

China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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



First Quarterly Report 2009

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

CHAIRMAN'S STATEMENT

During the first quarter, our business operations continued to be adversely affected by the global financial crisis. Below are the financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 31st March, 2009:

- Revenue was HK\$18.8 million, down 15% compared to the same period last year. The decline was due to the scaling down of the MVAS business as previously announced.
- Revenue from Portal was HK\$6.6 million, up 22% compared to the same period last year. Revenue from TTG was HK\$12.2 million, consistent with the same period last year.
- Gross profit was HK\$9.6 million, down 10% compared to the same period last year as a result of the decline in MVAS revenue.
- Net loss was HK\$6.0 million, compared to net profit of HK\$6.7 million in the same period last year. The loss was due to a one-off charge of HK\$2.4 million for the disposal of certain investments and the decrease in interest income resulting from a decline in interest rates.
- Financial position remained strong, with more than HK\$766 million in net cash and cash equivalent, held-for-trading investments and available-for-sale investments.
- On 9th February, 2009, a special dividend of HK\$3.66 per share totaling HK\$392.3 million was declared and paid to shareholders.
- 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.

Despite the harsh economic conditions, the portal team was successful in tapping new revenue sources. During the first quarter, portal revenue increased 22% to HK\$6.6 million from the same period in 2008. This growth was mainly attributable to higher advertising revenues from automobile, games, and travel vertical channels as well as from the contents enriching community platform.

During the quarter, China.com entered into partnership with major brand companies including Haier, BYD Automobile, Hainan Mazda, Guangzhou Honda, Guangzhou Toyota, Kumho Tires, IBM, as well as Dongfeng Nissan that enrich our Automobile clientele in China. Our portal "China.com" has continuously received significant attention. During the quarter, we won the "Internet Market China 2009 Award" and "Most Influential Interactive Media in the Chinese Internet Industry 2008 Award".

TTG performed well in the first quarter of 2009, with results exceeding expectation. The favorable results were attributable to higher revenues from the hosting of an event for the Vietnam National Tourist Administration and tighter cost control initiatives.

With the continuing global recession, we expect to see further cut backs in advertising spending that will impact our revenue performance in the coming quarters. The Group will stay slim and fit and will commit resources to pursue new strategic opportunities to grow our two core businesses, particularly in China.

Thank you for your continuing support of China.com Inc.

Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 11th May, 2009

UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months ended 31st March, 2009 (the "Quarterly Period"), together with the comparative unaudited figures for the corresponding period in 2008.

| | | (Unaudited) | |
|--|--------------|---------------------------|-----------------|
| | | Three months ended | |
| | | 31st March, | |
| | | 2009 | 2008 |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2 | 18,750 | 22,065 |
| Cost of sales | | (9,179) | (11,415) |
| | | <hr/> | <hr/> |
| Gross profit | | 9,571 | 10,650 |
| Other income | | 2,946 | 23,042 |
| Selling and distribution costs | | (3,279) | (4,666) |
| Administrative expenses | | (12,221) | (20,441) |
| Impairment loss on accounts receivable | | (498) | (657) |
| Other expenses | | (2,403) | (473) |
| | | <hr/> | <hr/> |
| (Loss) profit before tax | | (5,884) | 7,455 |
| Income tax expense | 3 | (164) | (714) |
| | | <hr/> | <hr/> |
| (Loss) profit for the period | | (6,048) | 6,741 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to: | | | |
| Owners of the Parent | | (6,048) | 6,741 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| (Loss) earnings per share | 4 | | |
| Basic | | (5.66) cents | 6.16 cents |
| | | <hr/> <hr/> | <hr/> <hr/> |

Notes:

1. **Basis of preparation**

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated results of the Group have not been reviewed by the Company's auditors. Adjustments may be identified during the course of interim review or annual audit to be performed by the Company's auditors.

The unaudited consolidated results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31st December, 2008.

2. **Revenue**

Revenue represents (1) subscription revenue from the provision of short messaging services and other mobile value-added services and other related products to mobile phone users; and (2) internet and media revenue from sale of online banner advertising, sponsorships, offline advertising campaigns, direct mailings and online sales.

3. **Income tax expense**

No provision for Hong Kong profits tax has been made as the Group had no significant assessable profits in Hong Kong for the Quarterly Period and the corresponding period in 2008.

