Annual Report

China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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

2008

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This annual report, for which the Directors (the "Directors") of China.com Inc. (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual report is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in this 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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COMPANY SECRETARY

Cheng Loi

COMPLIANCE OFFICER

Cheng Loi

AUDIT COMMITTEE

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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)*
Ch'ien Kuo Fung, Raymond
Wong Sin Just
Yip Hak Yung, Peter
Lam Lee G.

NOMINATION COMMITTEE

Lam Lee G. *(Committee Chairman)*
Wong Sin Just
Wang Cheung Yue, Fred

AUTHORIZED REPRESENTATIVES

Yip Hak Yung, Peter
Cheng Loi *(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

BNP Paribas
Citibank N.A.
Deutsche Bank
Standard Chartered Bank

STOCK CODE

8006

WEBSITE

www.inc.china.com

EXECUTIVE DIRECTOR
Yip Hak Yung, Peter
(Vice-Chairman and Chief Executive Officer, aged 57)

Mr. Yip was appointed to the board of directors (the "Board") on 15th October, 1999. He is the vice chairman of the Board and chief executive officer. He served as acting chief executive officer of the Company from 3rd August, 2006 to 1st September, 2008 at which point he was re-designated as chief executive officer of the Company on 1st September, 2008. Mr. Yip is also the founder, vice chairman of the Board and chief executive officer of CDC Corporation ("CDC"), the ultimate parent of the Company. Under Mr. Yip's 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 U.S. capital markets. In addition, Mr. Yip previously held management positions at KPMG Consulting and Wharton Applied Research. In 2000, the Wharton Business School presented Mr. Yip with its Asian Alumni Entrepreneur Award. 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 in Engineering and an honorary doctorate degree in Business from Vincennes University, Indiana.

EXECUTIVE DIRECTOR
Cheng Loi
(Company Secretary and Chief Financial Officer, aged 55)

Dr. Cheng was appointed as the company secretary of the Company in December 2007 and as executive director, compliance officer and authorized representative of the Company in February 2008 and also as chief financial officer in May 2008.

Dr. Cheng also serves as director of CDC Corporation's subsidiaries namely CDC Mobile Corporation and CDC Ditigal Multimedia Group Limited; as director of CDC Games International Corporation's subsidiaries namely CDC Games (China) Limited, CDC Optic Communication Limited, CDC Games Holdings Limited, CDC Games Limited, Equity Pacific Limited, Prime Leader Holdings Limited and Hong Kong Online Games Investment Holdings Limited; as director of CDC Software International Corporation's subsidiaries namely CDC Software (Shanghai) Co., Limited; as director of the Company's subsidiaries namely China.com Corp. Limited, China.com Sports Limited, TTG Asia Media Pte Ltd, TTG Asia Limited, hongkong.com Travel Holdings Limited, Clovelly Logistics Limited, hongkong.com Travel Holdings (HK) Limited, Asian Business Press (Hong Kong) Limited, CDC Mobile Media Corporation, Group Team Investments Limited, Double Keen Limited, Unitedcrest Investments Limited, Straight Show Holdings Limited, CDC Software Property Holdings Limited, CDC Software Chengdu Development Limited, CDC Software Nanjing Development Limited, CDC Software Nanjing Information Technology Limited and hongkong.com Strategic, Inc. CDC Games International 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Ch'ien Kuo Fung, Raymond
(Chairman, aged 57)

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 November 1999 to 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 Hang Seng Bank Limited. He serves on the boards of the Hongkong and Shanghai Banking Corporation Limited, Inchcape plc, Convenience Retail Asia Limited, The Wharf (Holdings) Limited and Swiss Reinsurance Company 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. In 2008, he was conferred the honour of Chevalier de l'Ordre du Mérite Agricole of France.

NON-EXECUTIVE DIRECTOR

Fang Xin
(aged 56)

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

Lam Lee G.
(aged 49)

Dr. Lam was appointed to the board of directors of the Company as an independent non-executive director in December 2006. Currently, Dr. Lam also serves as Chairman of the nomination committee and as a member of the audit and remuneration committees of the board of directors of the Company. Dr. Lam also currently serves as an independent non-executive director of CDC Games International Corporation and CDC Games Corporation, both wholly owned subsidiaries of CDC Corporation, the ultimate holding company of the Company. 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., a PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 26 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 an independent or non-executive director of several publicly-listed companies in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr. Lam is a Member of the Hong Kong Institute of Bankers, a Board Member of the East-West Center Foundation, a Member of the Young Presidents' Organization, a Fellow of the Hong Kong Institute of Directors and a Member of its Corporate Governance Committee, a Member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, and a Visiting Professor at the School of Economics & Management of Tsinghua University in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Wang Cheung Yue, Fred
(aged 65)

Mr. Wang has been serving as an independent non-executive director of the Company since February 2002. Currently, Mr. Wang also serves as Chairman of the remuneration committee and as members of the audit and nomination committees of the board of directors of the Company. Mr. Wang also currently serves as an independent director of CDC Corporation, the ultimate holding company of the Company and as a director of CDC Games International Corporation, CDC Games Corporation and CDC Mobile Corporation, all wholly owned subsidiaries 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 and Director of the Board of the Hong Kong International Film Festival Society Limited. 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 43)

Dato' Dr Wong has been serving as an independent non-executive director of the Company since November 1999. Currently, Dato' Dr Wong also served as Chairman of the audit committee and as members of the remuneration and nomination committees of the board of directors of the Company. Dato' Dr Wong also served as director and Chairman of the audit committee of CDC Games Corporation (now renamed as CDC Games International Corporation) until October 2007, and as director and member of the audit committee of CDC Software Corporation (now renamed as CDC Software International Corporation) until November 2008. Both CDC Games International Corporation and CDC Software International Corporation are wholly owned subsidiaries of CDC Corporation, the ultimate holding company of the Company. Dato' Dr Wong was re-designated as Non-executive Director of China Renji Medical Group Limited ("China Renji") in August 2008. He was first appointed as Executive Director of China Renji in April 2001 and was the Vice Chairman of China Renji immediately before the re-designation. Dato' Dr Wong possesses over 20 years of accounting, investment banking and venture capital experience. He held senior positions with a number of premier international investment banks prior to joining the Company. He is currently the Executive Chairman of SBI E2-Capital Asia Securities Pte Ltd and the Non-executive Chairman of Suncorp Technologies Limited (listed on the Hong Kong Stock Exchange) as well as the Independent Non-executive Director of China.com Inc., Capital Strategic Investment Limited and China Zenith Chemical Group Limited (all are listed on the Hong Kong Stock Exchange), Non-Executive Chairman of Westminster Travel Limited (listed on Singapore Exchange Catalist Board) and the Non-Independent Non-Executive Director of Intelligent Edge Technologies Berhad (listed on the Malaysia MESDAQ). He was the Executive Co-Chairman of CIAM Group Limited (formerly E2-Capital (Holdings) Limited, listed on the Hong Kong Stock Exchange) up to May 2008. He is involved in various social and charitable organizations in Hong Kong and China and is the Chairman of the General Donations and Special Events Committee of The Community Chest of Hong Kong and holds a Bachelor Degree in Engineering from the University of London, England.

INDEPENDENT NON-EXECUTIVE DIRECTOR
Anson Wang
(aged 61)

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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR
Li On-kwok, Victor
(aged 54)

Professor Li was appointed to the board of directors of the Company as an independent non-executive director in August 2008. Professor Li is the Associate Dean of Engineering, and the Chair Professor of Information Engineering at The University of Hong Kong ("HKU"). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California ("USC") and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organizations such as the Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers ("IEEE"). Professor Li is a director of Versitech Limited, a wholly-owned subsidiary of HKU. Versitech Limited is the technology transfer and commercial arm of HKU. Professor Li has been serving as an independent non-executive director of SUNeVision Holdings Ltd. since January 2000. Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981, respectively. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2002.

SENIOR MANAGEMENT
Darren Ng
(TTG Managing Director, aged 53)

A veteran in the travel and tourism industry, Darren has a wealth of experience of more than 20 years in the business. Having joined TTG Asia Media Pte Ltd (formerly known as Asian Business Press and Miller Freeman Pte Ltd) since 1983, he has successfully grown TTG Asia Media regionally. Darren transited from being Executive Director at Miller Freeman Pte Ltd to Managing Director at TTG Asia Media in October 2000. Darren has helmed a multitude of incumbent committees and associations in the travel and tourism industry as council and advisory member since 1996. His most recent appointments include President of Skal International Singapore from 2001 to 2003 and current Chairman of PATA (Pacific Asia Travel Association) Singapore Chapter.

SENIOR MANAGEMENT
Xu Yuanjie
(China.com General Manager, aged 35)

Mr. Xu joined company in 2006, during his service in China.com Inc; he worked as assistant to COO, VP and General Manager in succession. He is currently the General Manager of the Company. Prior to joining the company, Mr. Xu worked for Sina.com Inc, Mop.com Inc and some other famous IT enterprises, he has extensive experiences in internet operating, WVAS, sales and marketing, distribution, corporate client service, etc.

RESULTS

	Year ended 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**116,238**	154,665	320,045	338,400	231,411
Discontinued operations	**–**	–	254,536	48,915	3,890
	116,238	154,665	574,581	387,315	235,301
(Loss) profit from ordinary activities attributable to shareholders	**(26,776)**	(599,723)	621,487	9,737	53,594

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31st December,				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	**1,213,308**	1,791,333	2,499,068	1,725,638	1,815,254
Liabilities	**(61,823)**	(50,253)	(192,687)	(177,568)	(292,509)
Minority interests	**–**	–	(12,933)	(32,249)	(30,670)
	1,151,485	1,741,080	2,293,448	1,515,821	1,492,075

KEY FINANCIAL DATA

	Year ended 31st December,				
	2008	2007	2006	2005	2004
	HK cents	HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share – basic (note 1)	**(24.72)**	(547.66)	576.80	9.20	52.00
Net assets per share – basic (note 1 and 2)	**1,079.85**	1,590.00	2,128.00	1,460.00	1,442.40

Notes:–

1. (Loss) earnings per share and net assets per share have been adjusted for the Company's share consolidation in June 2008, details of which are set out in note 24 to the consolidated financial statements.

