) in prepayments, deposits and other receivables		**11,255**	(1,822)
Increase in held-for-trading investments		**(4,525)**	–
Increase in amounts due from fellow subsidiaries		**(491)**	(1,661)
(Decrease) increase in accounts payable		**(4,777)**	18,183
(Decrease) increase in other payables and accrued liabilities		**(3,887)**	17,193
Increase in deferred revenue		**707**	15,267
Increase in amounts due to fellow subsidiaries		**1,866**	2,998
Cash (used in) generated from operations		**(23,960)**	162,872
Overseas taxes paid		**(2,894)**	(7,509)
NET CASH (USED IN) GENERATED BY OPERATING ACTIVITIES		**(26,854)**	155,363

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of available-for-sale investments		**195,000**	210,669
Other interest income		**32,388**	7,625
Interest income on available-for-sale investments		**28,005**	20,709
Proceeds from repayment of available-for-sale investments		**14,379**	–
Proceeds from disposal of plant and equipment		**99**	716
Purchases of available-for-sale investments		**(76,712)**	(301,860)
Purchases of plant and equipment		**(4,880)**	(21,095)
Acquisition of additional equity interest in a subsidiary	31a	**–**	(37,698)
Acquisition of subsidiaries	31b	**–**	(13,100)
Net cash inflow from disposal of a subsidiary	32	**–**	230,708
Purchases of other intangible assets		**–**	(25,186)
NET CASH GENERATED BY INVESTING ACTIVITIES		**188,279**	71,488
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(127,530)**	(156,000)
Interest paid		**(1,793)**	(4,175)
Repurchase of shares		**(537)**	–
Proceeds from issue of share capital		**1,404**	8
Share issue expenses		**–**	(16)
New bank borrowings		**–**	197,730
NET CASH (USED IN) GENERATED BY FINANCING ACTIVITIES		**(128,456)**	37,547
NET INCREASE IN CASH AND CASH EQUIVALENTS		**32,969**	264,398
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**681,059**	402,937
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		**10,303**	13,724
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**724,331**	681,059

1. GENERAL

The Company is a limited company incorporated in the Cayman Islands and its shares are listed on The Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is China M Interactive (BVI) Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is CDC Corporation, a company incorporated in the Cayman Islands with its shares listed on NASDAQ. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of this annual report.

The principal activities of the Company and its subsidiaries (the "Group") 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 (see note 9).

The functional currency of the Company is Hong Kong dollars while the functional currencies of its subsidiaries are Renminbi, Singapore dollars and Hong Kong dollars. The financial statements are presented in Hong Kong dollars.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment

The adoption 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 applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values and other intangible assets, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

For acquisition of additional equity interest in a subsidiary, the acquiree's share of identifiable assets, liabilities and contingent liabilities are notionally restated to their fair values at the date of each exchange transaction to determine the amount of any goodwill associated with each transaction, any adjustment to those fair values relating to previously held interest of the acquirer is credited in revaluation reserve.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant acquiree at the date of acquisition.

Goodwill arising on acquisitions prior to 1 January 2001 continues to be held in reserves, and will be transferred to the retained earnings at the time when the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

For previously capitalised goodwill arising on acquisitions of new assets and operations of another entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

Goodwill arising on acquisitions on or after 1 January 2005 (continued)

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from internet and media mainly represents revenue from advertising, which is recognised in the period in which the advertisement is displayed, provided that no significant Group obligations remain, on a straight-line basis over the period in which the advertisement is displayed, and when collection of the resulting receivable is probable. Advertising service fees from direct mailings are recognised when each advertisement is sent to a target audience.

Revenue from the operations of online games is recognised when services are provided.

Service income from subscription of mobile services and applications is recognised when services are provided.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

All prepaid fees received from customers of internet and media and online games are initially recognised as deferred revenue and revenue is recognised when the above revenue recognition criteria are met.

Plant and equipment

Plant and equipment are stated at cost less subsequent depreciation and impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on acquisitions of a foreign operation before 1 January 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contribution.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates (and tax laws) that have been enacted or subsequently enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including accounts receivable, deposits and other receivables, bank balances and cash, amounts due from fellow subsidiaries and ultimate holding company and note receivable) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated listed equity and debt securities as well as unlisted equity securities as available-for-sale financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including accounts payable, other payables, amounts due to fellow subsidiaries and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instrument is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions – Equity-settled share-based payment transactions

Share options granted to employees and other eligible persons after 7 November 2002 and vested on or after 1 January 2005

For grants of share options which are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve). The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Share options granted to employees and other eligible persons on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Revenue recognition – mobile services and applications

The Group generates mobile services and applications revenues from a comprehensive suite of mobile data applications and services to mobile subscribers in the PRC. The Group relies on mobile network operators in the PRC to bill mobile phone users for the subscription fees and has revenue sharing arrangements with the mobile network operators.

Mobile services and applications revenues are recognised in the month in which the services are performed, provided that all other basic criteria for revenue recognition have been met. The mobile network operators provide statements after month-end indicating the amount of fees that were charged to users for mobile services and applications services that the Group provided during that month and the portion of fees that are due to the Group in accordance with the contractual arrangements with the mobile network operators. The Group typically receives these statements within 30 to 90 days following month-end, and the Group typically receives payments within 30 to 90 days following receipt of the statement.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition – mobile services and applications (continued)

The Group also maintains an internal system that records the number of messages sent to and messages received from mobile users. Generally, there are differences between the expected value of delivered messages based on the Group's system records and the Group's portion of the fees confirmed by the mobile network operators for the delivered messages. These are known in the industry as billing and transmission failures. The Group does not recognise revenues for services which result in billing and transmission failures. Billing and transmission failures can vary significantly from month to month, province to province and between mobile network operators. At the end of each reporting period, where an operator fails to provide the Group with a monthly statement confirming the amount of charges billed to their mobile phone users for that month, the Group uses the information generated from the internal system and historical data to make estimates of the billing and transmission failures and accrue as revenue the estimated amount of collectable mobile services and applications fees. If an actual discrepancy varies significantly from the estimate, it could result in an overstatement or understatement of revenues and cost of sales.

Impairment assessment of plant and equipment and other intangible assets

Plant and equipment and other intangible assets are stated at cost less accumulated depreciation and amortisation and identified impairment losses. Plant and equipment and other intangible assets are evaluated for possible impairment on a specific asset basis or cash-generating unit, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the results of operations. As at 31 December 2007, the carrying amount of plant and equipment and other intangible assets was HK$8,593,000 and HK$Nil respectively.

Fair value of available-for-sale financial assets

Equity and debt investments designated as available-for-sale are stated at fair value. The information for valuation of available-for-sale investments include the investments' financial performance, the near term prospects of the investment and the current and expected future financial condition of the investment's issuer and industry. Management judgment is required in determining fair value of investments, and in determining the impairment loss, if any. The use of different estimates and assumptions could affect the determination of fair value of each investment, and could result in an impairment loss. For investments not actively traded, the Group reviews a variety of information including financial performance, comparisons to recently traded comparable securities, advice of investment professionals, and financial modeling to determine the fair market value. Investments with significant ranges of reasonable fair value estimates and the fair value cannot be measured reliably are measured at cost less impairment. As at 31 December 2007, the carrying amount of available-for-sale investments was HK$516,897,000. Details of fair value determination of available-for-sale financial assets are disclosed in note 20.

Contingent tax liabilities

As at 31 December 2007, the Group had contingent tax liabilities amounting to HK$110,000,000 as disclosed in note 33. The directors of the Company estimate such contingent tax liabilities are not probable based on the information currently available and therefore no tax provision has been made in the consolidated financial statements.

5. REVENUE

An analysis of the Group's revenue for the year, for both continuing and discontinued operations, is as follows:

	2007	2006
	HK$'000	HK$'000
Continuing operations:		
Mobile services and applications income	**65,672**	241,542
Internet and media	**88,993**	78,503
	154,665	320,045
Discontinued operation:		
Online games	**–**	254,536
	154,665	574,581

6. 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.

The Group was also involved in the distribution of online games. That operation was discontinued in December 2006 (see note 9).

Segment information about these businesses is presented below.

Year ended 31 December 2007

	Continuing operations			
	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	(578,877)	(3,879)	–	(582,756)
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 *(note 7)*				(77,489)
Unallocated corporate expenses				(37,898)
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.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

As at 31 December 2007

	Mobile services and applications HK$'000	Internet and media HK$'000	Consolidated HK$'000
BALANCE SHEET			
ASSETS			
Segment assets	142,933	64,290	207,223
Available-for-sale investments, held-for-trading investments and unallocated corporate assets			1,584,110
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

	Continuing operations			
	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
Allowance for bad and doubtful debts	3,022	2,412	–	5,434
Share based payments expense	–	–	20,028	20,028
(Gain) loss on disposal of plant and equipment	39	(46)	–	(7)
Impairment loss *(note 7)*	533,419	1,202	77,489	612,110
Capital expenditure:				
Plant and equipment	1,268	3,583	29	4,880

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Year ended 31 December 2006

	Continuing operations				Discontinued operation	
	Mobile services and applications HK$'000	Internet and media HK$'000	Elimination HK$'000	Total HK$'000	Online games HK$'000	Consolidated HK$'000
REVENUE						
External sales	241,542	78,503	–	320,045	254,536	574,581
Inter-segment sales	–	10,023	(10,023)	–	–	–
Total	241,542	88,526	(10,023)	320,045	254,536	574,581
RESULT						
Segment results	(694)	(8,041)	–	(8,735)	78,151	69,416
Gain on disposal of discontinued operation				–	564,435	564,435
Interest income and unallocated other corporate income				37,197	–	37,197
Interest expense on bank borrowings wholly repayable within five years				(4,175)	–	(4,175)
Unallocated corporate expenses				(35,243)	–	(35,243)
(Loss) profit before tax				(10,956)	642,586	631,630
Income tax expense				(7,559)	–	(7,559)
(Loss) profit for the year				(18,515)	642,586	624,071

Inter-segment sales are charged at prevailing market rates.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

As at 31 December 2006

	Mobile services and applications HK$'000	Internet and media HK$'000	Consolidated HK$'000
BALANCE SHEET			
ASSETS			
Segment assets	730,134	53,118	783,252
Available-for-sale investments and unallocated corporate assets			1,715,816
Total assets			2,499,068
LIABILITIES			
Segment liabilities	26,442	29,222	55,664
Unallocated corporate liabilities			137,023
Total liabilities			192,687

For the year ended 31 December 2006

	Continuing operations				Discontinued operation	
	Mobile services and applications HK$'000	Internet and media HK$'000	Unallocated HK$'000	Total HK$'000	Online games HK$'000	Consolidated HK$'000
OTHER INFORMATION						
Depreciation and amortisation	12,893	3,694	–	16,587	36,631	53,218
Allowance for bad and doubtful debts	3,400	2,605	(6)	5,999	48	6,047
Share based payments expense	–	–	17,484	17,484	–	17,484
Gain (loss) on disposal of plant and equipment	641	–	–	641	(273)	368
Capital expenditure:						
Plant and equipment	3,598	3,688	–	7,286	15,117	22,403
Other intangible assets	18,298	–	–	18,298	25,186	43,484

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

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 from continuing operations by geographical market	
	2007	2006
	HK$'000	HK$'000
PRC	**89,607**	256,914
Hong Kong	**580**	617
Singapore	**64,478**	62,514
	154,665	320,045

Revenue from the Group's discontinued operation for the year ended 31 December 2006 was derived principally from the PRC.