The estimated average annual tax rate used is 16.5% (2008: 16.5%) for the Quarterly Period.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates based on existing legislation, interpretations and practices in respect thereof.

4. **(Loss) earnings per share**

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

| | Three months ended 31st March, | |
|--|-----------------------------------|----------------|
| | 2009 | 2008 |
| | HK\$'000 | HK\$'000 |
| <i>Earnings</i> | | |
| (Loss) profit for the period attributable to owners of the Parent | <u>(6,048)</u> | <u>6,741</u> |
| | | |
| | Three months ended 31st March, | |
| | 2009 | 2008 |
| | '000 | '000 |
| <i>Number of shares</i> | | |
| Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share | <u>106,856</u> | <u>109,513</u> |

No diluted (loss) earnings per share has been presented because the impact of the exercise of the share options was anti-dilutive.

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per shares has been adjusted for the Company's share consolidation of every 40 issued and unissued ordinary shares of HK\$0.10 each in the share capital of the Company into one share of HK\$4.00 each effective on 27th June, 2008.

5. Movement of reserves

| | Share premium HK\$'000 | Goodwill reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Capital Redemption Reserve HK\$'000 | Reserve funds HK\$'000 | Translation reserve HK\$'000 | Share options reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|------------------------------|--|--|---------------------------|---------------------------------|-----------------------------------|------------------------------|-------------------|
| At 1st January, 2008 | 1,020,109 | (31,193) | (10,336) | 110 | 24,123 | 36,262 | 52,493 | 211,398 | 1,302,966 |
| Deficit on revaluation of available-for-sale investments | - | - | (14,933) | - | - | - | - | - | (14,933) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | 9,437 | - | - | 9,437 |
| Net (expense) income recognised directly in equity | - | - | (14,933) | - | - | 9,437 | - | - | (5,496) |
| Profit for the period | - | - | - | - | - | - | - | 6,741 | 6,741 |
| Investment revaluation reserve released on disposal of available-for-sale investments | - | - | 417 | - | - | - | - | - | 417 |
| Total recognised income and expense for the period | - | - | (14,516) | - | - | 9,437 | - | 6,741 | 1,662 |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | 1,798 | - | 1,798 |
| Repurchase of shares | (609) | - | - | 328 | - | - | - | (328) | (609) |
| At 31st March, 2008 | 1,019,500 | (31,193) | (24,852) | 438 | 24,123 | 45,699 | 54,291 | 217,811 | 1,305,817 |

| | Share premium HK\$'000 | Goodwill reserve HK\$'000 | Investment revaluation reserve HK\$'000 | Capital Redemption Reserve HK\$'000 | Reserve funds HK\$'000 | Translation reserve HK\$'000 | Share options reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------|---------------------------------|--|--|------------------------------|------------------------------------|---|---------------------------------|-------------------|
| At 1st January, 2009 | 430,501 | (31,193) | 7,635 | 11,690 | 24,123 | 50,125 | 59,028 | 173,042 | 724,951 |
| Deficit on revaluation of available-for-sale investments | - | - | (2,300) | - | - | - | - | - | (2,300) |
| Exchange differences arising on translation of foreign operations | - | - | - | - | - | (730) | - | - | (730) |
| Net expense recognised directly in equity | - | - | (2,300) | - | - | (730) | - | - | (3,030) |
| Loss for the period | - | - | - | - | - | - | - | (6,048) | (6,048) |
| Investment revaluation reserve released on disposal of available-for-sale investments | - | - | 708 | - | - | - | - | - | 708 |
| Total recognised income and expense for the period | - | - | (1,592) | - | - | (730) | - | (6,048) | (8,370) |
| Recognition of equity-settled share based payments | - | - | - | - | - | - | 1,207 | - | 1,207 |
| Share issued upon exercises of share options | 775 | - | - | - | - | - | - | - | 775 |
| Transfer to share premium upon exercises of share options | 317 | - | - | - | - | - | (317) | - | - |
| Special dividend | (392,256) | - | - | - | - | - | - | - | (392,256) |
| At 31st March, 2009 | <u>39,337</u> | <u>(31,193)</u> | <u>6,043</u> | <u>11,690</u> | <u>24,123</u> | <u>49,395</u> | <u>59,918</u> | <u>166,994</u> | <u>326,307</u> |

6. Dividend

On 9th 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 an interim dividend for the Quarterly Period ended 31st March, 2009 and the corresponding period in 2008.