2. Net assets represent total assets less total liabilities and minority interests.

CHAIRMAN'S STATEMENT

During 2008, our business operations were adversely affected by the global financial crisis.

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

- Revenue decreased 25% to HK$116.2 million in 2008 from HK$154.7 million in 2007.
- Revenue from Portal increased 18% to HK$28.9 million from HK$24.5 million in 2007. Revenue from TTG increased 21% to HK$77.8 million from HK$64.5 million in 2007. Revenue from MVAS decreased 86% to HK$9.5 million from HK$65.7 million in 2007.
- Gross profit decreased 28% to HK$59.9 million from HK$83.5 million in 2007.
- Due to decline in global financial market, the Group recorded impairment charges of HK$59.4 million including impairment charges of HK$53.0 million against certain available-for-sale investments and HK$6.4 million against certain accounts receivable.
- Loss attributable to equity holders was HK$26.8 million, compared to loss of HK$599.7 million in 2007.
- Not counting impairment charges, the Group posted operating profit before tax of HK$36.0 million.
- Basic loss per share (LPS) was 24.72 HK cents, compared to 547.66 HK cents in 2007.
- Balance sheet remained strong, with more than HK$1.2 billion of cash and cash equivalent, held-for-trading investments and available-for-sale investments as of 31st December, 2008.
- On 27th June, 2008, a special dividend of HK$5.34 per share totaling HK$577.1 million was declared and paid to shareholders. Subsequent to the balance sheet date, a special dividend of HK$3.66 per share totaling HK$392.3 million was declared on 9th February, 2009.
- Pursuant to the approval of shareholders in the extraordinary general meeting held on 26th June, 2008, every 40 issued and unissued ordinary shares of HK$0.10 each in the share capital were consolidated into one share of HK$4.00 each with effect from 27th June, 2008.
- Pursuant to the approval of shareholders in the extraordinary general meeting held on 16th January, 2009, the share capital of the Company will be reduced by HK$3.99 per existing ordinary share of HK$4.00 each by cancelling an equivalent amount of paid-up capital per existing ordinary share so that the par value of each new share in issue will be HK$0.01 subject to the approval of the Grand Court of Cayman Islands.
- In view of the difficult regulatory environment for the MVAS business in China, the Group announced in February 2008 that it was in the process of reducing the MVAS workforce and that it intended to de-emphasize the business.
- Given the turmoil in finance markets, the Group conducted an impairment assessment of its available-for-sale investments. Management determined the decline in the value of some investments was not temporary and, in accordance with applicable accounting standards, the Group decided to write down the affected investments to their fair market value. This resulted in an impairment charge of HK$53.0 million against investments in a principal protected structured financial investment coupled with a US treasury strip and the equity interest in the Group's ultimate holding company, CDC Corporation.

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

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

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

Our Automobile channel won the award of the "2008 Fifth China Brand Media Planning Excellence Award" (the annual top rating in Advertising industry in China) from the China Advertising Association (CAA). In 2008, we won advertising contracts with reputable multinational car manufacturers including Volkswagen, Mercedes-Benz, Toyota, Ford, Shanghai General Motors. In partnership with China Automobile Dealers Association, we held the second annual survey for China automobile user consumption for major brands and services and organized an award-presentation ceremony in Beijing in December 2008, which was covered by more than 200 media organizations.

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

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

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

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

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

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

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

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 23rd March, 2009

FINANCIAL REVIEW

Revenue and gross profit

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

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

Other income

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

Selling and distribution costs

Selling and distribution costs decreased to HK$20,918,000 in 2008, compared to HK$35,792,000 in 2007. The decrease was mainly attributable to the decrease in marketing and promotion expenses incurred for our mobile services and applications business amounting to HK$17,918,000 in 2008.

Administrative expenses

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

Impairment losses

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

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

Other expenses

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

Income tax

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

Minority interests

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

Loss for the year attributable to equity holders of the Company

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

Liquidity and financial resources

The Group generally financed its operations with its internally generated cash flows. The Group continued to be in a strong financial position with HK$1,151,485,000 shareholders' funds as at 31st December, 2008, compared to HK$1,741,080,000 as at 31st December, 2007. Total assets amounted to HK$1,213,308,000 as at 31st December, 2008, compared to HK$1,791,333,000 as at 31st December, 2007, of which HK$870,461,000 (2007: HK$724,331,000) was bank balances, HK$80,291,000 (2007: HK$4,525,000) was held-for-trading investments and HK$217,675,000 (2007: HK$516,897,000) was available-for-sale investments.

Capital structure

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

Charges on the Group's assets

There was no charge on the Group's assets as at 31st December, 2008 and 2007.

Gearing ratio

The Group has a zero gearing ratio as at 31st December, 2008 and 2007 as calculated by net debts divided by shareholders' equity.

Exposure to fluctuations in exchange rates and any related hedges

As most of the Group's monetary assets and liabilities were denominated in Renminbi, Hong Kong dollars and US dollars, the exchange rate risks of the Group were considered to be minimal. As at 31st December, 2008, no related hedges were made by the Group.

Contingent liabilities

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

BUSINESS REVIEW

Portal

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

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

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

Our Automobile channel won the award of the "2008 Fifth China Brand Media Planning Excellence Award" (the annual top rating in Advertising industry in China) from the China Advertising Association (CAA). In 2008, we won advertising contracts with reputable multinational car manufacturers including Volkswagen, Mercedes-Benz, Toyota, Ford, Shanghai General Motors. In partnership with China Automobile Dealers Association, we held the second annual survey for China automobile user consumption for major brands and services and organized an award-presentation ceremony in Beijing in December 2008, which was covered by more than 200 media organizations.

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

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

Mobile Value Added Services

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

Media and Travel

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

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

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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

EMPLOYEE INFORMATION

As at 31st December, 2008, the Group has 230 (2007: 307) full-time employees of which 6 (2007: 5) are based in Hong Kong, 178 (2007: 262) in China, 43 (2007: 40) in Singapore, 2 (2007: Nil) in Thailand and 1 (2007: Nil) in Malaysia. The Group has introduced share option schemes to recognize the contributions of the employees to the growth of the Group. The schemes have been or will be amended from time to time to take into account changes in market conditions and the GEM Listing Rules.

The directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31st December, 2008.

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 34 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, 2008, and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 33 to 94.

Details of dividends for the year are set out in note 12 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of movements in the plant and equipment of the Group during the year are set out in note 14 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 therefore, are set out in notes 24 and 28 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

Before the 40 to 1 Share Consolidation effective 27th June, 2008, the Company has repurchased a total of 58,202,000 ordinary shares of the Company on the Stock Exchange for an aggregate amount of approximately HK$16,421,000, cum transaction cost. The Directors believe that such repurchases will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase were as follows:–

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

After the Share Consolidation and upto 11th December, 2008, the Company has further repurchased a total of 1,439,950 consolidated ordinary shares of the Company on the Stock Exchange for an aggregate amount of approximately HK$7,630,000,cum transaction cost. The Directors believe that such further repurchase will lead to an enhancement of the net asset value of the Company and/or its earnings per share and will benefit the Company and the Company's shareholders. Details of the share repurchase were as follows:–

Date of repurchase	Number of shares repurchased	Price per share repurchased Highest (HK$)	Lowest (HK$)
4th July, 2008	40,950	12.92	12.90
12th August, 2008	6,000	5.40	5.37
13th August, 2008	41,000	5.35	5.30
14th August, 2008	16,000	5.35	–
15th August, 2008	5,000	5.35	–
20th August, 2008	6,000	5.75	5.60
21st August, 2008	11,000	5.78	5.74
5th September, 2008	42,000	6.38	6.30
8th September, 2008	28,000	6.40	–
9th September, 2008	2,000	6.20	–
10th September, 2008	30,000	6.25	6.08
11th September, 2008	13,000	6.30	6.10
12th September, 2008	264,000	6.30	6.05
16th September, 2008	63,000	6.08	6.00
17th September, 2008	91,000	6.10	5.85
18th September, 2008	65,000	5.90	5.40
19th September, 2008	17,000	5.50	5.40
23rd September, 2008	16,000	5.40	5.37
24th September, 2008	18,000	5.40	–
25th September, 2008	17,000	5.50	5.37
26th September, 2008	23,000	5.35	5.32
29th September, 2008	6,000	5.24	5.23
30th September, 2008	16,000	5.23	5.20
2nd October, 2008	15,000	5.21	5.19
6th October, 2008	4,000	5.20	5.17
8th October, 2008	18,000	5.17	5.05
9th October, 2008	104,000	5.05	4.93
10th October, 2008	26,000	5.00	4.73
11th November, 2008	18,000	3.20	3.05
12th November, 2008	60,000	3.20	3.10
26th November, 2008	39,000	3.55	3.35
27th November, 2008	171,000	3.53	3.46
1st December, 2008	5,000	3.50	3.47
2nd December, 2008	20,000	3.50	–
3rd December, 2008	13,000	3.55	3.50
5th December, 2008	8,000	3.50	–
8th December, 2008	49,000	3.55	3.50
9th December, 2008	23,000	3.58	3.55
10th December, 2008	29,000	3.68	–
11th December, 2008	1,000	3.70	–
	1,439,950		

The repurchased shares have been cancelled.

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

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, 2008, the Company's reserves available for distribution amounted to approximately HK$615,078,000.