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

	Carrying amount of segment assets		Additions to plant and equipment and intangible assets	
			Year ended	Year ended
	31.12.2007	31.12.2006	**31.12.2007**	31.12.2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**156,170**	740,409	**4,583**	64,762
Singapore	**50,963**	42,537	**279**	1,088
Hong Kong	**90**	306	**18**	37
	207,223	783,252	**4,880**	65,887

7. IMPAIRMENT LOSS

	2007	2006
	HK$'000	HK$'000
Impairment of goodwill *(note 16)*	**519,831**	–
Impairment of intangible assets *(note 18)*	**13,588**	–
Impairment loss on available-for-sale investments *(note)*	**78,691**	–
	612,110	–

Note: This included an impairment loss of HK$77,489,000 (2006: HK$Nil) on available-for-sale investments as detailed in note 20(c) and an impairment loss of HK$1,202,000 (2006: HK$Nil) on an investment in a 5% equity interest in an unlisted company established in the PRC. This investment was acquired in January 2007 at a consideration of HK$1,202,000. As a result of the weak financial performance of this investee company, the Company's directors are of the opinion that this investment is unlikely to be recoverable and therefore, a full impairment loss was recognised for 2007.

8. INCOME TAX (CREDIT) EXPENSE

	2007 HK$'000	2006 HK$'000
Current tax charge for the year – overseas	**1,819**	11,068
Deferred tax (credit) charge *(note 26)*		
Current year	**(10,627)**	(3,509)
Attributable to a change in tax rate	**6,012**	–
	(4,615)	(3,509)
	(2,796)	7,559

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.

Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries are eligible for tax holidays and concession and were exempted from PRC income taxes as follows:

(a) Exemption for PRC income tax for two or three years starting from the respective first profit-making year, and

(b) Followed by a 50% reduction in the next three years.

On 16 March 2007, the People's Republic of China promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the People's Republic of China. On 6 December 2007, the State Council issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulations, most PRC subsidiaries of the Group will adopt unified income tax rate of 25% from 1 January 2008. The existing preferential tax holidays and concession granted to certain PRC subsidiaries of the Group will not be continued until these subsidiaries receive official approval for the tax holidays and concession. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

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

8. INCOME TAX (CREDIT) EXPENSE (continued)

The income tax (credit) expense for the year can be reconciled to the (loss) profit before tax per the income statement as follows:

Year ended 31 December 2007

	PRC HK$'000	Hong Kong HK$'000	Singapore HK$'000	Total HK$'000
(Loss) profit before tax-continuing operations	(39,863)	(583,654)	8,065	(615,452)
Statutory tax rate	33%	17.5%	18%	
Tax at the statutory tax rate	(13,155)	(102,139)	1,452	(113,842)
Tax holidays and concession	(17,926)	–	–	(17,926)
Tax effect of income not taxable for tax purposes	–	(14,066)	(841)	(14,907)
Tax effect of expenses not deductible for tax purposes	11,326	113,282	641	125,249
Tax effect of tax losses not recognised	9,695	2,923	–	12,618
Increase in opening deferred tax liability resulting from a change in tax rate	6,012	–	–	6,012
Tax (credit) expense	(4,048)	–	1,252	(2,796)

Year ended 31 December 2006

	PRC HK$'000	Hong Kong HK$'000	Singapore HK$'000	Total HK$'000
Profit (loss) before tax				
Continuing operations	(3,929)	(16,816)	9,789	(10,956)
Discontinued operation	78,151	564,435	–	642,586
	74,222	547,619	9,789	631,630
Statutory tax rate	33%	17.5%	20%	
Tax at the statutory tax rate	24,493	95,833	1,958	122,284
Tax holidays and concession	(47,259)	–	–	(47,259)
Tax effect of income not taxable for tax purposes	–	(99,090)	(118)	(99,208)
Tax effect of expenses not deductible for tax purposes	18,901	524	533	19,958
Tax effect of tax losses not recognised	9,051	2,733	–	11,784
Tax expense	5,186	–	2,373	7,559

9. DISCONTINUED OPERATION

In December 2006, in view of the Group's strategy to focus its effort and concentrate its resources to develop its mobile services and applications business and internet and media business, the Group discontinued the operation of Prime Leader Holdings Limited and CDC Games Limited, subsidiaries established under the laws of the British Virgin Islands, and their subsidiaries (collectively "Online Games"). Online Games were principally engaged in the development and operations of online games in the PRC.

9. DISCONTINUED OPERATION (continued)

The Group disposed of its entire shareholding in Online Games to CDC Games Corporation, a fellow subsidiary, for net proceeds of approximately HK$858,000,000 (US$110,000,000) in December 2006, with a carrying amount of approximately HK$293,565,000 at the date of disposal. The gain on disposal of the discontinued operation amounted to HK$564,435,000.

Pursuant to the share purchase agreement between the Group and CDC Games Corporation, a contingent consideration shall become payable to the Group from CDC Games Corporation where the online games business currently under Online Games is successfully listed within 12 months from December 2006 on NASDAQ, a stock exchange in the United Kingdom, or the main board of the Stock Exchange, and such amount payable, if any, shall be calculated at 5% of the market capitalization of the online games business on the first day of listing but in any event shall not exceed HK$195,000,000 (US$25,000,000), and shall be due within 30 days of the first day of the listing. As of 31 December 2007, the criteria for contingent consideration were not met and accordingly, no adjustment for the contingent payment has been recorded in the consolidated financial statements.

The profit for the year from the discontinued operation is analysed as follows:

	2006 HK$'000
Profit from discontinued operation	78,151
Gain on disposal of discontinued operation *(see note 32)*	564,435
	642,586
Attributable to:	
Equity holders of the Company	638,985
Minority interests	3,601
	642,586

The results of the discontinued operation for the period from 1 January 2006 to the date of disposal, which have been included in the consolidated income statement, were as follows:

	HK$'000
Revenue	254,536
Cost of sales	(100,316)
Gross profit	154,220
Selling and distribution expenses	(24,320)
Administrative expenses	(38,282)
Other expenses	(13,467)
Profit before tax	78,151
Income tax expense	–
Profit for the period	78,151

During 2006, the discontinued operation generated HK$168,574,000 of the Group's net operating cash flows and used HK$29,663,000 in respect of investing activities.

The carrying amounts of the assets and liabilities of the discontinued operation at the date of disposal are disclosed in note 32.

10. (LOSS) PROFIT FOR THE YEAR

	Continuing operations		Discontinued operation		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss) profit for the year has been arrived at after charging (crediting):						
Depreciation of plant and equipment	**7,153**	8,168	**–**	4,371	**7,153**	12,539
Amortisation of other intangible assets included in:						
– cost of sales	**–**	–	**–**	19,114	**–**	19,114
– other expenses	**14,885**	8,419	**–**	13,146	**14,885**	21,565
Total depreciation and amortisation	**22,038**	16,587	**–**	36,631	**22,038**	53,218
Staff costs (including directors' emoluments)	**72,122**	92,962	**–**	33,278	**72,122**	126,240
Retirement benefits scheme contributions	**3,700**	3,873	**–**	607	**3,700**	4,480
Total staff costs	**75,822**	96,835	**–**	33,885	**75,822**	130,720
Allowance for bad and doubtful debts (included in other expenses)	**5,434**	5,999	**–**	48	**5,434**	6,047
Auditors' remuneration	**3,028**	3,876	**–**	3,432	**3,028**	7,308
(Gain) loss on disposal of plant and equipment (included in other income)	**(7)**	(641)	**–**	273	**(7)**	(368)
Gain on disposal of available-for-sale investments (included in other income)	**(358)**	(258)	**–**	–	**(358)**	(258)
Gain on held-for-trading investments (included in other income)	**(1,992)**	–	**–**	–	**(1,992)**	–
Impairment loss *(Note 7)*	**612,110**	–	**–**	–	**612,110**	–
Interest income on available-for-sale investments (included in other income)	**(26,337)**	(29,927)	**–**	–	**(26,337)**	(29,927)
Net foreign exchange loss (gain)	**11,475**	1,645	**–**	(38)	**11,475**	1,607
Other interest income (included in other income)	**(55,790)**	(6,371)	**–**	(674)	**(55,790)**	(7,045)

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2006: 9) directors were as follows:

	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Fees HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2007					
Executive directors:					
Mr. Yip Hak Yung, Peter	–	1,217	20	–	1,237
Dr. Chen Xiao Wei	2,149	859	–	–	3,008
	2,149	2,076	20	–	4,245
Independent non-executive directors:					
Mr. Wong Sin Just	–	78	195	–	273
Mr. Wang Cheung Yue, Fred	–	331	156	–	487
Mr. Chia Kok Onn	–	194	176	–	370
Dr. Lam Lee G.	–	–	117	–	117
Mr. Anson Wang *(note a)*	–	–	38	–	38
	–	603	682	–	1,285
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	431	98	–	529
Mr. Fang Xin	–	97	–	–	97
	–	528	98	–	626
	2,149	3,207	800	–	6,156

Note:

a. Appointed as independent non-executive director during the year ended 31 December 2007.