7. Comparative figures

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue and gross profit

Revenue for the Quarterly Period was HK\$18,750,000 representing a HK\$3,315,000, or 15%, decrease compared to the same period last year. The net decrease was primarily attributable to (1) a decrease in mobile services and applications revenue of HK\$4,527,000; and (2) an increase in advertising revenue from the internet and media segment of HK\$1,212,000.

Gross profit margin maintained at a relatively stable level of 51% for the Quarterly Period, compared to 48% in the same period last year.

Other income

Other income decreased by 87% to HK\$2,946,000 for the Quarterly Period, compared to HK\$23,042,000 for the corresponding period in 2008. The decrease was primarily due to (1) a HK\$8,991,000 decrease in interest income from available-for-sale investments; (2) a HK\$5,171,000 decrease in interest income from cash and bank balances; and (3) the maturity of a US\$60 million promissory note on 27th June, 2008, which used to generate an interest income of approximately HK\$5,850,000 per quarter.

Selling and distribution costs

Selling and distribution costs decreased to HK\$3,279,000 for the Quarterly Period, compared to HK\$4,666,000 for the corresponding period in 2008. The decrease was mainly attributable to the decrease in sales and marketing personnel expenses amounting to HK\$1,502,000 during the Quarterly Period.

Administrative expenses

Administrative expenses decreased by 40% to HK\$12,221,000 for the Quarterly Period, compared to HK\$20,441,000 for the corresponding period last year. The net decrease was primarily attributable to the effectiveness of cost control initiatives during the Quarterly Period. Administrative expenses include share option expenses in the Quarterly Period amounting to HK\$1,207,000 (2008: HK\$1,798,000) recognized in accordance with HKFRS 2.

Impairment loss

An impairment loss of HK\$498,000 (2008: HK\$657,000) has been provided for accounts receivable for the Quarterly Period since the Group considered the amount will not be collectible.

Other expenses

Other expenses increased by about HK\$1,930,000 to HK\$2,403,000 for the Quarterly Period, compared to HK\$473,000 for the corresponding period last year. The increase was primarily due to the loss on disposal of an available-for-sales investment amounting to HK\$2,403,000 during the Quarterly Period.

Income tax

The Group recorded an income tax expense of HK\$164,000 for the Quarterly Period, compared to HK\$714,000 for the corresponding period last year. The income tax expense for the Quarterly Period represented provision for income tax.

Minority interests

(Loss) profit shared by minority interests was HK\$Nil for the Quarterly Period and corresponding period last year.

(Loss) profit for the period attributable to owners of the Parent

Loss for the period attributable to owners of the Parent was HK\$6,048,000 for the Quarterly Period, compared to profit of HK\$6,741,000 for the corresponding period last year.

BUSINESS REVIEW

Portal

Despite the harsh economic conditions, the portal team was successful in tapping new revenue sources. During the first quarter, portal revenue increased 22% to HK\$6.6 million from the same period in 2008. This growth was mainly attributable to higher advertising revenues from automobile, games, and travel vertical channels as well as from the contents enriching community platform.

During the quarter, China.com entered into partnership with major brand companies including Haier, BYD Automobile, Hainan Mazda, Guangzhou Honda, Guangzhou Toyota, Kumho Tires, IBM, as well as Dongfeng Nissan that enrich our Automobile clientele in China. Our portal "China.com" has continuously received significant attention. During the quarter, we won the "Internet Market China 2009 Award" and "Most Influential Interactive Media in the Chinese Internet Industry 2008 Award".

Media and Travel

TTG performed well in the first quarter of 2009, with results exceeding expectation. The favorable results were attributable to higher revenues from the hosting of an event for the Vietnam National Tourist Administration and tighter cost control initiatives.

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

As at 31st March, 2009, 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 <i>Note (4)</i> | Number of underlying shares <i>Note (4)</i> | Nature of Interests/ Holding Capacity | Appropriate percentage of interests |
|--|-------------------------------------|--|--|-------------------------------------|
| Ch'ien Kuo Fung, Raymond | 142,900 | 450,000 | Personal/ beneficiary | 0.55% |
| Fang Xin <i>(resigned on 5th May, 2009)</i> | – | 25,000 | Personal/ beneficiary | 0.02% |
| Lam Lee G. | – | – | – | – |
| Anson Wang | – | – | – | – |
| Li On-kwok, Victor | – | – | – | – |
| Cheng Loi | – | 37,875 | Corporate <i>Note (3)</i> | 0.04% |
| Wang Cheung Yue, Fred | – | 150,000 | Personal/ beneficiary | 0.14% |
| Wong Sin Just | – | 112,500 | Personal/ beneficiary | 0.11% |