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 3%. Purchases from the Group's five largest suppliers accounted for 25% of the total purchases for the year and purchases from the largest supplier included therein amounted to 7%.

None of the directors of the Company or any of their associates of 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 chief executive director)*	(re-designated from acting chief executive director to chief executive director on 1st September, 2008)
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	(resigned on 1st December, 2008)
Wang Cheung Yue, Fred	
Wong Sin Just	
Lam Lee G.	
Anson Wang	
Li On-kwok, Victor	(appointed on 28th August, 2008)

In accordance with article 99 of the Company's restated articles of association, Professor Li On-kwok, Victor 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, Dato' Dr Wong Sin Just and Mr. Wang Cheung Yue, Fred 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 10 and 11 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' SERVICES CONTRACTS

China.com Corp. Limited, a wholly owned subsidiary of the Company, and Asia Pacific On-line Limited ("APOL") has entered into an Executive Services (CEO) Agreement (the "Executive Services Agreement") effective as of 12th April, 2006 with the later agreeing to provide certain services to China.com Corp. Limited, including the services of Mr. Yip Hak Yung, Peter ("Mr. Yip") as acting chief executive officer of the Company for a period of 2 years. With effective from 1st September, 2008, Mr. Yip was redesignated from acting chief executive officer to chief executive officer. 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 (adjusted to 5,983,912 after 40 to 1 share consolidation effective 27th June, 2008) 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. On 19th August, 2008, the board of directors of the Company resolved to grant APOL an aggregate number of 1,080,320 of the Company's shares representing not exceeding 1% of the issued shares of the Company as at the date of the grant, 19th August, 2008. 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 at 31st December, 2008, the interests of each of the directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

The Company

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

Name of directors	Number of shares *Note (4)*	Number of underlying shares *Note (4)*	Nature of Interests/ Holding Capacity	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	450,000	Personal/ beneficiary	0.55%
Fang Xin	–	25,000	Personal/ beneficiary	0.02%
Lam Lee G.	–	–	–	–
Anson Wang	–	–	–	–
Li On-kwok, Victor	–	–	–	–
Cheng Loi	–	37,875	Corporate *Note (3)*	0.04%
Wang Cheung Yue, Fred	–	150,000	Personal/ beneficiary	0.14%
Wong Sin Just	–	112,500	Personal/ beneficiary	0.11%
Yip Hak Yung, Peter	85,400	–	Corporate *Note (1)*	0.08%
Yip Hak Yung, Peter	22,500	425,000	Personal/ beneficiary	0.41%
Yip Hak Yung, Peter	–	7,064,232	Interest of children or spouse *Note (2)*	6.60%

Notes:

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

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

(3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

(4) Adjustments were made to the balances of the number of shares and the number of underlying shares resulting from the consolidation ("Share Consolidation") of every 40 existing ordinary shares of HK$0.10 each in the issued and unissued share capital into one (1) consolidated share of HK$4.00 each in the issued and unissued share capital of the Company duly approved at the extraordinary general meeting held on 26th June, 2008 by the shareholders and becoming effective 27th June, 2008.

Options to subscribe for ordinary shares in the Company

Details of the options to subscribe for ordinary shares in the Company are set out in note 28 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	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	1,023,773	155,000	Personal/ beneficiary	1.00%
Fang Xin	–	70,000	Personal/ beneficiary	0.06%
Lam Lee G.	–	10,000	Personal/ beneficiary	0.01%
Cheng Loi	–	55,000	Corporate *Note (2)*	0.05%
Wang Cheung Yue, Fred	–	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,867,251	6,809,999	Interest of children or spouse *Note (1)*	20.05%
Yip Hak Yung, Peter	–	190,000	Personal/ beneficiary	0.16%

Notes:

(1) 11,987,253 of the Class A common shares and 6,809,999 options/stock appreciation rights were held by Asia Pacific On-line Limited ("APOL"), a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter ("Mr. Yip") and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children. 4,879,998 of the Class A common shares were held by the spouse of Mr. Yip.

(2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

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

Name of Directors	**Date of grant**	**Option Exercise period**	**Exercise price**	**Number of share options/Stock appreciation rights outstanding as at 31st December, 2008**
			US$	
Ch'ien Kuo Fung, Raymond	17th October, 2000	17th January, 2001 to 16th October, 2010	6.8125	100,000
	9th January, 2001	9th January, 2001 to 8th January, 2011	4.2813	30,000
	9th November, 2007	9th February, 2008 to 8th November, 2014	6.1800	25,000 *Note (1)*
Fang Xin	16th November, 2005	16th November, 2006 to 15th November, 2015	3.3000	70,000
Lam Lee G.	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	10,000 *Note (1)*
Cheng Loi	29th October, 2008	29th April, 2008 to 29th October, 2015	1.2700	40,000 *Note (1)*
	29th October, 2008	28th October, 2015	1.2700	15,000 *Note (1)*
Wang Cheung Yue, Fred	24th October, 2005	24th October, 2006 to 23rd October, 2015	3.2100	90,000
	18th December, 2006	18th December, 2007 to 17th December, 2013	8.5200	25,000 *Note (1)*
Wong Sin Just	22nd December, 2006	22nd March, 2007 to 21st December, 2013	8.5100	20,000 *Note (1)*

Name of Directors	Date of grant	Option Exercise period	Exercise price	Number of share options/Stock appreciation rights outstanding as at 31st December, 2008
			US$	
Yip Hak Yung, Peter	29th July, 2008	29th April, 2009 to 29th July, 2015	2.660	165,000* *Note (1)*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	600,000* *Note (1)*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	345,000*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700 0.8700	2,400,000* 2,399,999*
	26th November, 2008	26th February, 2009 to 25th November, 2015	0.8700	190,000
	19th December, 2008	19th March, 2009 to 18th December, 2015	1.2900	900,000*

Notes:

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

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

Long positions in common shares in CDC Software International Corporation (formerly known as CDC Software Corporation)("CDC Software") and the underlying shares of equity of derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests
Ch'ien Kuo Fung, Raymond	–	25,000	Personal/ beneficiary	0.08%
Wang Cheung Yue, Fred	–	20,000	Personal/ beneficiary	0.07%

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

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

Long positions in common shares in CDC Games International Corporation (formerly known as CDC Games Corporation) ("CDC Games") and the underlying shares of equity of derivatives

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding Capacity	Appropriate percentage of interests
Wang Cheung Yue, Fred	–	120,000	Personal/ beneficiary	0.40%
Yip Hak Yung, Peter	–	900,000	Interest of children or spouse *Note (1)*	3.00%
Ch'ien Kuo Fung, Raymond	–	100,000	Personal/ beneficiary	0.33%
Cheng Loi	–	45,000	Corporate *Note (2)*	0.15%

Notes:

(1) These options to subscribe for common shares were held under the name of Asia Pacific On-line 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.

(2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

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

Name of Directors	Date of grant	Option Exercise period	Exercise price *US$*	Number of share options outstanding as at 30th June, 2008
Wang Cheung Yue, Fred	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.57	120,000
Yip Hak Yung, Peter	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.57	900,000
Ch'ien Kuo Fung, Raymond	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.57	100,000
Cheng Loi	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.57	45,000

Save as disclosed above, as at 31st December, 2008, none of the directors and chief executives had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any director or chief executive of the Company, as at 31st December, 2008, the following companies (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name	Number of shares	Number of underlying shares	Percentage of issued share capital
CDC Corporation	84,444,700#	–	78.87%
China M Interactive (BVI) Limited	84,045,700#	–	78.50%
Asia Pacific On-line Limited	–	7,064,232#	6.60%

with adjustments of Share Consolidation effective 27th June, 2008

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

Asia Pacific On-line Limited is 50% owned by the spouse of Mr. Yip Hak Yung, Peter ("Mr. Yip") and 50% owned by a trust established for the benefit of Mr. Yip's spouse and his children.

Save as disclosed above, as at 31st December, 2008, none of the directors are aware of any other persons who has an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

COMPETING INTERESTS

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

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

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 9 and 32 to the consolidated financial statements, respectively.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31st December, 2008, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the year ended 31st December, 2008.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the year ended 31st December, 2008 with the Code.

AUDIT COMMITTEE

The Company established an audit committee on 25th February, 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. The audit committee comprises three independent non-executive directors namely, Dato' Dr Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred and Dr. Lam Lee G. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has met four times in 2008. The Company's annual results for the year ended 31st December, 2008 have been reviewed by the audit committee of the Company.

AUDITORS

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

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

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

Hong Kong, 23rd March, 2009

CORPORATE GOVERNANCE REPORT

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 summarizes 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, 2008 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 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 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 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 over 4 times during the financial year ended 31st December, 2008 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.

Executive Directors	**Attendance**
Yip Hak Yung, Peter *(re-designated from acting chief executive officer to chief executive officer on 1st September, 2008)*	100%
Cheng Loi *(appointed as company secretary on 10th December, 2007 and as executive director, compliance officer and authorized representative on 20th February, 2008 and also as chief financial officer on 14th May, 2008)*	100%
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	100%
Wang Cheung Yue, Fred	100%
Chia Kok Onn *(resigned as independent non-executive director, chairman and member of nomination committee and member of audit committee and remuneration committee on 1st December, 2008)*	100%
Lam Lee G. *(appointed as member and chairman of nomination committee and member of remuneration committee on 1st December, 2008)*	100%
Anson Wong	100%
Li On-kwok, Victor *(appointed as independent non-executive director on 28th August, 2008)*	100%

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 dealings 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, 2008.