11. DIRECTORS' EMOLUMENTS (continued)

	Salaries, allowances and benefits in kind HK$'000	Share-based payments HK$'000	Fees HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Year ended 31 December 2006					
Executive directors:					
Mr. Yip Hak Yung, Peter *(note b)*	–	2,389	65	–	2,454
Dr. Chen Xiao Wei *(note c)*	1,055	568	–	–	1,623
Mr. Lam Wai Qun, Albert *(note d)*	1,995	1,807	–	39	3,841
	3,050	4,764	65	39	7,918
Independent non-executive directors:					
Mr. Wong Sin Just	–	148	195	–	343
Mr. Wang Cheung Yue, Fred	–	671	156	–	827
Mr. Chia Kok Onn	–	370	176	–	546
Dr. Lam Lee G. *(note c)*	–	–	3	–	3
	–	1,189	530	–	1,719
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	901	–	–	901
Mr. Fang Xin	–	186	–	–	186
	–	1,087	–	–	1,087
	3,050	7,040	595	39	10,724

Notes:

b. Re-designated as executive director during the year ended 31 December 2006.

c. Appointed as directors during the year ended 31 December 2006.

d. Resigned as director during the year ended 31 December 2006.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2007, nil (2006: 248,357,000) share options of the Company were granted to certain directors in respect of their services provided to the Group under a share option scheme of the Company, further details of which are set out in note 30.

During the year ended 31 December 2007, nil (2006: 4,845,000) share options to subscribe for Class A common shares in CDC Corporation (the "CDC Share Options") were granted by CDC Corporation to certain directors of the Company under a stock option plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the CDC Share Options to subscribe for shares of CDC Corporation, subject to certain vesting provisions. Out of the CDC Share Options held by the directors, 5,745,000 (2006: 4,800,000) CDC Share Options were held by Asia Pacific Online Limited ("Asia Pacific"), a company owned by the spouse of Mr. Yip Hak Yung, Peter, and a trust established for the benefit of Mr. Yip's children.

11. DIRECTORS' EMOLUMENTS (continued)

During the year ended 31 December 2007, nil (2006: 915,000) stock appreciation rights to subscribe for Class A common shares in the capital of CDC Corporation ("SARs") were granted by CDC Corporation to certain directors of the Company under a stock appreciation rights plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the SARs to receive an amount equal to the excess, if any, of the fair market value of one share on the date of exercise of the SARs over the exercise price, subject to certain vesting provisions. Out of the SARs held by the directors, 600,000 (2006: 600,000) SARs were held by Asia Pacific.

During the year ended 31 December 2007, 375,000 (2006: nil) share options to subscribe for common shares in CDC Software Corporation, a fellow subsidiary of the Company, (the "CDC Software Share Options") were granted by CDC Software Corporation to certain directors of the Company under a stock option plan of CDC Software Corporation in respect of the services of the directors to CDC Software Corporation. Out of the CDC Software Share Options held by the directors, 330,000 (2006: nil) CDC Software Share Options were held by Asia Pacific.

During the year ended 31 December 2007, 1,148,000 (2006: nil) share options to subscribe for common shares in CDC Games Corporation, a fellow subsidiary of the Company, (the "CDC Games Share Options") were granted by CDC Games Corporation to certain directors of the Company under a stock option plan of CDC Games Corporation in respect of the services of the directors to CDC Games Corporation. Out of the CDC Games Share Options held by the directors, 900,000 (2006: nil) CDC Games Share Options were held by Asia Pacific.

No value in respect of the CDC Share Options, SARs, CDC Software Share Options or CDC Games Share Options granted during the year has been charged to the Group's consolidated income statement, or is otherwise included in the above directors' remuneration disclosures (2006: Nil) because these share options or SARs were issued for services provided to CDC Coporation, CDC Software Corporation or CDC Games Corporation.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2006: two) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2006: three) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	**3,015**	3,571
Retirement benefits scheme contributions	**57**	–
Share-based payments	**640**	1,274
	3,712	4,845

	2007 Number of employees	2006 Number of employees
HK$Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	3
	3	3

13 DIVIDENDS

No dividend was paid or proposed during 2007, nor has any dividend been proposed since the balance sheet date (2006: Nil).

14. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

	2007	2006
	HK$'000	HK$'000
Earnings		
(Loss) profit for the year attributable to equity holders of the Company	**(599,723)**	621,487

	2007	2006
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	**4,380,258**	4,311,304
Effect of dilutive potential ordinary shares:		
Options	**–**	408
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**4,380,258**	4,311,712

For the year ended 31 December 2007, the computation of diluted loss per share does not assume the exercise of options since it would result in a decrease in loss per share.

From continuing operations

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

	2007	2006
	HK$'000	HK$'000
Earnings		
(Loss) profit for the year attributable to equity holders of the Company	**(599,723)**	621,487
Less: Profit for the year from discontinued operations attributable to equity holders of the Company *(note 9)*	**–**	(638,985)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(599,723)**	(17,498)

	2007	2006
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**4,380,258**	4,311,304

The computation of diluted loss per share does not assume the exercise of options since it would result in a decrease in loss per share from continuing operations.

14. (LOSS) EARNINGS PER SHARE (continued)

From discontinued operation

For the year ended 31 December 2006, both the basic and diluted earnings per share for the discontinued operation are 14.82 cents per share, based on the profit for the year from the discontinued operations attributable to equity holders of the Company of HK$638,985,000 and the denominators of 4,311,304,000 shares and 4,311,712,000 shares for basic and diluted earnings per share respectively.

15. PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and software	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 January 2006	3,202	1,028	11,558	57,242	1,479	74,509
Exchange realignments	72	40	157	1,090	13	1,372
Acquisition of subsidiaries *(note 31)*	–	–	144	1,164	–	1,308
Additions	1,701	353	879	17,679	483	21,095
Disposals	–	(112)	(54)	(416)	(1,314)	(1,896)
Disposal of subsidiaries *(note 32)*	(989)	(290)	(67)	(27,528)	(171)	(29,045)
Reclassification	–	–	(766)	766	–	–
At 31 December 2006	3,986	1,019	11,851	49,997	490	67,343
Exchange realignments	14	42	253	769	9	1,087
Additions	2,602	30	54	2,194	–	4,880
Disposals	(155)	–	(54)	(1,738)	–	(1,947)
At 31 December 2007	6,447	1,091	12,104	51,222	499	71,363
ACCUMULATED DEPRECIATION						
At 1 January 2006	1,935	286	6,580	40,830	1,069	50,700
Exchange realignments	45	12	137	371	(15)	550
Provided during the year	1,440	327	2,625	7,797	350	12,539
Disposals	–	(56)	(31)	(218)	(1,243)	(1,548)
Disposal of subsidiaries *(note 32)*	(365)	(19)	(20)	(5,257)	(101)	(5,762)
Reclassification	–	–	(558)	558	–	–
At 31 December 2006	3,055	550	8,733	44,081	60	56,479
Exchange realignments	78	19	256	630	10	993
Provided during the year	1,513	283	1,562	3,630	165	7,153
Disposals	(155)	–	(49)	(1,651)	–	(1,855)
At 31 December 2007	4,491	852	10,502	46,690	235	62,770
CARRYING VALUES						
At 31 December 2007	1,956	239	1,602	4,532	264	8,593
At 31 December 2006	931	469	3,118	5,916	430	10,864

15. PLANT AND EQUIPMENT (continued)

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease, or $33^1/_3\%$ – 50%
Furniture and fixtures	20% – $33^1/_3\%$
Office equipment	20% – $33^1/_3\%$
Computer equipment and software	$33^1/_3\%$
Motor vehicles	20% – $33^1/_3\%$

16. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2006	521,196
Exchange adjustment	413
Arising on acquisition of additional equity interest in subsidiaries *(note 31a)*	94,748
Arising on acquisition of subsidiaries *(note 31)*	17,517
Eliminated on disposal of subsidiaries *(note 32)*	(113,593)
At 31 December 2006 and 31 December 2007	520,281
IMPAIRMENT	
At 31 December 2006	–
Impairment loss recognised *(note 7)*	(519,831)
At 31 December 2007	(519,831)
CARRYING VALUE	
At 31 December 2007	450
At 31 December 2006	520,281

During the year ended 31 December 2007, the Group assessed the recoverable amount of cash generating unit ("CGU") which the goodwill is attached to by reference to value in use, and determined that goodwill associated with the Group's mobile services and applications segment was fully impaired by HK$519,831,000. The calculation of recoverable amount uses cash flow projections based on financial budgets approved by management covering a one-year period. A discount factor of 17% (2006: 17%) was applied in the value in use model. Since the Group decided to scale down the mobile services and applications segment as detailed below, no significant cash flow relating to this segment is expected after one year.

The main factor contributing to the impairment of this cash-generating unit ("CGU") was the difficult regulatory environment for the mobile value added service industry in the PRC. The Group's mobile services and applications segment has been suffering loss since the year ended 31 December 2006. The loss from this segment increased significantly during the year ended 31 December 2007. The board of directors of the Company sees no reasonable instance where this segment 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 segment.

17. IMPAIRMENT TESTING ON GOODWILL

As explained in note 6, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill has been allocated to the following two individual CGUs. The carrying amounts of goodwill allocated to these units are as follows:

	2007 HK$'000	2006 HK$'000
Mobile services and applications	–	519,831
Internet and media	**31,643**	31,643
	31,643	551,474
Included in:		
Assets	**450**	520,281
Reserves	**31,193**	31,193
	31,643	551,474

Mobile services and applications

The goodwill associated with the mobile services and applications segment was fully impaired as detailed in note 16.

Internet and media

The recoverable amount of this CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a one-year period, and a discount rate of 17% (2006: 20%). Cash flows beyond the one-year period are extrapolated using growth rates of 5% to 28% (2006: 6% to 31%) over the projected period of five years. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rates for the relevant industries. Another key assumption for the value in use calculation is the budgeted gross margins, which are determined based on the CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of this CGU.