| Name of directors | Number of shares Note (4) | Number of underlying shares Note (4) | Nature of Interests/ Holding Capacity | Appropriate percentage of interests |
|--------------------------|--------------------------------------|---|--|--|
| Yip Hak Yung, Peter | 85,400 | – | Corporate Note (1) | 0.08% |
| Yip Hak Yung, Peter | 22,500 | 425,000 | Personal/ beneficiary | 0.42% |
| Yip Hak Yung, Peter | 540,160 Note (9) | 6,524,072 Note (8) & Note (9) | Interest of children or spouse Note (2) | 6.59% |

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 pursuant to the pre-IPO share option scheme, the post-IPO share option scheme and the 2002 share option scheme

| Name of Directors | Date of grant Note (6) | Exercise price Note (5) HK\$ | Number of |
|--|---------------------------|------------------------------------|---|
| | | | share options outstanding as at 31st March, 2009 Note (5) |
| Ch'ien Kuo Fung, Raymond | 9th March, 2000 | 75.20 | 250,000 |
| | 5th June, 2003 | 25.04 | 100,000 |
| | 10th October, 2005 | 25.20 | 100,000 |
| Fang Xin <i>(resigned on 5th May, 2009)</i> | 10th October, 2005 | 25.20 | 25,000 |
| Wang Cheung Yue, Fred | 5th June, 2003 | 25.04 | 50,000 |
| | 15th September, 2005 | 22.40 | 100,000 |
| Cheng Loi | 26th March, 2008 | 11.00 | 37,500 Note (7) |
| | 26th March, 2008 | 11.00 | 375 |
| Wong Sin Just | 9th March, 2000 | 75.20 | 25,000 |
| | 5th June, 2003 | 25.04 | 62,500 |
| | 15th September, 2005 | 22.40 | 25,000 |
| Yip Hak Yung, Peter | 5th June, 2003 | 25.04 | 100,000 |
| | 10th October, 2005 | 25.20 | 100,000 |
| | 3rd January, 2006 | 21.04 | 225,000 |
| | 14th August, 2006 | 17.80 | 5,983,912 Note (8) |
| | 19th August, 2008 | 5.436 | 540,160 Note (9) |

Notes:

- (5) Adjustments were made to the exercise prices and balances of the number of share options outstanding as at 31st March, 2009 resulting from Share Consolidation effective 27th June, 2008.
- (6) All the share options may be exercised in accordance with the terms of the relevant share option schemes at any time during the period commencing from one year after the date of grant of options to the year ending 10 years after the date of grant of options. The consideration for the grant was HK\$1.00. These share options other than those set out in Notes (7), (8) & (9) below shall vest over a period of four years.
- (7) These options shall vest over a period of three years. The vesting Schedule of 37,500 options is as follows:
 - 12,500 options shall vest on 26th March, 2009
 - 12,500 options shall vest on 26th March, 2010
 - 12,500 options shall vest on 26th March, 2011
- (8) These options 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. Before Share Consolidation, the grant of 239,356,507 options was approved by the shareholders of the Company at the extraordinary general meeting held on 18th September, 2006 and the number of such options was adjusted to 5,983,912 after Share Consolidation effective 27th June, 2008.

2,719,960 (before Share Consolidation: 108,798,412) of such options shall vest quarterly over 2 years effective from 1st October, 2006 to 1st 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 1st October, 2006
- 12.5% options shall vest from 1st January, 2007
- 12.5% options shall vest from 1st April, 2007
- 12.5% options shall vest from 1st July, 2007
- 12.5% options shall vest from 1st October, 2007
- 12.5% options shall vest from 1st January, 2008
- 12.5% options shall vest from 1st April, 2008
- 12.5% options shall vest from 1st July, 2008

Of the 3,263,952 (before Share Consolidation: 130,558,095) options, 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 subject 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.