Board Committees

To maximize the effectiveness of the Board, the Board has established the audit committee, nomination 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 currently comprises three independent non-executive directors namely Dato' Dr. Wong Sin Just (Committee Chairman), Mr. Wang Cheung Yue, Fred and Dr. Lam Lee G. The 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 *(resigned on 1st December, 2008)*	100%
Lam Lee G.	100%

Nomination Committee

The Nomination Committee was established on 28th February, 2005 with written terms of reference. The Nomination Committee has three independent non-executive directors comprising Dr. Lam Lee G. (Committee Chairman), Mr. Wang Cheung Yue, Fred, and Dato' Dr. Wong Sin Just. The terms of reference of the Nomination 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 Nomination 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, Mr. Wang Cheung Yue, Fred (Committee Chairman), Dato' Dr. Wong Sin Just and Dr. Lam Lee G. 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, 2008, 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, 2008, approximately HK$2,176,000 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.

INDEPENDENT AUDITOR'S REPORT

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 33 to 94 which comprise the consolidated balance sheet as at 31st December, 2008, 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 31st December, 2008 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
23rd March, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	5	**116,238**	154,665
Cost of sales		**(56,311)**	(71,121)
Gross profit		**59,927**	83,544
Other income		**56,989**	84,484
Selling and distribution expenses		**(20,918)**	(35,792)
Administrative expenses		**(58,632)**	(113,466)
Impairment losses	7	**(59,447)**	(617,544)
Other expenses		**(1,359)**	(14,885)
Interest expense on bank borrowings wholly repayable within five years		**–**	(1,793)
Loss before tax		**(23,440)**	(615,452)
Income tax (expense) credit	8	**(3,336)**	2,796
Loss for the year	9	**(26,776)**	(612,656)
Attributable to:			
Equity holders of the Company		**(26,776)**	(599,723)
Minority interests		**–**	(12,933)
		(26,776)	(612,656)
Loss per share	13		
Basic		**(24.72) cents**	(547.66) cents

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current Assets			
Plant and equipment	14	**4,690**	8,593
Goodwill	15	**450**	450
Available-for-sale investments	19	**179,383**	175,426
Note receivable	20	**–**	491,592
Deferred tax assets	25	**725**	–
		185,248	676,061
Current Assets			
Accounts receivable	18	**23,679**	23,850
Prepayments, deposits and other receivables		**7,936**	13,697
Available-for-sale investments	19	**38,292**	341,471
Held-for-trading investments	21	**80,291**	4,525
Amounts due from fellow subsidiaries	22	**6,704**	6,701
Amount due from ultimate holding company	22	**697**	697
Bank balances and cash	23	**870,461**	724,331
		1,028,060	1,115,272
Total Assets		**1,213,308**	1,791,333

CONSOLIDATED BALANCE SHEET

At 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	**426,534**	438,114
Reserves		**724,951**	1,302,966
Total Equity		**1,151,485**	1,741,080
Non-current Liabilities			
Deferred tax liabilities	25	**–**	128
Current Liabilities			
Accounts payable	26	**15,042**	10,660
Other payables and accrued liabilities		**19,409**	22,010
Deferred revenue		**12,321**	4,278
Tax liabilities		**6,417**	4,760
Amounts due to fellow subsidiaries	22	**8,634**	8,417
		61,823	50,125
Total Equity and Liabilities		**1,213,308**	1,791,333
Total assets less current liabilities		**1,151,485**	1,741,208

The consolidated financial statements on pages 33 to 94 were approved and authorised for issue by the board of directors on 23rd March, 2009 and are signed on its behalf by:

Cheng Loi	**Ch'ien Kuo Fung, Raymond**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	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$'000	Reserve funds HK$'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 2007	437,926	1,018,727	(31,193)	(18,649)	–	24,123	18,115	33,168	811,231	2,293,448	12,933	2,306,381
Deficit on revaluation of available-for-sale investments	–	–	–	(70,531)	–	–	–	–	–	(70,531)	–	(70,531)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	18,147	–	–	18,147	–	18,147
Net (expense) income recognised directly in equity	–	–	–	(70,531)	–	–	18,147	–	–	(52,384)	–	(52,384)
Loss for the year	–	–	–	–	–	–	–	–	(599,723)	(599,723)	(12,933)	(612,656)
Investment revaluation reserve released on disposal of available-for-sale investments	–	–	–	153	–	–	–	–	–	153	–	153
Investment revaluation reserve released on impairment of available-for-sale investments	–	–	–	78,691	–	–	–	–	–	78,691	–	78,691
Total recognised income and expense for the year	–	–	–	8,313	–	–	18,147	–	(599,723)	(573,263)	(12,933)	(586,196)
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	20,028	–	20,028	–	20,028
Shares issued upon exercises of share options	298	1,106	–	–	–	–	–	–	–	1,404	–	1,404
Transfer to share premium upon exercises of share options	–	703	–	–	–	–	–	(703)	–	–	–	–
Repurchase of shares	(110)	(427)	–	–	110	–	–	–	(110)	(537)	–	(537)
At 31 December 2007 and 1 January 2008	438,114	1,020,109	(31,193)	(10,336)	110	24,123	36,262	52,493	211,398	1,741,080	–	1,741,080
Surplus on revaluation of available-for-sale investments	–	–	–	(36,795)	–	–	–	–	–	(36,795)	–	(36,795)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	13,863	–	–	13,863	–	13,863
Net income recognised directly in equity	–	–	–	(36,795)	–	–	13,863	–	–	(22,932)	–	(22,932)
Loss for the year	–	–	–	–	–	–	–	–	(26,776)	(26,776)	–	(26,776)
Investment revaluation reserve released on maturity of available-for-sale investments	–	–	–	1,729	–	–	–	–	–	1,729	–	1,729
Investment revaluation reserve released on impairment of available-for-sale investments	–	–	–	53,037	–	–	–	–	–	53,037	–	53,037
Total recognised income and expense for the year	–	–	–	17,971	–	–	13,863	–	(26,776)	5,058	–	5,058
Recognition of equity-settled share based payments	–	–	–	–	–	–	–	6,535	–	6,535	–	6,535
Special dividend	–	(577,137)	–	–	–	–	–	–	–	(577,137)	–	(577,137)
Repurchase of shares	(11,580)	(12,471)	–	–	11,580	–	–	–	(11,580)	(24,051)	–	(24,051)
At 31 December 2008	426,534	430,501	(31,193)	7,635	11,690	24,123	50,125	59,028	173,042	1,151,485	–	1,151,485

Note: Pursuant to the relevant laws and regulations for foreign investment enterprises ("FIEs") established in the People's Republic of China excluding Hong Kong (the "PRC"), a certain portion of the FIE's profits is required to be transferred to reserve funds which are not distributable. Transfers to this reserve are made out of the FIE's profits after taxation calculated in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") and shall not be less than 10% of profit after taxation calculated in accordance with PRC GAAP.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Loss before tax	**(23,440)**	(615,452)
Adjustments for:		
Amortisation of other intangible assets	**–**	14,885
Depreciation of plant and equipment	**5,871**	7,153
Gain on disposal of available-for-sale investments	**–**	(358)
Gain on held-for-trading investment	**(193)**	(1,992)
Impairment losses	**59,447**	617,544
Interest expense	**–**	1,793
Interest income on available-for-sale investments	**(23,642)**	(26,337)
Loss (gain) on disposal of plant and equipment	**61**	(7)
Loss on deregistration of a subsidiary	**1,298**	–
Other interest income	**(33,154)**	(55,790)
Share-based payments expense	**6,535**	20,028
Operating cash flows before movements in working capital changes	**(7,217)**	(38,533)
(Increase) decrease in accounts receivable	**(5,264)**	12,433
Decrease in prepayments, deposits and other receivables	**3,969**	11,255
Increase in held-for-trading investments	**(75,573)**	(2,533)
Increase in amounts due from fellow subsidiaries	**(3)**	(491)
Increase (decrease) in accounts payable	**5,101**	(4,777)
Decrease in other payables and accrued liabilities	**(2,173)**	(3,887)
Increase in deferred revenue	**9,363**	707
Increase in amounts due to fellow subsidiaries	**321**	1,866
Cash used in operations	**(71,476)**	(23,960)
PRC and Singapore taxes paid	**(4,015)**	(2,894)
PRC taxes refund	**1,212**	–
NET CASH USED IN OPERATING ACTIVITIES	**(74,279)**	(26,854)
INVESTING ACTIVITIES		
Proceeds from repayment of note receivable	**468,000**	–
Proceeds from maturity of available-for-sale investments	**343,200**	195,000
Interest income from note receivable	**35,100**	–
Other interest income	**21,646**	32,388
Interest income on available-for-sale investments	**21,271**	28,005
Proceeds from repayment of available-for-sale investments	**12,548**	14,379
Proceeds from disposal of plant and equipment	**42**	99
Purchases of available-for-sale investments	**(88,414)**	(76,712)
Purchases of plant and equipment	**(1,681)**	(4,880)
NET CASH GENERATED BY INVESTING ACTIVITIES	**811,712**	188,279

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Dividend paid	**(577,137)**	–
Repurchase of shares	**(24,051)**	(537)
Repayment of bank borrowings	**–**	(127,530)
Interest paid	**–**	(1,793)
Proceeds from issue of share capital	**–**	1,404
NET CASH USED IN FINANCING ACTIVITIES	**(601,188)**	(128,456)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**136,245**	32,969
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**724,331**	681,059
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	**9,885**	10,303
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	**870,461**	724,331

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 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.

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 NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") – CONTINUED

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

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

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

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

3. 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, 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Group (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

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets if any, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use of sale.

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

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Retirement benefit costs

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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.

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Financial assets at FVTPL

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.

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, 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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

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 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

Financial assets – continued

Impairment of financial assets – continued

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 and amounts due to fellow subsidiaries) 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 share capital for par value and share premium for total amount paid in excess of par value. The same amount recognised in share capital will be transferred from retained profits to capital redemption reserves. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial instruments – continued

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.