18. OTHER INTANGIBLE ASSETS

	Completed technologies HK$'000	Customer base HK$'000	Licenses HK$'000	Partnership agreements HK$'000	Distribution networks HK$'000	Total HK$'000
COST						
At 1 January 2006	1,383	12,010	70,019	27,034	1,554	112,000
Fair value adjustment arising on acquisition of additional equity interest in subsidiaries	22	8,497	16,301	–	910	25,730
Addition	773	–	24,413	–	–	25,186
Acquisition of subsidiaries *(note 31)*	2,894	7,004	460	7,940	–	18,298
Exchange realignment	26	–	–	–	–	26
Disposal of subsidiaries *(note 32)*	(912)	(12,490)	(92,363)	–	(910)	(106,675)
At 31 December 2006 and 31 December 2007	4,186	15,021	18,830	34,974	1,554	74,565
AMORTISATION AND IMPAIRMENT						
At 1 January 2006	544	5,009	13,274	10,641	1,554	31,022
Amortisation provided during the year	393	12,906	19,534	7,164	682	40,679
Disposal of subsidiaries *(note 32)*	(93)	(9,368)	(15,466)	–	(682)	(25,609)
At 31 December 2006	844	8,547	17,342	17,805	1,554	46,092
Amortisation provided during the year	874	5,837	561	7,613	–	14,885
Impairment loss recognised *(note 7)*	2,468	637	927	9,556	–	13,588
At 31 December 2007	4,186	15,021	18,830	34,974	1,554	74,565
CARRYING VALUES						
At 31 December 2007	–	–	–	–	–	–
At 31 December 2006	3,342	6,474	1,488	17,169	–	28,473

Completed technologies represent those services available to be delivered to telecom operators.

Customer base is recognised as an intangible asset through business combination as it is less expensive and less time consuming to do business with customers.

Licenses consist of value-added telecom service operation license fees paid to the Ministry of Information Industry in the PRC.

Partnership agreements represent agreements signed with telecom operators for service delivery.

18. OTHER INTANGIBLE ASSETS (continued)

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Completed technologies	4½ – 6 years
Customer base	1 – 1½ years
Licenses	1 – 7 years
Partnership agreements	1 – 6 years
Distribution networks	1 year

All of the Group's intangible assets were purchased through business combination.

As detailed in note 16, since the Group decided to scale down the mobile value added services segment, all the intangible assets related to that segment were fully impaired since the recoverable amount of these intangible assets is HK$Nil.

19. ACCOUNTS RECEIVABLE

	2007	2006
	HK$'000	HK$'000
Accounts receivable	**35,574**	46,593
Less: Allowance for bad and doubtful debts	**(11,724)**	(7,227)
	23,850	39,366

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 impairment loss on accounts receivable based on past experience of collecting payments.

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

	2007	2006
	HK$'000	HK$'000
Within 90 days	**21,824**	36,863
91 – 120 days	**528**	1,082
121 – 180 days	**1,404**	989
Over 180 days	**94**	432
	23,850	39,366

Included in the Group's accounts receivable balance are debtors with a carrying amount of HK$3,622,000 (2006: HK$5,135,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables by invoice date is 105 days (2006: 105 days).

19. ACCOUNTS RECEIVABLE (continued)

Ageing of trade receivables which are past due but not impaired

	2007 HK$'000	2006 HK$'000
Within 90 days	**1,941**	2,632
91-120 days	**481**	1,082
121-180 days	**1,106**	989
Over 180 days	**94**	432
	3,622	5,135

Movement in the allowance for bad and doubtful debts

	2007 HK$'000	2006 HK$'000
Balance at beginning of the year	**(7,227)**	(6,329)
Impairment loss recognised on receivables	**(5,434)**	(6,047)
Amounts written off as uncollectible	**1,171**	5,437
Exchange realignment	**(234)**	(288)
Balance at end of the year	**(11,724)**	(7,227)

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	Notes	2007 HK$'000	2006 HK$'000
Listed investments:			
– Equity securities listed outside Hong Kong	a	**28,548**	–
– Debt securities listed outside Hong Kong	b	**341,471**	527,745
		370,019	527,745
Unlisted securities:			
– Equity interest in principal protected structured finance investments	c	**109,724**	191,839
– Equity interest in private equity funds	d	**37,154**	–
		146,878	191,839
Total		**516,897**	719,584
Analysed for reporting purposes as:			
– Current assets		**341,471**	193,663
– Non-current assets		**175,426**	525,921
		516,897	719,584

20. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) The Group holds approximately 0.7% (2006: Nil) equity interest in the Company's ultimate holding company, CDC Corporation. CDC Corporation is a global provider of enterprise software, mobile services and applications, internet and media services and development and operation of online games.

The directors are of the opinion that the Group is not in a position to exercise significant influence over CDC Corporation, its results have therefore not been accounted for on an equity basis. The Group's equity interest in CDC Corporation is stated at fair value, which is determined by reference to quoted market bid price.

(b) The Group holds US government securities, which are stated at fair value. Fair values of these investments have been determined by reference to bid prices quoted in active markets. The maturity dates and effective interest rates of these debt securities range from May 2008 to December 2008 and from 3% to 4% respectively.

During the years ended 31 December 2006, the Group entered into repurchase agreements with certain banks. Pursuant to these agreements, the Group pledged certain US government securities matured in 2007 to the banks at a discounted price (the "Purchase Price") and the banks agreed to advance borrowings to the Group in the amounts equivalent to the Purchase Price (note 28). The Group was still entitled to the interest income from the debt securities, and at the same time the Group was required to pay interest on the amounts advanced by the banks. In 2007, the bank borrowings were settled according to the repurchase agreements as the pledged US government securities matured.

As at 31 December 2007, US government securities of HK$Nil (2006: HK$193,663,000) were pledged to banks as collaterals under the repurchase agreements for securing short term bank borrowings of HK$Nil (2006: HK$127,530,000) (note 28).

(c) In 2006, the Group made two principal protected structured financial investments coupled with a U.S. treasury strip. Based on the decline in the market conditions of the U.S. mortgage industry, the Group recorded an impairment loss of HK$77,489,000 (2006: HK$Nil). The impairment loss included the cumulative loss previously recognised in the investment revaluation reserve amounting to HK$8,552,000 (2006: HK$Nil) was released from the investment revaluation reserve and recognised as impairment loss.

Impairment loss was calculated based on the difference between the carrying amount and recoverable amount of the principal protected structured finance investments. The recoverable amount of these investments was estimated based on actionable bids from banks with high credit ratings assigned by international credit-rating agencies.

(d) The Group invested in two private equity funds as limited partners:

	2007 **HK$'000**	2006 HK$'000
New Horizon Capital, L.P. ("New Horizon")	**32,024**	–
Greycroft Partners, L.P. ("Greycroft")	**5,130**	–
	37,154	–

New Horizon is a Cayman Islands Exempted Limited Partnership formed in April 2007 and commenced operations in May 2007. New Horizon makes direct and indirect investments in state-owned enterprises in the PRC, with a focus on the consumer products, health care, alternative energy, manufacturing industries and other entities with strong fundamentals and high growth rate. New Horizon completed its final closing in June 2007, raising aggregate committed capital of HK$3,939,000,000 (US$505,000,000), including the general partner's commitment of HK$39,000,000 (US$5,000,000). In May 2007, the Group signed the subscription document indicating its total capital commitment to the fund is HK$109,200,000 (US$14,000,000), representing 2.8% of the partnership interest. The Group had contributed HK$32,024,000 (US$4,106,000) as of 31 December 2007. The remaining commitment is HK$77,173,000 (US$9,894,000). The timing of capital contribution is generally on an "as needed" basis. The term of New Horizon will be seven years unless terminated earlier pursuant to the partnership agreement.

20. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(d) The Group invested in two private equity funds as limited partners: *(continued)*

Greycroft is a Delaware Limited Partnership. Greycroft engages in venture capital investing in early stage revenue producing companies with particular emphasis on applications of digital media in the wireless and internet arena, although investments will be made from time to time in other industries. Greycroft's aggregate committed capital is HK$585,078,000 (US$75,010,000) including the general partner's commitment of HK$31,278,000 (US$4,010,000). The Group signed the subscription document indicating its total capital commitment to the fund is HK$7,800,000 (US$1,000,000), representing 1.3% of the partnership interest. The Group had contributed HK$5,130,000 (US$658,000) as of 31 December 2007. The remaining commitment is HK$2,670,000 (US$342,000). The timing of capital contribution is generally on an "as needed" basis. The term of Greycroft will be seven years unless terminated earlier pursuant to the partnership agreement.

For both New Horizon and Greycroft, the management, operation, policy and conduct of the private equity funds shall be vested exclusively in the general partners. The Group's investments have been accounted for at cost less impairment, if any, at each balance sheet date given the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

21. NOTE RECEIVABLE

Note receivable represents the principal and accrued interest income of a US$60,000,000, equivalent to HK$468,000,000, promissory note issued by CDC Games Corporation, a fellow subsidiary, on 29 December 2006 in relation to the disposal of subsidiaries as disclosed in note 32. The interest rate of the promissory note is 5% per annum, which is equal to its effective interest rate. Based on the terms of the promissory note, the entire amount of principal and interest will be receivable on 28 June 2008. The Group is arranging with CDC Games Corporation to extend the maturity date of the note receivable and accrued interest to 28 June 2010 with a guarantee of payment provided by CDC Corporation. Since the directors of the Company do not expect the entire amount of principal and interest will be receivable in the next 12 months from 31 December 2007, the entire amount is classified as a non-current asset on the consolidated balance sheet.

22. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2007	2006
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in US	**4,525**	–
	4,525	–

23. BALANCES WITH FELLOW SUBSIDIARIES AND ULTIMATE HOLDING COMPANY

The amounts due from fellow subsidiaries and ultimate holding company are unsecured, interest-free and repayable within one year. The amounts due to fellow subsidiaries are unsecured, interest-free and repayable on demand.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits and carry interest at effective interest rates ranging from 1% to 5% (2006: 1% to 5%). As at 31 December 2007, bank balances and cash amounting to HK$132,893,000 and HK$9,559,000 were denominated in Renminbi and Singapore dollars respectively (2006: HK$143,175,000 and HK$7,348,000 respectively).