Notes:

- (9) On 19th August, 2008, the board of directors of the company resolved to grant Asia Pacific On-Line Limited ("APOL") an aggregate number of 1,080,320 options representing not exceeding 1% of the total issued shares of the Company as at the date of the grant 19th August, 2008. APOL is 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 as remuneration for the services provided by Mr. Yip under the Services Agreement and shall vest quarterly over one year effective from 1st October, 2008 to 1st July, 2009. The vesting schedule of 1,080,320 options is as follows:

- 270,080 options shall vest on 1st October, 2008
- 270,080 options shall vest on 1st January, 2009
- 270,080 options shall vest on 1st April, 2009
- 270,080 options shall vest on 1st July, 2009

On 23rd February, 2009, 540,160 new ordinary shares of the Company were issued and allotted to APOL resulting from the exercise of 540,160 out of 1,080,320 options by APOL.

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 <i>(resigned on 5th May, 2009)</i> | - | 70,000 | Personal/ beneficiary | 0.06% |
| Lam Lee G. | - | 10,000 | Personal/ beneficiary | 0.01% |
| Cheng Loi | - | 55,000 | Corporate <i>Note(2)</i> | 0.05% |
| Wang Cheung Yue, Fred | - | 115,000 | Personal/ beneficiary | 0.10% |
| Wong Sin Just | - | 20,000 | Personal/ beneficiary | 0.02% |

| Name of Directors | Number of shares | Number of underlying shares | Nature of interests/ Holding Capacity | Appropriate percentage of interests |
|---------------------|------------------|-----------------------------|---|-------------------------------------|
| Yip Hak Yung, Peter | 16,867,251 | 6,809,999 | Interest of children or spouse <i>Note (1)</i> | 20.01% |
| 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 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 US\$ | Number of share options/ Stock appreciation rights outstanding as at 31st March, 2009 |
|--|---------------------|---|------------------------|---|
| 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 <i>Note (1)</i> |
| Fang Xin <i>(resigned on 5th May, 2009)</i> | 16th November, 2005 | 16th November, 2006 to 15th November, 2015 | 3.3000 | 70,000 |

| Name of Directors | Date of grant | Option Exercise period | Exercise price US\$ | Number of share options/ Stock appreciation rights outstanding as at 31st March, 2009 |
|-----------------------|---------------------|---|------------------------|---|
| Lam Lee G. | 22nd December, 2006 | 22nd March, 2007 to 21st December, 2013 | 8.5100 | 10,000 <i>Note (1)</i> |
| Cheng Loi | 29th October, 2008 | 29th April, 2009 to 29th October, 2015 | 1.2700 | 40,000 <i>Note (1)</i> |
| | 29th October, 2008 | 28th October, 2015 | 1.2700 | 15,000 <i>Note (1)</i> |
| 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 <i>Note (1)</i> |
| Wong Sin Just | 22nd December, 2006 | 22nd March, 2007 to 21st December, 2013 | 8.5100 | 20,000 <i>Note (1)</i> |
| Yip Hak Yung, Peter | 29th July, 2008 | 29th April, 2009 to 29th July, 2015 | 2.660 | 165,000* <i>Note (1)</i> |
| | 26th November, 2008 | 26th February, 2009 to 25th November, 2015 | 0.8700 | 600,000* <i>Note (1)</i> |
| | 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 | 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 31st March, 2009 |
|--------------------------|----------------------|--|----------------------------|---|
| 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 <i>Note (1)</i> | 3.00% |
| Ch'ien Kuo Fung, Raymond | – | 100,000 | Personal/beneficiary | 0.33% |
| Cheng Loi | – | 45,000 | Personal/beneficiary | 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 31st March, 2009 |
|--------------------------|------------------|---|------------------------|--|
| 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 March, 2009, 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 March, 2009, 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 | 84,546,700 | – | 78.89% |
| China M Interactive (BVI) Limited | 84,045,700 | – | 78.42% |
| Asia Pacific On-Line Limited | 540,160 | 6,524,072 | 6.59% |

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 March, 2009, 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.

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

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

COMPETING INTERESTS

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31st March 2009, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all directors of the Company, 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 three months ended 31st March 2009.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the three months ended 31st March 2009 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 reviewed the draft of this report and has provided advice and comments thereon.

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

Hong Kong, 11th May, 2009

As at the date of this report, the executive directors of the Company are Mr. Yip Hak Yung, Peter, Dr. Cheng Loi, the non-executive director is Dr. Ch'ien Kuo Fung, Raymond and the independent non-executive directors are Dato' Dr Wong Sin Just, Mr. Wang Cheung Yue, Fred, Dr. Lam Lee G, Mr. Anson Wang and Professor Li On-kwok, Victor.