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 an accelerated 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 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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Fair value of available-for-sale financial assets

The information for valuation of investment in principal protected structured finance investments coupled with a 15-year U.S. treasury strip include the investments' financial performance and actionable bids from banks. The Company reviews these varieties of information to determine the fair market value. Management judgment is required in determining fair value of investments, and in determining the impairment loss, if any. For the investment disclosed in note 19(d), the 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 2008, the carrying amount of these available-for-sale unlisted investments was HK$172,935,000 (2007: HK$146,878,000). Details of fair value determination of available-for-sale financial assets are disclosed in note 19.

Contingent tax liabilities

As at 31 December 2008, the Group had contingent tax liabilities amounting to HK$110,000,000 as disclosed in note 29. 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 is as follows:

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

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.

Segment information about these businesses is presented below.

Year ended 31 December 2008

	Mobile services and applications HK$'000	Internet and media HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	9,515	106,723	–	116,238
Inter-segment sales	3,178	2,231	(5,409)	–
Total	12,693	108,954	(5,409)	116,238
RESULT				
Segment results	(12,217)	3,457	–	(8,760)
Interest income and unallocated other corporate income				56,989
Impairment loss on available-for-sale investments (note 7)				(53,037)
Unallocated corporate expenses				(18,632)
Loss before tax				(23,440)
Income tax expense				(3,336)
Loss for the year				(26,776)

Inter-segment sales are charged at prevailing market rates.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

As at 31 December 2008

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

For the year ended 31 December 2008

	Mobile services and applications HK$'000	Internet and media HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION				
Depreciation and amortisation	2,173	3,698	–	5,871
Share based payments expense	720	938	4,877	6,535
Loss (gain) on disposal of plant and equipment	68	(21)	14	61
Impairment losses (note 7)	4,842	1,568	53,037	59,447
Capital expenditure:				
Plant and equipment	–	1,681	–	1,681

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

Year ended 31 December 2007

	Mobile services and applications HK$'000	Internet and media HK$'000	Elimination HK$'000	Consolidated HK$'000
REVENUE				
External sales	65,672	88,993	–	154,665
Inter-segment sales	–	8,539	(8,539)	–
Total	65,672	97,532	(8,539)	154,665
RESULT				
Segment results	(580,470)	(6,449)	–	(586,919)
Interest income and unallocated other corporate income				84,484
Interest expense on bank borrowings wholly repayable within five years				(1,793)
Impairment loss on available-for-sale investments (note 7)				(77,489)
Unallocated corporate expenses				(33,735)
Loss before tax				(615,452)
Income tax credit				2,796
Loss for the year				(612,656)

Inter-segment sales are charged at prevailing market rates.

As at 31 December 2007

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS – CONTINUED

For the year ended 31 December 2007

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

Geographical segments

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

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

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

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

	Carrying amount of segment assets As at 31 December,		**Additions to plant and equipment Year ended 31 December,**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**13,184**	24,715	**1,485**	4,583
Singapore	**24,131**	15,313	**196**	279
Hong Kong	**120**	90	**–**	18
	37,435	40,118	**1,681**	4,880

7. IMPAIRMENT LOSSES

	2008 HK$'000	2007 HK$'000
Impairment loss on available-for-sale investments (note 19)	**53,037**	78,691
Impairment loss recognised on accounts receivable (note 18)	**6,410**	5,434
Impairment of goodwill (note 16)	**–**	519,831
Impairment of intangible assets (note 17)	**–**	13,588
	59,447	617,544

Note: This included an impairment loss of HK$53,037,000 (2007: HK$77,489,000) on available-for-sale investments as detailed in note 19(a) and19(c) and an impairment loss of HK$Nil (2007: HK$1,202,000) 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 were of the opinion that this investment was unlikely to be recoverable and therefore, a full impairment loss was recognised for 2007.

8. INCOME TAX EXPENSE (CREDIT)

	2008 HK$'000	2007 HK$'000
Current tax charge for the year – PRC and Singapore	**3,569**	1,819
Under/Over provision of current tax in prior years	**629**	–
	4,198	1,819
Deferred tax (credit) charge (note 25)		
Current year	**(862)**	(10,627)
Attributable to a change in tax rate	**–**	6,012
	(862)	(4,615)
	3,336	(2,796)

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.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009, Hong Kong Profit Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

The previous preferential tax holidays and concession granted to certain PRC Subsidiaries of the Group were discontinued as a result of the implementation of the New Law.

8. INCOME TAX EXPENSE (CREDIT) – CONTINUED

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

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

Year ended 31 December 2008

	PRC HK$'000	Hong Kong HK$'000	Singapore HK$'000	Total HK$'000
(Loss) profit before tax	**(24,160)**	**(14,037)**	**14,757**	**(23,440)**
Statutory tax rate	**25%**	**16.5%**	**18%**	
Tax at the statutory tax rate	**(6,040)**	**(2,316)**	**2,656**	**(5,700)**
Tax effect of income not taxable for tax purposes	**(251)**	**(9,504)**	**(230)**	**(9,985)**
Tax effect of expenses not deductible for tax purposes	**1,255**	**9,550**	**228**	**11,033**
Tax effect of tax losses not recognised	**6,010**	**2,395**	**–**	**8,405**
Utilisation of tax loss previously not recognised	**(921)**	**(125)**	**–**	**(1,046)**
Under provision in respect of prior years	**629**	**–**	**–**	**629**
Tax expense	**682**	**–**	**2,654**	**3,336**

Year ended 31 December 2007

	PRC HK$'000	Hong Kong HK$'000	Singapore HK$'000	Total HK$'000
(Loss) profit before tax	(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)

9. LOSS FOR THE YEAR

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

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2007: 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 2008					
Executive directors:					
Mr. Yip Hak Yung, Peter	–	4,566	20	–	4,586
Dr. Chen Xiao Wei (note a)	269	–	–	–	269
Mr. Cheng Loi (note b)	–	113	–	–	113
	269	4,679	20	–	4,968
Independent non-executive directors:					
Dato' Dr Wong Sin Just	–	40	195	–	235
Mr. Wang Cheung Yue, Fred	–	161	156	–	317
Mr. Chia Kok Onn (note a)	–	87	161	–	248
Dr. Lam Lee G.	–	–	122	–	122
Mr. Anson Wang	–	–	78	–	78
Mr. Li On-Kwok, Victor (note c)	–	–	27	–	27
	–	288	739	–	1,027
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	204	98	–	302
Mr. Fang Xin	–	51	–	–	51
	–	255	98	–	353
	269	5,222	857	–	6,348

Note:

a. Resigned as directors during the year ended 31 December 2008.

b. Appointed as executive director during the year ended 31 December 2008.

c. Appointed as independent non-executive director during the year ended 31 December 2008.

10. 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 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:					
Dato' Dr 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 d)	–	–	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:

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2008, 1,118,195 (2007: nil) 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 28.

During the year ended 31 December 2008, 6,234,999 (2007: nil) 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, 6,044,999 (2007: 5,745,000) CDC Share Options were held by Asia Pacific On-line 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.

10. DIRECTORS' EMOLUMENTS – CONTINUED

During the year ended 31 December 2008, 220,000 (2007: nil) 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, 765,000 (2007: 600,000) SARs were held by Asia Pacific.

During the year ended 31 December 2008, nil (2007: 375,000) 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, nil (2007: 330,000) CDC Software Share Options were held by Asia Pacific. CDC Software Corporation is now renamed as CDC Software International Corporation.

During the year ended 31 December 2008, 1,165,000 (2007: 1,148,000) 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 (2007: 900,000) CDC Games Share Options were held by Asia Pacific. CDC Games Corporation is now renamed as CDC Games International Corporation.

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 (2007: Nil) because these share options or SARs were issued for services provided to CDC Corporation, CDC Software International Corporation or CDC Games International Corporation.

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, nil (2007: two) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emoluments of the five (2007: three) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other benefits	**4,245**	3,015
Retirement benefits scheme contributions	**179**	57
Share-based payments	**1,240**	640
	5,664	3,712

	2008 Number of employees	2007 Number of employees
HK$Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
	5	3

12. DIVIDENDS

On 27 June 2008, the Company declared a special dividend of HK$5.34 per share (after the Share Consolidation as defined in note 24) to shareholders out of the Company's share premium. The dividend was paid in July 2008 amounting to HK$577,137,000.

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

The directors do not recommend the payment of a final dividend for the year ended 31 December 2008 and 2007.

13. LOSS PER SHARE

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

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

Number of shares

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

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

The weighted average number of ordinary shares for the purpose of basic loss per shares has been adjusted for the Company's Share Consolidation in June 2008, details of which are set out in note 24.

14. PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2007	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
Exchange realignments	183	44	285	847	1	1,360
Additions	54	2	66	1,559	–	1,681
Disposals	–	(14)	(320)	(1,218)	–	(1,552)
At 31 December 2008	6,684	1,123	12,135	52,410	500	72,852
ACCUMULATED DEPRECIATION						
At 1 January 2007	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
Eliminated on disposals	(155)	–	(49)	(1,651)	–	(1,855)
At 31 December 2007	4,491	852	10,502	46,690	235	62,770
Exchange realignments	114	29	197	630	–	970
Provided during the year	1,994	109	596	3,006	166	5,871
Eliminated on disposals	–	–	(305)	(1,144)	–	(1,449)
At 31 December 2008	6,599	990	10,990	49,182	401	68,162
CARRYING VALUES						
At 31 December 2008	85	133	1,145	3,228	99	4,690
At 31 December 2007	1,956	239	1,602	4,532	264	8,593

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% – $33^1/_3$%

15. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2007, 31 December 2007 and 31 December 2008	520,281
IMPAIRMENT	
At 1 January 2007, 31 December 2007 and 31 December 2008 (note 7)	(519,831)
CARRYING VALUE	
At 31 December 2008	450
At 31 December 2007	450

16. 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:

	2008	2007
	HK$'000	HK$'000
Mobile services and applications	**–**	–
Internet and media	**31,643**	31,643
	31,643	31,643
Included in:		
Assets	**450**	450
Reserves	**31,193**	31,193
	31,643	31,643

Mobile services and applications

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 used cash flow projections based on financial budgets approved by management covering a one-year period. A discount factor of 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 net cash inflow relating to this segment is expected after one year.