25. SHARE CAPITAL

	Number of shares		Share capital	
	2007	2006	**2007**	2006
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of year	**4,379,256,978**	4,170,765,645	**437,926**	417,077
Repurchase of shares	**(1,100,000)**	–	**(110)**	–
Exercise of share options	**2,982,298**	38,748	**298**	4
Acquisition of additional equity interest in a subsidiary *(note 31a)*	**–**	181,132,095	**–**	18,113
Acquisition of subsidiaries *(note 31b)*	**–**	27,320,490	**–**	2,732
At end of year	**4,381,139,276**	4,379,256,978	**438,114**	437,926

During 2007, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Date of Repurchase	**No. of ordinary shares at HK$0.1 each**	**Price per Share**	**Total Paid**
		HK$	HK$'000
2 February 2007	700,000	0.4814	337
5 February 2007	200,000	0.4950	100
6 February 2007	200,000	0.4950	100
	1,100,000		537

The above shares were cancelled upon repurchase.

26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	Fair value adjustments arising from acquisition of subsidiaries	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006	240	(6,810)	436	(6,134)
(Charge) credit to profit for the year	(19)	1,552	1,976	3,509
Arising from acquisition of additional equity interest in a subsidiary *(note 31)*	–	(3,578)	–	(3,578)
Arising from acquisition of subsidiaries	(239)	(1,790)	–	(2,029)
Disposal of subsidiaries	–	3,489	–	3,489
At 31 December 2006	(18)	(7,137)	2,412	(4,743)
(Charge) credit to profit for the year	(23)	16,184	(5,534)	10,627
Effect of change in tax rate	(22)	(9,047)	3,057	(6,012)
At 31 December 2007	(63)	–	(65)	(128)

At the balance sheet date, the Group had unused tax losses arising in the PRC of HK$56,553,000 (2006: HK$285,583,000) and in Hong Kong of HK$177,430,000 (2006: HK$160,728,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The utilisation of tax losses arising in the PRC will expire from one to five years while that arising in Hong Kong will carry forward indefinitely. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future taxable profit streams.

At the balance sheet date, there is no significant unrecognised deferred tax liability (2006: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to additional tax should such amounts be remitted under the relevant tax laws due to the availability of double tax relief.

27. ACCOUNTS PAYABLE

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

	2007	2006
	HK$'000	HK$'000
Within 90 days	**6,460**	9,913
91 – 120 days	**247**	713
121 – 180 days	**252**	2,866
Over 180 days	**3,701**	3,398
	10,660	16,890

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.

28. BANK BORROWINGS

Bank borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount 2007	2006
		%	HK$'000	HK$'000
Fixed-rate borrowing:				
2.32% secured US$ bank loan of US$4,350,000	29 January 2007	2.32	–	33,930
Floating-rate borrowings:				
LIBOR plus 0.28% secured US$ bank loan of US$12,000,000	17 September 2007	5.58	–	93,600
			–	127,530

The Group's bank borrowings are secured by the pledge of certain debt securities of the Group (note 20(b)). During the year ended 31 December 2006, the Group entered into repurchase agreements with certain banks. Pursuant to these agreements, the Group pledged certain debt securities to the banks at the Purchase Price and the banks agreed to advance borrowings to the Group in the amounts equivalent to the purchase price, which will mature on the repurchase date (the "Repurchase Date"). During the period between the date that the Group pledged the debt securities to the banks (the "Purchase Date") and the Repurchase Date, the Group is entitled to income in respect of the debt securities and the Group would pay to the banks interest calculated based on the Purchase Price and the number of days between the Purchase Date and the Repurchase Date at the respective interest rate.

There was no financial covenant requirement from banks.

29. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2007	2006
	HK$'000	HK$'000
Financial assets		
Held-for-trading investments	**4,525**	–
Loans and receivables (including cash and cash equivalents)	**1,253,749**	1,197,993
Available-for-sale investments	**516,897**	719,584
Financial liabilities		
Liabilities measured at amortised cost	**22,899**	157,840

The Group's major financial instruments include available-for-sale investments, note receivable, held-for-trading investments, accounts receivable, deposits and other receivables, amounts due from fellow subsidiaries and ultimate holding company, bank balances and cash, accounts payable, other payables, amounts due to fellow subsidiaries and bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

29. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies

Management monitors and manages the financial risks relating to the operations of the Group through their degree of magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

(i) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices. There has been no change to the Group's manner in which it manages and measures the risk.

Foreign currency risk

Several subsidiaries of the Group have foreign currency sales, which expose the Group to foreign currency risk. Approximately 33% (2006: 16%) of the Group's sales are denominated in currency other than the functional currency of the Group entity making the sale.

The foreign currency risk of the Group also includes the foreign exchange loss arising on the retranslation of monetary assets denominated in Hong Kong dollars against Renminbi for those subsidiaries with Renminbi as functional currencies. The carrying amount of PRC subsidiaries' Hong Kong dollars denominated monetary assets representing loans receivable within the Group and bank balances and cash; and monetary liabilities representing loans payable within the Group at 31 December 2007 was HK$116,168,000 and HK$15,361,000 (2006: HK$108,116,000 and HK$16,084,000) respectively.

The sensitivity analysis below has been determined based on the exposure to a 5% increase and decrease in Hong Kong dollars against Renminbi. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding amounts of PRC subsidiaries' Hong Kong dollars denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. For a 5% strengthening of Hong Kong dollars against Renminbi, the loss for the year ended 31 December 2007 would be reduced by HK$4,720,000 (2006: profit increased by HK$4,605,000). For a 5% weakening of the Hong Kong dollars against Renminbi, there would be an equal an opposite impact on the profit or loss.

The Group's sensitivity to Hong Kong dollars against Renminbi has increased during the current year mainly due to the increase in carrying amount of PRC subsidiaries' Hong Kong dollars denominated monetary net assets.

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate short-term bank deposits which carry interest ranging from 1% to 5% per annum (2006: 1% to 5%) and note receivable which carries interest at 5% per annum (2006: 5%). The Group does not have any variable-rate financial assets and hence the Group does not expose to cash flow interest rate risk. Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk relates to floating-rate short-term bank borrowings as detailed in note 28, which is insignificant because of the short maturity for the floating-rate bank borrowings.

29. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

(i) Market risk (continued)

Equity price risk

The Group is exposed to equity price risk through its held-for-trading investments and available-for-sale investments. Management manages this exposure by maintaining a portfolio of investments with different risk and return profiles, as detailed in notes 20 and 22.

If equity prices in respect of the investments other than equity interest in private equity funds had been 5% higher/lower:

- net loss for the year ended 31 December 2007 would decrease/increase by HK$226,000 (2006: HK$Nil). This is mainly due to the changes in fair value of held-for-trading investments; and

- investment revaluation reserve would increase/decrease by HK$23,987,000 (2006: HK$35,979,000) as a result of the changes in fair value of available-for-sale investments.

(ii) Credit risk

As at 31 December 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, management reviews the recoverable amount of each individual accounts receivable and note receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced.

The Group is exposed to some concentration of credit risk. Other than note receivable from a single counterparty at 31 December 2007, the five largest debtors accounted for approximately 34% (2006: 33%) of the Group's total accounts receivable. In order to minimize the credit risk, management continuously monitors the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or recover the overdue debts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate bank balances and cash and continuously monitoring forecast and actual cash flows.

29. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Liquidity risk (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate	Within 90 days	91–120 days	121–180 days	Over 180 days	Total undiscounted cash flows	Total carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2007							
Accounts payable	–	10,660	–	–	–	10,660	10,660
Other payables	–	3,822	–	–	–	3,822	3,822
Amounts due to fellow subsidiaries	–	8,417	–	–	–	8,417	8,417
		22,899	–	–	–	22,899	22,899
2006							
Accounts payable	–	16,890	–	–	–	16,890	16,890
Other payables	–	6,516	–	–	–	6,516	6,516
Amounts due to fellow subsidiaries	–	6,904	–	–	–	6,904	6,904
Bank borrowings *(note)*	4.71	33,993	–	–	95,330	129,323	127,530
		64,303	–	–	95,330	159,633	157,840

Note: The total undiscounted cash flows approximate to the carrying amount as at 31 December 2006 because of the short maturity period of the borrowing as detailed in note 28.

(c) Fair value of financial instruments

The fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices. The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

Except the unlisted equity securities as detailed in note 20(d), management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt represented by bank borrowings, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. As at 31 December 2007 and 2006, the gearing ratio determined as the proportion of net debt (bank borrowings less cash and cash equivalents) was 0%. The Group expects to maintain this 0% gearing ratio because of its cash-rich position.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Scheme") and post-IPO share option scheme (the "Post-IPO Scheme") on 25 February 2000 which will remain in force for 10 years. On 30 April 2002, the Company adopted a 2002 share option scheme (the "2002 Scheme") which has an option life of 10 years. The Pre-IPO Scheme and the Post-IPO Scheme were operated for the purpose of recognising the contributions of certain directors, employees, consultants and advisors of the Group and employees of CDC Corporation to the growth of the Group and/or the listing of shares of the Company on the GEM, while the 2002 Scheme was operated for providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Pre-IPO Scheme and the Post-IPO Scheme include the Company's directors, employees, consultants and advisors of the Group and employees of CDC Corporation. The eligible participants of the 2002 Scheme include the Company's directors, full-time and part-time employees, advisors, consultants, vendors and suppliers of the Group and employees of CDC Corporation (as defined in the 2002 Scheme).