The main factor contributing to the impairment of this 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.

16. IMPAIRMENT TESTING ON GOODWILL – CONTINUED

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 21% (2007: 17%). Cash flows beyond the one-year period are extrapolated using growth rates of 10% to 15% (2007: 5% to 28%) 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.

17. 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 2007, 31 December 2007 and 31 December 2008	4,186	15,021	18,830	34,974	1,554	74,565
AMORTISATION AND IMPAIRMENT						
At 1 January 2007	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 and 31 December 2008	4,186	15,021	18,830	34,974	1,554	74,565
CARRYING VALUES						
At 31 December 2007 and 31 December 2008	–	–	–	–	–	–

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

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

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

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

17. OTHER INTANGIBLE ASSETS – CONTINUED

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

Completed technologies	$4^1/_2$ – 6 years
Customer base	1 – $1^1/_2$ 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, given the Group decided to scale down the mobile value added services segment, all the intangible assets related to that segment were fully impaired during the year ended 31 December 2007 since the recoverable amount of these intangible assets was nil.

18. ACCOUNTS RECEIVABLE

	2008	2007
	HK$'000	HK$'000
Accounts receivable	**37,567**	35,574
Less: Allowance for bad and doubtful debts	**(13,888)**	(11,724)
	23,679	23,850

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group has provided an impairment loss on accounts receivable based on experience of collecting payments.

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

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

Before accepting any new customer, the Group uses an evaluation scoring system to assess the potential customer's credit quality and defines credit limits by each customer. Limits and evaluation attributed to customers are reviewed regularly by senior management based on experience of collecting payments. Over 80% of the trade receivables that are neither past due nor impaired have the best credit quality under the credit system of the Group.

Included in the Group's accounts receivable balance are debtors with a carrying amount of HK$6,032,000 (2007: HK$3,622,000) which are past due at the reporting date for which the Group has not provided for an impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables by invoice date is 111 days (2007: 105 days).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

18. ACCOUNTS RECEIVABLE – CONTINUED

Ageing of trade receivables which are past due but not impaired

	2008	2007
	HK$'000	HK$'000
Within 90 days	**2,914**	1,941
91-120 days	**605**	481
121-180 days	**2,091**	1,106
Over 180 days	**422**	94
	6,032	3,622

Movement in the allowance for bad and doubtful debts

	2008	2007
	HK$'000	HK$'000
Balance at beginning of the year	**(11,724)**	(7,227)
Impairment loss recognised on receivables (note 7)	**(6,410)**	(5,434)
Amounts written off as uncollectible	**4,941**	1,171
Exchange realignment	**(695)**	(234)
Balance at end of the year	**(13,888)**	(11,724)

An impairment loss of HK$6,410,000 has been provided for the year ended 31 December 2008 since the Group considered the amount will not be collectible. The amount included HK$4,842,000 (2007: HK$3,022,000) which is related to mobile services and applications segment.

19. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

		2008	2007
	Notes	**HK$'000**	HK$'000
Listed investments:			
– Equity securities listed outside Hong Kong	a	**6,448**	28,548
– Debt securities listed outside Hong Kong	b	**–**	341,471
		6,448	370,019
Unlisted securities:			
– Investment in principal protected structured finance investments	c	**125,171**	109,724
– Equity interest in private equity funds	d	**86,056**	37,154
		211,227	146,878
Total		**217,675**	516,897
Analysed for reporting purposes as:			
– Current assets		**38,292**	341,471
– Non-current assets		**179,383**	175,426
		217,675	516,897

19. AVAILABLE-FOR-SALE INVESTMENTS – CONTINUED

Notes:

(a) The Group holds approximately a 0.7% (2007: 0.7%) 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. Based on the decline in the market price of CDC Corporation's shares, the Group recorded an impairment loss of HK$31,837,000 (2007: Nil) for the year ended 31 December 2008.

(b) The Group held US government securities, which are stated at fair value at 31 December 2007. 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.

(c) In 2006, the Group made two principal protected structured finance investments coupled with a 15-year U.S. treasury strip. As a result of the decline in the conditions of the global financial markets, the Group recorded an impairment loss of HK$21,200,000 (2007: HK$77,489,000).

Impairment loss was calculated based on the difference between the carrying amount and the fair value of HK$86,879,000 (2007: HK$109,724,000) of the principal protected structured finance investments. The fair value of these investments was estimated based on actionable bids from banks with high credit ratings assigned by international credit-rating agencies.

In April 2008, the Group purchased an additional principal protected structured investment coupled with a 10-year U.S. treasury strip totaling HK$39,000,000. The investment is highly liquid and is traded on a secondary market of the banks. The investment can be redeemed at any point at its market value with a 3-day settlement period. The investment is stated at fair value of HK$38,292,000 at 31 December 2008, which is determined by reference to bid prices from bank with high credit ratings assigned by international credit-rating agencies. In February 2009, the investment was redeemed by the issuer at full par value plus accrued interest, amounting to HK$39,682,500.

19. AVAILABLE-FOR-SALE INVESTMENTS – CONTINUED

Notes: – continued

(d) The Group has invested in two private equity funds as a limited partner:

	2008	2007
	HK$'000	HK$'000
New Horizon Capital, L.P. ("New Horizon")	**78,838**	32,024
Greycroft Partners, L.P. ("Greycroft")	**7,218**	5,130
	86,056	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$78,838,000 (US$10,107,000) as at 31 December 2008 (2007: HK$32,040,000 (US$4,106,000)). The remaining commitment is HK$30,362,000 (US$3,893,000) (2007: 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.

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$7,800,000 (US$1,000,000) as at 31 December 2008 (2007: HK$5,130,000 (US$658,000)). The Group had no further capital commitment to this fund at 31 December 2008 (2007: HK$2,670,000). Total capital distribution from the fund was HK$582,000 as at 31 December 2008 (2007: HK$70,000).

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.

20. NOTE RECEIVABLE

Note receivable represented the principal of a US$60,000,000, equivalent to HK$468,000,000 and accrued interest income of US$3,025,000, equivalent to HK$23,592,000 as at 31 December 2007, promissory note issued by CDC Games Corporation, a fellow subsidiary, on 29 December 2006 in relation to the disposal of certain subsidiaries in December 2006. The interest rate of the promissory note was 5% per annum, which was equal to its effective interest rate. Pursuant to the terms of the promissory note, the entire amount of the principal and interest was settled in June 2008.

21. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	2008	2007
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed in US	**800**	4,525
Unlisted securities:		
– Investment in money-market fund	**79,491**	–
	80,291	4,525

During the year ended 31 December 2008, the Group recognised a gain on disposal of HK$335,000 for the listed securities. Based on market price decline, the Group recognised an unrealised loss of HK$1,633,000 in the consolidated income statement for these listed securities.

In March and April 2008, the Group made an investment of HK$78,000,000 (US$10,000,000) in a money-market fund. The fund invests in a diversified portfolio of short-term fixed income securities, debt securities and money market instruments that have a residual maturity of less than 12 months. The fund is redeemable on a daily basis. The investment is stated at fair value, which is determined by reference to quoted market bid price. During the year ended 31 December 2008, the Group recognised an unrealised gain of HK$1,491,000 in the income statement.

22. 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.

23. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with original maturity of less than 3 months. They carry interest ranging from 1% to 4% (2007: 1% to 5%) per annum. As at 31 December 2008, bank balances and cash amounting to HK$155,912,000 and HK$25,823,000 were denominated in Renminbi and Singapore dollars, functional currency of the relevant group entities, respectively (2007: HK$132,893,000 and HK$9,559,000 respectively).

24. SHARE CAPITAL

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

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

During 2007, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares at HK$0.10 each**	**Average price per share** HK$	**Total paid** HK$'000
February 2007	1,100,000	0.4882	537

During 2008, the Company repurchased its own shares through the Stock Exchange as follows:

		No. of ordinary shares		**Average price per share**		
Month of repurchase		**Repurchase before Share Consolidation at HK$0.10 each**	**Repurchase after Share Consolidation at HK$4.00 each**	**Repurchase before Share Consolidation** HK$	**Repurchase after Share Consolidation** HK$	**Total paid** HK$'000
February	2008	1,066,000	N/A	0.3155	N/A	336
March	2008	2,512,000	N/A	0.2721	N/A	684
April	2008	16,068,000	N/A	0.2990	N/A	4,804
May	2008	1,326,000	N/A	0.2863	N/A	380
June	2008	37,230,000	N/A	0.2743	N/A	10,213
July	2008	N/A	40,950	N/A	12.9684	531
August	2008	N/A	85,000	N/A	5.4310	462
September	2008	N/A	711,000	N/A	6.0262	4,284
October	2008	N/A	167,000	N/A	5.0083	836
November	2008	N/A	288,000	N/A	3.4458	992
December	2008	N/A	148,000	N/A	3.5699	529
						24,051

The above shares were cancelled upon repurchase.

25. 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	Doubtful debts	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007	(18)	(7,137)	–	2,412	(4,743)
(Charge) credit to loss 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)
Credit (charge) to loss for the year	67	–	832	(37)	862
Exchange realignment	(4)	–	–	(5)	(9)
At 31 December 2008	–	–	832	(107)	725

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2008	2007
	HK$'000	HK$'000
Deferred tax assets	**725**	–
Deferred tax liabilities	**–**	(128)
	725	(128)

Aggregated undistributable earnings of the Company's subsidiaries located in the PRC that are available for distribution to the Company amounted to approximately HK$905,000 from 1 January 2008 to 31 December 2008 and considered to be indefinitely reinvested, and accordingly, no provision has been made for the Chinese dividend withholding tax that would be payable upon the distribution of those amounts to the Company.

At the balance sheet date, the Group had unused tax losses arising in the PRC of HK$76,910,000 (2007: HK$56,553,000) and in Hong Kong of HK$191,190,000 (2007: HK$177,430,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. During the year, the utilisation of tax losses arising in PRC and Hong Kong are HK$3,687,000 and HK$756,000 respectively. 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. A deferred tax asset has been recognised in respect of temporary difference attributable to doubtful debts provisions of the PRC subsidiaries amounting to HK$3,328,000 as at 31 December 2008.

At the balance sheet date, there is no unrecognised deferred tax liability 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.

26. ACCOUNTS PAYABLE

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

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

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

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Held-for-trading investments	**80,291**	4,525
Loans and receivables (including cash and cash equivalents)	**901,541**	1,253,749
Available-for-sale investments	**217,675**	516,897
Financial liabilities		
Liabilities measured at amortised cost	**29,851**	22,899

The Group's major financial instruments include available-for-sale investments, note receivable, held-for-trading investments, accounts receivable, other receivables, amounts due from fellow subsidiaries and ultimate holding company, bank balances and cash, accounts payable, other payables, and amounts due to fellow subsidiaries. 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.

27. 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 54% (2007: 33%) 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 2008 was HK$92,505,000 and HK$15,601,000 (2007: HK$116,168,000 and HK$15,361,000) respectively. This will be the Group's concentration of foreign currency risk.

The sensitivity analysis below has been determined based on the exposure to a 5% (2007: 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 post-tax loss ended 31 December 2008 would be reduced by HK$3,372,000 (2007: post-tax loss reduced by HK$4,720,000). For a 5% weakening of the Hong Kong dollars against Renminbi, there would be an equal and opposite impact on the profit or loss.

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

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(b) Financial risk management objectives and policies – continued

(i) Market risk – continued

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 4% per annum (2007: 1% to 5%) and note receivable which carried interest at 5% per annum (2007: 5%). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group's cashflow interest rate risk relates to floating-rate available-for-sale investment as detailed in note 19, which is insignificant because of the short maturity date.

Other price risk

The Group is exposed to other 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 19 and 21.

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

- post-tax loss for the year ended 31 December 2008 would decrease/increase by HK$4,015,000 (2007: HK$226,000). This is mainly due to the changes in fair value of held-for-trading investments;

- post-tax loss for the year ended 31 December 2008 would increase by HK$322,000 (2007: HK$18,501,000) as a result of the decrease in fair value of listed investments; whereas investment revaluation reserve would increase by the same amounts as the fair value of listed investments increases; and

- post-tax loss for the year ended 31December 2008 would increase by HK$4,344,000 (2007: HK$5,486,000) and investment revaluation reserve would decrease by HK$1,915,000 (2007: HK$Nil) as a result of decrease in fair value of principal protected structured finance investments; whereas investment revaluation reserve would increase by HK$6,259,000 (2007: HK$5,486,000) as the fair value of principal protected structured finance investments increases.

27. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(b) Financial risk management objectives and policies – continued

(ii) Credit risk

As at 31 December 2008, 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 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 credit risk on the amounts due from fellow subsidiaries is limited because the total balance was settled in March 2009.

The credit risk on liquid funds including available-for-sale investments and bank balances is limited because the counterparties are banks and financial institutions with high credit ratings assigned by international credit-rating agencies.

The Group is exposed to some concentration of credit risk. The five largest debtors accounted for approximately 23% (2007: 34%) 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.

Other than concentration of credit risk described above, the Company does not have any other significant concentration of credit risk.

(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.

27. 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.

	Within 90 days HK$'000	91– 120 days HK$'000	121– 180 days HK$'000	Over 180 days HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2008						
Accounts payable	**15,042**	–	–	–	**15,042**	**15,042**
Other payables	**6,175**	–	–	–	**6,175**	**6,175**
Amounts due to fellow subsidiaries	**8,634**	–	–	–	**8,634**	**8,634**
	29,851	–	–	–	**29,851**	**29,851**
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

(c) Fair value of financial instruments

The fair value of financial assets such as available-for -sale investment as described in note 19(a), 19(b) and 19(c) and held-for-trading investments with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and actionable bids from banks. 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 investments stated at cost as detailed in note 19(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. As the Company is in a cash-rich position, the directors do not intend to rely on external financing. The Group had no bank borrowings as at 31 December 2008 and 2007. The Group's overall strategy remains unchanged from the prior years.

Accordingly, the capital structure of the Group consists only of equity attributable to equity holders of the Group, 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 capital.

28. 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 2008, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO Scheme and the 2002 Scheme was 299,500, 26,202 and 4,545,393, respectively, which represented approximately 4.57% 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.

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

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 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).

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 2008, the remaining life of the Schemes is one year and two months (2007: two years and two months) and the remaining life of the 2002 Scheme is three years and four months (2007: four years and four months).

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(i) Pre-IPO Scheme

Year ended 31 December 2008

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) Before Share Consolidation HK$	After Share Consolidation HK$	At 1 January 2008 Before Share Consolidation	After Share Consolidation	Number of share options Forfeited during the year	Cancelled during the year	At 31 December 2008
Directors								
Ch'ien Kuo Fung, Raymond	9 March 2000	1.880	75.200	10,000,000	250,000	–	–	250,000
Wong Sin Just	9 March 2000	1.880	75.200	1,000,000	25,000	–	–	25,000
Other Eligible Persons								
In aggregate	9 March 2000	1.880	75.200	980,000	24,500	–	–	24,500
				11,980,000	299,500	–	–	299,500
Number of share options exercisable at the end of the year								299,500

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	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

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(ii) Post-IPO Scheme

Year ended 31 December 2008

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b): Before Share Consolidation HK$	Exercise price of share options (note b): After Share Consolidation HK$	At 1 January 2008: Before Share Consolidation	At 1 January 2008: After Share Consolidation	Exercised during the year	Number of share options: Forfeited during the year	Number of share options: At 31 December 2008 (note d)	Prices of Company's share: At exercise date of options HK$
Employees									
In aggregate	24 November 2000 – 10 April 2001	0.286-0.518	11.440-20.720	1,216,932	30,422	–	(5,772)	24,650	
Other Eligible Persons									
In aggregate	28 February 2002	0.347	13.880	62,080	1,552	–	–	1,552	
				1,279,012	31,974	–	(5,772)	26,202	
Number of share options exercisable at the end of the year								26,202	

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	Number of share options: 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
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	

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) *2002 Scheme*

Year ended 31 December 2008

		Exercise price of share options (note b)		At 1 January		Number of share options				Price of Company's share (note c)	
Name or category of participant	Date of grant of share options (note a)	Before Share Consolidation HK$	After Share Consolidation HK$	Before Share Consolidation	After Share Consolidation	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2008	At grant date of options HK$	At exercise date of options HK$
Directors											
Ch'ien Kuo Fung, Raymond	5 June 2003	0.626	25.040	4,000,000	100,000	–	–	–	100,000		
	10 October 2005	0.630	25.200	4,000,000	100,000	–	–	–	100,000		
Wong Sin Just	5 June 2003	0.626	25.040	2,500,000	62,500	–	–	–	62,500		
	15 September 2005	0.560	22.400	1,000,000	25,000	–	–	–	25,000		
Yip Hak Yung, Peter	5 June 2003	0.626	25.040	4,000,000	100,000	–	–	–	100,000		
	10 October 2005	0.630	25.200	4,000,000	100,000	–	–	–	100,000		
	3 January 2006	0.526	21.040	9,000,000	225,000	–	–	–	225,000		
	14 August 2006	0.445	17.800	239,356,507	5,983,912 (note d)	–	–	–	5,983,912		
	19 August 2008	N/A	5.436	–	–	1,080,320	–	–	1,080,320 (note e)	5.410	
Wang Cheung Yue, Fred	5 June 2003	0.626	25.040	2,000,000	50,000	–	–	–	50,000		
	15 September 2005	0.560	22.400	4,000,000	100,000	–	–	–	100,000		
Chia Kok Onn (note f)	15 September 2005	0.560	22.400	2,500,000	62,500	–	–	(62,500)	–		
Fang Xin	10 October 2005	0.630	25.200	1,000,000	25,000	–	–	–	25,000		
Chen Xiao Wei (note f)	15 September 2005	0.560	22.400	4,000,000	100,000	–	–	(100,000)	–		
	3 January 2006	0.526	21.040	11,200,000	280,000	–	–	(280,000)	–		
	1 July 2006	0.460	18.400	7,500,000	187,500	–	–	(187,500)	–		
Cheng Loi (note g)	26 March 2008	0.275	11.000	–	–	37,500	–	–	37,500 (note h)	0.275	
	26 March 2008	0.275	11.000	–	–	375	–	–	375	0.275	