The maximum number of shares which can be granted under the Pre-IPO Scheme and the Post-IPO Scheme must not exceed 10% of the issued share capital of the Company as at the date of listing of the shares on the GEM. For the 2002 Scheme, the maximum number of shares which can be granted must not exceed 10% of the issued share of the Company at the date of approval of such scheme. At 31 December 2007, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO Scheme and the 2002 Scheme was 11,980,000, 1,279,012 and 340,899,322, respectively, which represented approximately 8.08% in aggregate of the Company's shares in issue at that date. Pursuant to the Pre-IPO Scheme and the Post-IPO Scheme (the "Schemes"), no participant shall be granted an option which, if accepted and exercised in full, would result in such participant's maximum entitlement exceeding 25% of the aggregate number of shares of the Company subject to the Schemes. The maximum number of shares issuable as share options to each eligible participant in the 2002 Scheme in any 12-month period up to and including the date of the grant to such participant shall not exceed 1% of the issued share capital of the Company from time to time. Any further grant of options in excess of this 1% limit must be subject to shareholders' approval with that participant and his associates abstaining from voting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Schemes must be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. For the 2002 Scheme, the offer of a grant of share options must be accepted with 7 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. However, for the Schemes, each of the grantees of the options is not allowed to exercise in aggregate in excess of 25%, 50% and 75% of shares comprised in the options granted within the first, second and third years from one year after the date of grant of options, respectively. No Pre-IPO or Post-IPO share options can be exercised prior to 9 March 2001. All option shares must be exercised within 10 years from the date of grant of options.

For the 2002 Scheme, there is no general requirement on the minimum period for which option must be held or the performance targets which must be achieved before an option can be exercised. All option shares must be exercised within 10 years from the date of grant of options.

The exercise price for the Pre-IPO Scheme is determined by the final Hong Kong dollar price per share at which the shares are subscribed pursuant to the placing of 640,000,000 shares by the Company to professional and institutional investors and other persons made on the terms of the prospectus issued by the Company on 28 February 2000 (HK$1.88 per share).

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Equity-settled share option scheme of the Company (continued)

The exercise price of the Post-IPO Scheme and the 2002 Scheme share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of the share.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At 31 December 2007, the remaining life of the Schemes is two years and two months and the remaining life of the 2002 Scheme is four years and four months.

(i) Pre-IPO Scheme

Year ended 31 December 2007

Name or category of participant	Date of grant of share options *(note a)*	Exercise price of share options HK$ *(note b)*	At 1 January 2007	Number of share options Forfeited during the year	Number of share options Cancelled during the year	At 31 December 2007
Directors						
Ch'ien Kuo Fung, Raymond	9 March 2000	1.880	10,000,000	–	–	10,000,000
Wong Sin Just	9 March 2000	1.880	1,000,000	–	–	1,000,000
Employees						
In aggregate	9 March 2000	1.880	58,120	(58,120)	–	–
Other Eligible Persons						
In aggregate	9 March 2000	1.880	980,000	–	–	980,000
			12,038,120	(58,120)	–	11,980,000
Number of share options exercisable at the end of the year						11,980,000

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(i) Pre-IPO Scheme (continued)

Year ended 31 December 2006

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options HK$ (note b)	At 1 January 2006	Number of share options: Transferred during the year (note c)	Forfeited during the year	Cancelled during the year	At 31 December 2006
Directors							
Ch'ien Kuo Fung, Raymond	9 March 2000	1.880	10,000,000	–	–	–	10,000,000
Wong Sin Just	9 March 2000	1.880	1,000,000	–	–	–	1,000,000
Yip Hak Yung, Peter	9 March 2000	1.880	6,000,000	–	–	(6,000,000)	–
Employees							
In aggregate	9 March 2000	1.880	60,058,120	(60,000,000)	–	–	58,120
Other Eligible Persons							
In aggregate	9 March 2000	1.880	7,999,380	60,000,000	(67,019,380)	–	980,000
			85,057,500	–	(67,019,380)	(6,000,000)	12,038,120
Number of share options exercisable at the end of the year							12,038,120

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(ii) Post-IPO Scheme

Year ended 31 December 2007

Name or category of participant	Date of grant of share options *(note a)*	Exercise price of share options HK$ *(note b)*	At 1 January 2007	Number of share options: Exercised during the year	Forfeited during the year	At 31 December 2007	Prices of Company's share: At exercise date of options HK$ *(note d)*
Director							
Wong Sin Just	10 April 2001	0.286	600,000	(600,000)	–	–	0.616
Employees							
In aggregate	18 August 2000–10 April 2001	0.286–0.870	1,453,467	(99,300)	(137,235)	1,216,932	0.600 0.616
Other Eligible Persons							
In aggregate	28 February 2002	0.347	62,080	–	–	62,080	
			2,115,547	(699,300)	(137,235)	1,279,012	
Number of share options exercisable at the end of the year						1,279,012	

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(ii) Post-IPO Scheme (continued)

Year ended 31 December 2006

Name or category of participant	Date of grant of share options (*note a*)	Exercise price of share options HK$ (*note b*)	Number of share options: At 1 January 2006	Transferred during the year (*note c*)	Forfeited during the year	At 31 December 2006
Director						
Wong Sin Just	10 April 2001	0.286	600,000	–	–	600,000
Employees						
In aggregate	18 August 2000 –10 April 2001	0.286–0.870	11,582,642	(10,000,000)	(129,175)	1,453,467
Other Eligible Persons						
In aggregate	5 October 2000	0.582	–	10,000,000	(10,000,000)	–
	10 April 2001	0.286	600,000	–	(600,000)	–
	28 February 2002	0.347	62,080	–	–	62,080
			12,844,722	–	(10,729,175)	2,115,547
Number of share options exercisable at the end of the year						2,115,547

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(iii) 2002 Scheme

Year ended 31 December 2007

Name or category of participant	Date of grant of share options *(note a)*	Exercise price of share options *(note b)* HK$	At 1 January 2007	Number of share options: Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2007	Price of Company's share *(note d)*: At grant date of options HK$	At exercise date of options HK$
Directors									
Ch'ien Kuo Fung,	5 June 2003	0.626	4,000,000	–	–	–	4,000,000		
Raymond	10 October 2005	0.630	4,000,000	–	–	–	4,000,000		
Wong Sin Just	5 June 2003	0.626	2,500,000	–	–	–	2,500,000		
	15 September 2005	0.560	1,000,000	–	–	–	1,000,000		
Yip Hak Yung, Peter	5 June 2003	0.626	4,000,000	–	–	–	4,000,000		
	10 October 2005	0.630	4,000,000	–	–	–	4,000,000		
	3 January 2006	0.526	9,000,000	–	–	–	9,000,000		
	14 August 2006	0.445	239,356,507	–	–	–	239,356,507 *(note e)*		
Wang Cheung Yue, Fred	5 June 2003	0.626	2,000,000	–	–	–	2,000,000		
	15 September 2005	0.560	4,000,000	–	–	–	4,000,000		
Chia Kok Onn	15 September 2005	0.560	2,500,000	–	–	–	2,500,000		
Fang Xin	10 October 2005	0.630	1,000,000	–	–	–	1,000,000		
Chen Xiao Wei	15 September 2005	0.560	4,000,000	–	–	–	4,000,000		
	3 January 2006	0.526	11,200,000	–	–	–	11,200,000		
	1 July 2006	0.460	7,500,000	–	–	–	7,500,000		
Employees									
In aggregate	19 August 2002	0.200	38,748	–	(38,748)	–	–		0.540
	24 February 2003	0.171	32,290	–	–	–	32,290		
	29 May 2003	0.716	142,080	–	–	(77,500)	64,580		
	5 June 2003	0.626	150,000	–	–	(150,000)	–		
	22 December 2003	0.634	103,320	–	–	–	103,320		
	7 September 2004	0.510	303,535	–	(56,750)	(77,500)	169,285		0.600
	26 November 2004	0.528	245,420	–	–	–	245,420		
	15 September 2005	0.560	13,100,000	–	(875,000)	(4,200,000)	8,025,000		0.632
	3 January 2006	0.526	2,250,000	–	–	(1,000,000)	1,250,000		
	11 September 2006	0.464	3,000,000	–	(750,000)	(2,250,000)	–		0.540
	2 October 2007	0.429	–	3,450,000	–	–	3,450,000	0.425	
	13 November 2007	0.444	–	500,000	–	–	500,000	0.415	
Other Eligible Persons									
In aggregate	29 May 2003	0.716	90,420	–	–	–	90,420		
	5 June 2003	0.626	1,400,000	–	–	–	1,400,000		
	15 September 2005	0.560	5,950,000	–	(500,000)	(1,125,000)	4,325,000		0.632
	3 January 2006	0.526	16,250,000	–	(62,500)	–	16,187,500		0.660
	25 August 2006	0.450	5,000,000	–	–	–	5,000,000 *(note g)*		
			348,112,320	3,950,000	(2,282,998)	(8,880,000)	340,899,322		
Number of share options exercisable at the end of the year							113,234,013		

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

(iii) 2002 Scheme (continued)