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – continued

Year ended 31 December 2008 – continued

		Exercise price of share options (note b)		At 1 January		Number of share options				Price of Company's share (note c)	
Name or category of participant	Date of grant of share options (note a)	Before Share Consolidation HK$	After Share Consolidation HK$	Before Share Consolidation	After Share Consolidation	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2008	At grant date of options HK$	At exercise date of options HK$
Employees											
In aggregate	24 February 2003	0.171	6.840	32,290	807	–	–	–	807		
	29 May 2003	0.716	28.640	64,580	1,614	–	–	–	1,614		
	22 December 2003	0.634	25.360	103,320	2,583	–	–	(1,292)	1,291		
	7 September 2004	0.510	20.400	169,285	4,232	–	–	(1,938)	2,294		
	26 November 2004	0.528	21.120	245,420	6,135	–	–	(1,937)	4,198		
	15 September 2005	0.560	22.400	8,025,000	200,625	–	–	(135,625)	65,000		
	3 January 2006	0.526	21.040	1,250,000	31,250	–	–	(25,000)	6,250		
	2 October 2007	0.429	17.160	3,450,000	86,250	–	–	(75,000)	11,250		
	13 November 2007	0.444	17.160	500,000	12,500	–	–	–	12,500		
	26 March 2008	0.275	11.000	–	–	8,750	–	(2,500)	6,250	0.275	
Other Eligible Persons											
In aggregate	29 May 2003	0.716	28.640	90,420	2,260	–	–	(2,260)	–		
	5 June 2003	0.626	25.040	1,400,000	35,000	–	–	(18,750)	16,250		
	15 September 2005	0.560	22.400	4,325,000	108,125	–	–	(59,375)	48,750		
	3 January 2006	0.526	21.040	16,187,500	404,687	–	–	(4,687)	400,000		
	25 August 2006	0.450	18.000	5,000,000	125,000 (note i)	–	–	–	125,000		
				340,899,322	8,522,480	1,126,945	–	(958,364)	8,691,061		
Number of share options exercisable at the end of the year									4,545,393		

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – continued

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 c): At grant date of options HK$	At exercise date of options HK$
Directors									
Ch'ien Kuo Fung, Raymond	5 June 2003	0.626	4,000,000	–	–	–	4,000,000		
	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 d)		
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		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – continued

Year ended 31 December 2007 – continued

				Number of share options				Price of Company's share (note c)	
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	Granted during the year	Exercised during the year	Forfeited during the year	At 31 December 2007	At grant date of options HK$	At exercise date of options HK$
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 i)		
			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		

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – 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) 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.

(d) This option grant was approved by the shareholders of the Company at the extraordinary general meeting held on 18 September 2006. 108,798,412 (2,719,960 after Share Consolidation) 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

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – continued

Notes: – continued

Of the 130,558,095 options (3,263,953 options after Share Consolidation) 50% shall vest upon the occurrence of one of the below events (the date of occurrence shall be the vesting date for such options) pursuant 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.

(e) The vesting Schedule of 1,080,320 options is as follows:

– 25% options shall vest on 1 October 2008.
– 25% options shall vest on 1 January 2009.
– 25% options shall vest on 1 April 2009.
– 25% options shall vest on 1 July 2009.

(f) Resigned as directors during the year ended 31 December 2008.

(g) Appointed as executive director during the year ended 31 December 2008.

(h) The vesting schedule of 37,500 options is as follows:

– 12,500 options shall vest on 26 March 2009.
– 12,500 options shall vest on 26 March 2010.
– 12,500 options shall vest on 26 March 2011.

(i) The 5,000,000 options (125,000 options after Share Consolidation) shall vest in each installment by 416,667 options (10,417 options after Share Consolidation), every three months, over a period of three years.

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Details of specific categorised options are as follows:

Pre-IPO Scheme

Date of grant	Exercise period	Exercise price Before Share Consolidation HK$	Exercise price After Share Consolidation HK$
9 March 2000	9 March 2001 to 8 March 2010	1.880	75.200

Post-IPO Scheme

Date of grant	Exercise period	Exercise price Before Share Consolidation HK$	Exercise price After Share Consolidation HK$
24 November 2000	24 November 2001 to 23 November 2010	0.518	20.720
10 April 2001	10 April 2002 to 9 April 2011	0.286	11.440
28 February 2002	28 February 2003 to 27 February 2012	0.347	13.880

2002 Scheme

Date of grant	Exercise period	Exercise price Before Share Consolidation HK$	Exercise price After Share Consolidation HK$
24 February 2003	24 February 2004 to 23 February 2013	0.171	6.840
29 May 2003	29 May 2004 to 28 May 2013	0.716	28.640
5 June 2003	5 June 2004 to 4 June 2013	0.626	25.040
22 December 2003	22 December 2004 to 21 December 2013	0.634	25.360
7 September 2004	7 September 2005 to 6 September 2014	0.510	20.400
26 November 2004	26 November 2005 to 25 November 2014	0.528	21.120
15 September 2005	15 September 2006 to 14 September 2015	0.560	22.400
10 October 2005	10 October 2006 to 9 October 2015	0.630	25.200
23 November 2005	23 November 2006 to 22 November 2015	0.570	22.800
3 January 2006	3 January 2007 to 2 January 2016	0.526	21.040
1 July 2006	1 July 2007 to 30 June 2017	0.460	18.400
14 August 2006	As detailed in note d	0.445	17.800
25 August 2006	As detailed in note i	0.450	18.000
2 October 2007	2 October 2008 to 1 October 2017	0.429	17.160
13 November 2007	13 November 2008 to 12 November 2017	0.444	17.760
26 March 2008	26 March 2009 to 25 March 2018	0.275	11.000
19 August 2008	As detailed in note e	N/A	5.436

28. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

2002 Scheme – continued

There are no share options exercised during the year ended 31 December 2008 (2007: 2,982,298 (74,558 after Share Consolidation)) resulting in the issue of nil (2007: 2,982,298 (74,558 after Share Consolidation)) ordinary shares of the Company and new share capital of HK$Nil (2007: HK$298,000) and share premium of HK$Nil (2007: HK$1,106,000) (before issue expenses). As at 31 December 2008, the Company had in aggregate 9,016,763 (2007: 354,158,334 (8,853,958 after Share Consolidation)) share options outstanding under the three schemes, which represented approximately 4.57% (2007: 8.08%) 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 9,016,763 (2007: 354,158,334 (8,853,958 after Share Consolidation)) additional ordinary shares of the Company and additional share capital of approximately HK$36,067,000 (2007: HK$35,416,000) and share premium of approximately HK$148,829,000 (2007: HK$149,558,239) (before issue expenses).

During the year ended 31 December 2008, options were granted on 26 March 2008 and 19 August 2008. The estimated fair values of the options granted on these dates are HK$0.16 and HK$3.19 respectively. During the year ended 31 December 2007, options were granted on 2 October 2007 and 13 November 2007. The estimated fair values of the options granted on these dates are HK$0.25, HK$0.23 respectively.

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

	26 March 2008 (before Share Consolidation)	19 August 2008 (after Share Consolidation)	2007
Weighted average share price	HK$0.275	HK$5.410	HK$0.405 – HK$0.420
Exercise price	HK$0.275	HK$5.436	HK$0.429 – HK$0.444
Expected volatility	66.53%	69.08%	67.16% – 67.26%
Expected life	5 years	5 years	5 years
Risk-free rate	1.95%	2.88%	2.93% – 4.08%
Expected dividend yield	–	–	–

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$6,535,000 for the year ended 31 December 2008 (2007: HK$20,028,000) 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 10% (2007: 9%) 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.

29. 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 certain subsidiaries in December 2006 and considered such contingent tax liability is possible and will be confirmed only when the Inland Revenue Department concludes that the gain arising from the disposal is taxable. The directors of the Company do not consider such contingent tax liability is probable based on the information currently available and therefore no tax provision has been made in the consolidated financial statements.

30. OPERATING LEASES

The Group as lessee

	2008	2007
	HK$'000	HK$'000
Minimum lease payments paid under operating leases during the year in respect of office premises	**4,303**	5,737

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

	2008	2007
	HK$'000	HK$'000
Within one year	**2,047**	3,495
In the second to the fifth year inclusive	**2,894**	980
	4,941	4,475

Operating leases relate to office premises with lease terms of between 1 month to 5 years (2007: 1 month to 5 years).

31. COMMITMENTS

	2008	2007
	HK$'000	HK$'000
Commitment in respect of additional investments in two private equity funds (note 19(d))	**30,362**	79,843

32. 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.

33. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

	2008 HK$'000	2007 HK$'000
Operating lease rentals in respect of office premises charged by a fellow subsidiary	**313**	274

In addition to the above transactions, during the years ended 31 December 2008 and 2007, 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 of the Company, at no consideration (2007: HK$Nil) and at an annual license fee of US$1 (equivalent to HK$8) (2007: HK$8), respectively.

During the years ended 31 December 2008 and 2007, 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 10, and certain employees of the Group. No value in respect of these options has been charged to the Group's 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. CDC Software Corporation is now renamed as CDC Software International Corporation and CDC Games Corporation is now renamed as CDC Games International Corporation.

Details of balances with related parties at the balance sheet date are set out in the consolidated balance sheet and in note 22.

Compensation of key management personnel

The remuneration of key management consisting of directors and an employee (2007: directors) during the year was as follows:

	2008 HK$'000	2007 HK$'000
Short-term benefits	**1,614**	2,949
Share-based payments	**5,222**	3,207
	6,836	6,156

The remuneration of key management consisting of directors and an employee (2007: directors) is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2008 and 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		
			2008	2007	**2008**	2007	
			%	%	%	%	
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
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

34. 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				Principal activities
			Directly		Indirectly		
			2008 %	2007 %	**2008** %	2007 %	
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**	100	Investment holding

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.

35. POST BALANCE SHEET EVENTS

On 17 December 2008, the Company proposed a capital reduction, pursuant to which the share capital of the Company will be reduced by HK$3.99 per existing ordinary share of HK$4.00 each by cancelling an equivalent amount of paid-up capital per existing ordinary share so that the par value of each new share in issue will be HK$0.01. Such proposal was approved by the Company's shareholders at an extraordinary general meeting held on 16 January 2009 and is subject to the approval of the Grand Court of the Cayman Islands.

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

On 23 February 2009, the Company allotted 540,160 shares to Asia Pacific On-line Limited for the exercise of share options at HK$5.436 each.