Year ended 31 December 2006

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	At 1 January 2006	Number of share options: Transferred during the year (note c)	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2006	Price of Company's share (note d): At grant date of options HK$	At exercise date of options HK$
Directors										
Ch'ien Kuo Fung,	5 June 2003	0.626	4,000,000	–	–	–	–	4,000,000		
Raymond	10 October 2005	0.630	4,000,000	–	–	–	–	4,000,000		
Wong Sin Just	5 June 2003	0.626	2,500,000	–	–	–	–	2,500,000		
	15 September 2005	0.560	1,000,000	–	–	–	–	1,000,000		
Yip Hak Yung, Peter	5 June 2003	0.626	4,000,000	–	–	–	–	4,000,000		
	10 October 2005	0.630	4,000,000	–	–	–	–	4,000,000		
	3 January 2006	0.526	–	–	9,000,000	–	–	9,000,000	0.520	
	14 August 2006	0.445	–	–	239,356,507 (note e)	–	–	239,356,507	0.445	
Wang Cheung Yue, Fred	5 June 2003	0.626	2,000,000	–	–	–	–	2,000,000		
	15 September 2005	0.560	4,000,000	–	–	–	–	4,000,000		
Chia Kok Onn	15 September 2005	0.560	2,500,000	–	–	–	–	2,500,000		
Fang Xin	10 October 2005	0.630	1,000,000	–	–	–	–	1,000,000		
Lam Wai-Qun, Albert	7 September 2004	0.510	17,000,000	–	–	–	(17,000,000)	–		
(resigned on 3 August 2006)	23 November 2005	0.570	20,000,000	–	–	–	(20,000,000)	–		
Chen Xiao Wei	15 September 2005	0.560	–	4,000,000	–	–	–	4,000,000		
(appointed on 3 August 2006)	3 January 2006	0.526	–	11,200,000	–	–	–	11,200,000		
	1 July 2006	0.460	–	7,500,000	–	–	–	7,500,000		
Employees										
In aggregate	19 August 2002	0.200	77,496	–	–	(38,748)	–	38,748		0.560
	24 February 2003	0.171	32,290	–	–	–	–	32,290		
	29 May 2003	0.716	271,240	–	–	–	(129,160)	142,080		
	5 June 2003	0.626	4,450,000	(4,000,000)	–	–	(300,000)	150,000		
	22 December 2003	0.634	219,560	–	–	–	(116,240)	103,320		
	7 September 2004	0.510	3,355,195	–	–	–	(3,051,660)	303,535		
	26 November 2004	0.528	374,580	–	–	–	(129,160)	245,420		
	15 September 2005	0.560	36,166,667	(4,000,000)	–	–	(19,066,667)	13,100,000		
	10 October 2005	0.630	4,000,000	(4,000,000)	–	–	–	–		
	3 January 2006	0.526	–	(11,200,000)	15,950,000	–	(2,500,000)	2,250,000	0.520	
	1 July 2006	0.460	–	(7,500,000)	7,500,000	–	–	–	0.460	
	11 September 2006	0.464	–	–	3,000,000 (note f)	–	–	3,000,000	0.470	
Other Eligible Persons										
In aggregate	29 May 2003	0.716	90,420	–	–	–	–	90,420		
	5 June 2003	0.626	5,400,000	4,000,000	–	–	(8,000,000)	1,400,000		
	15 September 2005	0.560	9,000,000	–	–	–	(3,050,000)	5,950,000		
	10 October 2005	0.630	–	4,000,000	–	–	(4,000,000)	–		
	3 January 2006	0.526	–	–	36,250,000	–	(20,000,000)	16,250,000	0.520	
	25 August 2006	0.450	–	–	5,000,000 (note g)	–	–	5,000,000	0.435	
			129,437,448	–	316,056,507	(38,748)	(97,342,887)	348,112,320		
Number of share options exercisable at the end of the year								36,182,908		

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes:

(a) Save as disclosed herein, during the first 12 months from the date of grant, no options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the second 12 months from the date of grant, a cumulative maximum of 25% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the third 12 months from the date of grant, a cumulative maximum of 50% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

Save as disclosed herein, during the fourth 12 months from the date of grant, a cumulative maximum of 75% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

During remaining option period, a cumulative of 100% of the share options granted to the directors, employees and/or other eligible persons shall be vested.

(b) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(c) This represents options held by option holders who have been transferred within the Group between directors and employees during the year. Options held by option holders who have been transferred from the Group to CDC Corporation group have been reclassified to the category "Other Eligible Persons".

(d) The price of the Company's shares disclosed immediately before the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed immediately before the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all of the exercises of options within the disclosure line.

(e) This option grant was approved by the shareholders of the Company at the extraordinary general meeting held on 18 September 2006. 108,798,412 of such option shall vest quarterly over 2 years effective from 1 October 2006 to 1 July 2008 subject to the terms and conditions as set out in the Executive Services (Acting CEO) Agreement (the "Services Agreement") as follows:

- 12.5% options shall vest from 1 October 2006
- 12.5% options shall vest from 1 January 2007
- 12.5% options shall vest from 1 April 2007
- 12.5% options shall vest from 1 July 2007
- 12.5% options shall vest from 1 October 2007
- 12.5% options shall vest from 1 January 2008
- 12.5% options shall vest from 1 April 2008
- 12.5% options shall vest from 1 July 2008

Of the 130,558,095 options, 50% shall vest upon the occurrence of one of the below events (the date of occurrance shall be the vesting date for such options) pursuant to the terms and conditions as set out in the Services Agreement as described below provided (i) Mr. Yip Hak Yung, Peter remains at the Company to provide the services on the day vesting of the relevant portion of those options takes place and (ii) the Services Agreement has not otherwise been terminated:

- Event 1: The grant by the relevant authorities in the PRC of an asset management license or equivalent that would allow the Company or its affiliate or associate to raise and manage a Renminbi denominated fund or funds which will invest in any of the following: a) "A" shares listed on a recognized stock exchange in the PRC; b) pre-initial public offering "A" shares; and c) convertible loans. For Event 1, the vesting date shall be the date of the grant of the license.

- Event 2: The completion of a real estate development project in the PRC which will comprise of both residential and commercial units for use by the Company and CDC Corporation and for rental to third parties. For Event 2, the vesting date shall be the date of the completion of the real estate development project, such date to be determined by the board of the Company in their absolute discretion.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Notes: (continued)

(f) Out of the 3,000,000 options granted on 11 September 2006, the vesting schedule of 1,500,000 ("Option I") of such options is as follows:

- no Option I shall vest from date of grant to end of 28 February 2007.
- up to 25% of Option I shall vest from 1 March 2007 to 29 February 2008.
- up to 50% of Option I, less such options which were exercised previously shall vest from 1 March 2008 to 28 February 2009.
- up to 75% of Option I, less such options which were exercised previously shall vest from 1 March 2009 to 28 February 2010.
- all such Option I which were not previously exercised shall vest from 1 March 2010 to the end of 10 September 2016.

For the remaining 1,500,000 options ("Option II") out of the 3,000,000 options granted on 11 September 2006, the vesting schedule is as follows:

- no Option II shall vest from date of grant to end of 30 October 2006.
- up to 25% of Option II shall vest from 1 November 2006 to 30 October 2007.
- up to 50% of Option II, less such options which were exercised previously shall vest from 1 November 2007 to 30 October 2008.
- up to 75% of Option II, less such options which were exercised previously shall vest from 1 November 2008 to 30 October 2009.
- all such Option II which were not previously exercised shall vest from 1 November 2009 to the end of 10 September 2016.

(g) These options shall vest in equal installments, every three months, over a period of three years.

Details of specific categorised options are as follows:

Pre-IPO Scheme

Date of grant	Exercise period	Exercise price HK$
9 March 2000	9 March 2001 to 8 March 2010	1.880

Post-IPO Scheme

Date of grant	Exercise period	Exercise price HK$
18 August 2000	18 August 2001 to 17 August 2010	0.870
5 October 2000	5 October 2001 to 4 October 2010	0.582
24 November 2000	24 November 2001 to 23 November 2010	0.518
10 April 2001	10 April 2002 to 9 April 2011	0.286
28 February 2002	28 February 2003 to 27 February 2012	0.347

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

2002 Scheme

Date of grant	Exercise period	Exercise price HK$
19 August 2002	19 August 2003 to 18 August 2012	0.200
24 February 2003	24 February 2004 to 23 February 2013	0.171
29 May 2003	29 May 2004 to 28 May 2013	0.716
5 June 2003	5 June 2004 to 4 June 2013	0.626
22 December 2003	22 December 2004 to 21 December 2013	0.634
7 September 2004	7 September 2005 to 6 September 2014	0.510
26 November 2004	26 November 2005 to 25 November 2014	0.528
15 September 2005	15 September 2006 to 14 September 2015	0.560
10 October 2005	10 October 2006 to 9 October 2015	0.630
23 November 2005	23 November 2006 to 22 November 2015	0.570
3 January 2006	3 January 2007 to 2 January 2016	0.526
1 July 2006	1 July 2007 to 30 June 2017	0.460
14 August 2006	As detailed in note e	0.445
25 August 2006	As detailed in note g	0.450
11 September 2006	As detailed in note f	0.464
2 October 2007	2 October 2008 to 1 October 2017	0.429
13 November 2007	13 November 2008 to 12 November 2017	0.444

The 2,982,298 share options exercised during the year ended 31 December 2007 (2006: 38,748) resulted in the issue of 2,982,298 (2006: 38,748) ordinary shares of the Company and new share capital of HK$298,000 (2006: HK$4,000) and share premium of HK$1,106,000 (2006: HK$4,000) (before issue expenses). As at 31 December 2007, the Company had in aggregate 354,158,334 (2006: 362,265,987) share options outstanding under the three schemes, which represented approximately 8.08% (2006: 8.27%) of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 354,158,334 (2006: 362,265,987) additional ordinary shares of the Company and additional share capital of approximately HK$35,416,000 (2006: HK$36,227,000) and share premium of approximately HK$149,558,239 (2006: HK$153,402,000) (before issue expenses).

During the year ended 31 December 2007, options were granted on 2 October 2007 and 13 November 2007 respectively. The estimated fair values of the options granted on these dates are HK$0.25, HK$0.23 respectively. During the year ended 31 December 2006, options were granted on 3 January 2006, 1 July 2006, 14 August 2006, 25 August 2006 and 11 September 2006 respectively. The estimated fair values of the options granted on these dates are HK$0.32, HK$0.29, HK$0.27, HK$0.27 and HK$0.28 respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2007 HK$'000	2006 HK$'000
Weighted average share price	**HK$0.405 – HK$0.420**	HK$0.435 – HK$0.510
Exercise price	**HK$0.429 – HK$0.444**	HK$0.445 – HK$0.526
Expected volatility	**67.16% – 67.26%**	70.09% – 72.68%
Expected life	**5 years**	5 years
Risk-free rate	**2.93% – 4.08%**	4.00% – 4.69%
Expected dividend yield	**–**	–

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 5 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$20,028,000 for the year ended 31 December 2007 (2006: HK$17,484,000) in relation to share options granted by the Company.

The Company's share options granted to other eligible persons are measured by reference to the fair value of options granted as these participants render services similar to those as employees.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 9% (2006: 11%) of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in the profit and loss with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The fair value of an option varies with different variables of certain subjective assumptions.

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY/ACQUISITION OF SUBSIDIARIES

(a) Acquisition of additional interest in a subsidiary

In March 2006, the Group acquired an additional 52% equity interest in Equity Pacific Limited, which was represented by a minority interest of HK$35,850,000, for a total consideration of HK$140,400,000. The consideration was settled by cash of HK$37,698,000 and the issue of 181,132,095 restricted shares of the Company with a par value of HK$0.10 each. The restricted shares can only be sold or transferred over a period of two years with 25% can be sold or transferred on the first six-month anniversary of 17 March 2006 and 12.5% can be sold or transferred on each subsequent three-month anniversary of 17 March 2006 thereafter. The fair value of the restricted shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$102,702,000. The acquisition has been accounted for as an acquisition of an additional interest in a subsidiary in accordance with the Group's accounting policy set out in note 3. The resultant goodwill and deferred tax liability was HK$94,748,000 and HK$3,578,000 respectively.

In December 2006, Equity Pacific Limited, a wholly-owned subsidiary after the acquisition in March 2006, was disposed of together with its subsidiaries and CDC Games Limited as detailed in note 32.

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY/ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of subsidiaries

In November 2006, the Group acquired 100% of the issued share capital of TimeHeart Science Technology Limited and its subsidiaries (the "TimeHeart Group") for a total consideration of HK$42,858,000. TimeHeart Group engages in value-added telecom services. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was HK$17,517,000.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Acquiree's carrying amount before combination HK$'000	**Fair value adjustments** HK$'000	**Fair value** HK$'000
Net assets acquired:			
Plant and equipment	1,308	–	1,308
Intangible assets	–	18,298	18,298
Accounts receivable	8,250	–	8,250
Prepayments, deposits and other receivables	1,799	–	1,799
Bank balances and cash	3,328	–	3,328
Accounts payable	(150)	–	(150)
Other payables and accrued liabilities	(5,463)	–	(5,463)
Deferred tax liabilities	(239)	(1,790)	(2,029)
	8,833	16,508	25,341
Goodwill			17,517
Total consideration			42,858
Satisfied by:			
Cash			16,428
Shares issued *(note 1)*			12,480
Minority interest arising from disposal of 10% of the issued share capital of a subsidiary *(note 2)*			13,950
Total consideration			42,858
Net cash outflow arising on acquisition:			
Cash consideration paid			(16,428)
Bank balances and cash acquired			3,328
			(13,100)

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY/ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of subsidiaries (continued)

Note 1: As part of the consideration for the acquisition of TimeHeart Group, 27,320,490 restricted shares of the Company with a par value of HK$0.10 each were issued. The restricted shares can only be sold or transferred after 90 days upon the issuance of the corresponding share certificate. The fair value of the restricted shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$12,480,000.

The goodwill arising on the acquisition of TimeHeart Group is attributable to the anticipated profitability of the TimeHeart Group and the anticipated future operating synergies from the combination.

TimeHeart Group contributed HK$2,622,000 to the Group's revenue and HK$199,000 to the Group's profit for the year between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1 January 2006, total group revenue (including both continued and discontinued operations) for the year would have been HK$640,779,000, and profit for the year would have been HK$652,847,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

Note 2: As part of the consideration of TimeHeart Group, 10% of the issued share capital of CDC Mobile Media Corporation, a subsidiary of the Company, was transferred to the original owners of TimeHeart Group. The fair value of that, determined using both the market approach and income approach, amounted to HK$13,950,000, was recorded in the minority interest in the consolidated balance sheet.

Pursuant to the amendment to the share purchase agreement of the acquisition (the "Agreement"), the total consideration includes a contingent consideration. The contingent consideration is in the form of restricted shares of the Company, equivalent to a maximum amount of US$2,080,000 (HK$16,224,000). The restricted shares shall be vested after 90 days upon the issuance of the corresponding share certificate. This part of consideration is calculated based on a formula set out in the Agreement which will vary based on the performance of TimeHeart Group in the fourth quarter of 2006 and in the year 2007. The number of restricted shares to be issued will also vary based on the future average market price as set out in the Agreement. As of 31 December 2007, the criteria for contingent consideration were not met and accordingly, no adjustment for the contingent payment has been recorded in the consolidated financial statements.

32. DISPOSAL OF A SUBSIDIARY

As referred to note 9, the Group disposed of Online Games in December 2006. The net assets of Online Games at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Plant and equipment	23,283
Other intangibles assets	81,066
Accounts receivable	4,596
Prepayments, deposits and other receivables	5,558
Bank balances and cash	159,292
Accounts payable	(22,014)
Other payables and accrued liabilities	(32,179)
Amounts due to fellow subsidiaries	(1,930)
Deferred revenue	(31,910)
Deferred tax liabilities	(3,489)
Attributable goodwill	113,593
	295,866
Realisation of translation reserve	(2,301)
Gain on disposal	564,435
Total consideration	858,000
Satisfied by:	
Cash	390,000
Deferred consideration	468,000
	858,000
Net cash inflow arising on disposal:	
Cash consideration	390,000
Bank balances and cash disposed of	(159,292)
	230,708

The deferred consideration represents a note receivable as disclosed in note 21.

The impact of the disposal of Online Games on the Group's results and cash flows in the year ended 31 December 2006 is disclosed in note 9.

33. CONTINGENT LIABILITIES

The directors of the Company have assessed the contingent tax liability amounting to HK$110,000,000 that may arise from the disposal of Online Games as detailed in note 32 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.

34. OPERATING LEASES

The Group as lessee

	2007	2006
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year in respect of office premises	**5,737**	9,713

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007	2006
	HK$'000	HK$'000
Within one year	**3,495**	3,752
In the second to the fifth years inclusive	**980**	1,661
	4,475	5,413

Operating leases relate to office premises with lease term of between 1 month to 5 years (2006: 3 months to 5 years).

35. COMMITMENTS

	2007	2006
	HK$'000	HK$'000
Commitment in respect of additional investments In two private equity funds *(note 20(d))*	**79,843**	–

36. RETIREMENT BENEFITS PLANS

Retirement benefits are also paid by an overseas subsidiary to its employees who, at their own discretion, contribute to certain retirement benefits plans managed by relevant government authorities. The retirement benefits paid by the overseas subsidiary are based on a certain percentage of its employees' basic salaries in accordance with the relevant regulations and are charged to the consolidated income statement as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement benefits to its employees.

37. RELATED PARTY TRANSACTIONS

During the year ended 31 December 2006, in addition to the acquisition of an additional 52% equity interest in Equity Pacific Limited from former minority interests (note 31) and the disposal of Online Games to a fellow subsidiary (note 32), the Group entered into the following transactions with related parties:

	2007	2006
	HK$'000	HK$'000
Operating lease rentals in respect of office premises charged by a fellow subsidiary	**274**	554

In addition to the above transactions, during the years ended 31 December 2007 and 2006, the Group was licensed the right to use the Uniform Resources Locator ("URL") of hongkong.com and china.com by Chinadotcom Strategic, Inc., a fellow subsidiary, at nil (2006: nil) consideration and at an annual license fee of US$1 (equivalent to HK$8) (2006: HK$8), respectively.

37. RELATED PARTY TRANSACTIONS (continued)

During the years ended 31 December 2007 and 2006, CDC Corporation, CDC Software Corporation and CDC Games Corporation granted CDC Share Options, SARs, CDC Software Share Options and CDC Games Share Options to certain directors, as disclosed in note 11, and certain employees of the Group. No value in respect of these options has been charged to the consolidated income statement because these options were granted to these directors and employees of the Group in respect of their services to CDC Corporation, CDC Software Corporation and CDC Games Corporation.

Details of balances with related parties at the balance sheet date are set out in the consolidated balance sheet and note 23.

Compensation of key management personnel

The remuneration of key management represented by directors during the year was as follows:

	2007	2006
	HK$'000	HK$'000
Short-term benefits	**2,949**	3,645
Post-employment benefits	**–**	39
Share-based payments	**3,207**	7,040
	6,156	10,724

The remuneration of key management represented by directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued ordinary share capital/registered capital	Proportion ownership interest held by the Company				Principal activities
			Directly		Indirectly		
			2007	2006	2007	2006	
			%	%	%	%	
China.com Corp. Limited	Hong Kong	HK$1,000	100	100	–	–	Operation of a portal site, provision of content and Internet advertising services
TTG Asia Media Pte. Limited	Singapore	S$100,000	–	–	100	100	Provision of advertising and event organising services and magazine publication
Palmweb Inc.	Cayman Islands	US$382,253	–	–	90	90	Investment holding
Newpalm (China) Information Technology Co., Ltd. *(note a)*	PRC	US$6,000,000	–	–	90	90	Provision of short messaging services and other mobile value-added services and applications
Beijing Newplam Technology Co., Ltd. *(note b)*	PRC	RMB10,000,000	–	–	100	100	Provision of short messaging services and other mobile value-added services and applications
Beijing Wisecom Technology Co., Ltd. *(note b)*	PRC	RMB10,000,000	–	–	100	100	Provision of short messaging services and other mobile value-added services and applications

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued ordinary share capital/registered capital	Proportion ownership interest held by the Company Directly 2007 %	Directly 2006 %	Indirectly 2007 %	Indirectly 2006 %	Principal activities
Beijing China.com Technology Services Co., Ltd *(note b)*	PRC	RMB10,000,000	–	–	100	100	Operation of a portal site, provision of content and Internet advertising services
Beijing He He Technology Co. Ltd. *(note b)*	PRC	RMB10,000,000	–	–	90	90	Provision of mobile value-added services and applications
Shen Zhen KK Technology Ltd *(note b)*	PRC	RMB10,000,000	–	–	90	90	Provision of short messaging services and other mobile value-added services and applications
Chinadotcom Communications Technology Development (Beijing) Limited *(note a)*	PRC	US$850,000	–	–	100	100	Operation of a portal site, provision of content and Internet advertising services
TimeHeart (Beijing) Network Technology Limited *(note a)*	PRC	US$30,000	–	–	90	90	Provision of short messaging services and other mobile value-added services and applications
Beijing TimeHeart Information Technology Limited *(note b)*	PRC	RMB14,290,000	–	–	90	90	Provision of short messaging services and other mobile value-added services and applications
TimeHeart Science Technology Limited	British Virgin Islands	US$1	–	–	90	90	Investment holding
Straight Show Holdings Limited	British Virgin Islands	US$1	–	–	100	–	Investment holding
Beijing Straight Show Technology Co., Ltd	PRC	RMB 1,000,000	–	–	100	–	Provision of content, internet advertising services and online video

Notes:

(a) These companies are registered as a wholly-foreign owned enterprise under the PRC law.

(b) These companies are registered as limited liability companies under the PRC law. These companies are accounted for as subsidiaries by virtue of the Group's control over their financial and operating policies, directly or indirectly, so as to obtain benefits from their activities.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.