

# China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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



Third 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 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 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 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 third quarter, our business operations continued to be affected by unfavourable market conditions brought on 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 30th September, 2009:

- Revenue was HK\$20.7 million, down 13% quarter-on-quarter and 7% year-on-year.
- Gross profit was HK\$11.6 million, down 15% quarter-on-quarter but up 11% year-on-year.
- Net loss for the period was HK\$1.3 million, compared to a net profit of HK\$0.5 million in the same period last year.
- On 10th August, 2009, an interim dividend of HK\$1.00 per share totaling HK\$107.2 million was declared and paid to shareholders.
- On 15th October, 2009, the Board declared a special dividend of HK\$1.88 per share to shareholders whose names appear on the register of members of the Company on 4th November, 2009. The dividend will be paid on 11th November, 2009.
- Financial position remains strong, with approximately HK\$674.4 million (before payment of special dividend of HK\$1.88 per share totaling HK\$201.5 million declared on 15th October, 2009) in net cash, held-for-trading investments and available-for-sale investments.

During the third quarter, portal revenue was down 20% quarter-on-quarter but increased by 16% year-on-year. Due to the adverse impact of economic recession, the advertising spending of our clients has been declining and it is expected that the trend will continue until the end of 2009. Major clients include Shanghai Volkswagen, Worry-free work network, Sofang.com, IBM China, Nokia China, Guangzhou Honda, Haier Group, FAW Mazda Motor, Kumho Asiana, Lotto Travel Network, Toyota China, Canon China, Dongfeng and Yueda Kia Motors.

In the third quarter, China.com portal Automobile Channel reported the Auto Show Events in Changchun and Chengdu as well as the Motor Show in Frankfurt. In September, our Game Channel covered the Tokyo Game Show. We were the leading media reporting these major events in China, all of which had generated a great deal of interest in the gaming community. Many of our reports and stories were carried by other media.

In September, the Automobile Channel organised "Design in China" competition in search for innovative design for automotive and tire. The sponsors of these two events included China Great Wall Auto, Pan Asia Technical Automotive Center and China Automotive Engineers Society. We will continue to host these events and will roll them out to major design colleges and universities to tap talented designers in the country.

TTG has initiated new strategies to find new revenue sources. In the third quarter, the team initiated two new projects namely "TTG 35th Anniversary Special Edition" and "New TTG Revamp Issues" and successfully brought in new source of revenue. On the expense side, TTG has implemented new measures to control costs. The net profit after tax for the third quarter has out-performed the budget by HK\$1.5 million or 100%.

Other notable achievements for TTG for the quarter include: clinching the production of the official LTA map for F1; positive performance of the PATA Mart dailies; better-than-expected results from the Singapore Gift and Stationery Show 2009; launch of TTG's brand new destination online travel portal Singapore Travelholic ([www.singaporetravelholic.com](http://www.singaporetravelholic.com)) that has yielded an exponential 25% increase in the number of hits over the last 2 months since its launch; as well as the appointment of TTG as "Media Partner" by Xin Lu Advertising – the official advertising agency of China National Tourism Administration – to publish the International Section of the official directory of China International Travel Mart (CITM) 2009 and the CITM 2009 official daily.

With the current global economic recession, we expect to see further cut backs in advertising spending that will impact our revenue performance in the near term future. 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 continued support for China.com Inc.

**Dr. Ch'ien Kuo Fung, Raymond**  
*Chairman*

Hong Kong, 9th November, 2009

## UNAUDITED CONSOLIDATED 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 (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30th September, 2009, together with the comparative unaudited figures for the corresponding periods in 2008.

	Notes	(Unaudited) Three months ended 30th September,		(Unaudited) Nine months ended 30th September,	
		2009	2008	2009	2008
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	2	20,681	22,233	63,316	79,039
Cost of sales		(9,122)	(11,811)	(28,546)	(39,906)
Gross profit		11,559	10,422	34,770	39,133
Other income		3,564	8,215	9,314	52,372
Selling and distribution costs		(3,928)	(3,920)	(13,275)	(16,084)
Administrative expenses		(10,404)	(13,293)	(31,590)	(50,413)
Impairment losses		(1,388)	(55)	(2,468)	(1,345)
Other expenses		(54)	(16)	(2,457)	(16)
(Loss) profit before tax		(651)	1,353	(5,706)	(23,647)
Income tax expense	3	(637)	(870)	(1,076)	(1,865)
(Loss) profit for the period		<u>(1,288)</u>	<u>483</u>	<u>(6,782)</u>	<u>21,782</u>
Attributable to:					
Owners of the Parent		<u>(1,288)</u>	<u>483</u>	<u>(6,782)</u>	<u>21,782</u>
(Loss) earnings per share	4				
Basic		<u>(1.20 cents)</u>	<u>0.45 cent</u>	<u>(6.32 cents)</u>	<u>20.02 cents</u>

*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 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 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 Nine-Month Period and the corresponding periods in 2008.

The estimated average annual tax rate used is 16.5% (2008: 16.5%) for the Nine-Month 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 30th September, 2009		Nine months ended 30th September, 2009	
	2008	2009	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Earnings</i>				
(Loss) profit for the period attributable to owners of the Parent	<u>(1,288)</u>	<u>483</u>	<u>(6,782)</u>	<u>21,782</u>
	Three months ended 30th September, 2009		Nine months ended 30th September, 2009	
	2008	2009	2008	2009
	'000	'000	'000	'000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>107,174</u>	<u>107,895</u>	<u>107,290</u>	<u>108,789</u>

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

## 5. MOVEMENT OF RESERVES

	Share premium HK\$'000	Capital reserve 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	-	-	-	(26,676)	-	-	-	-	-	(26,676)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	15,528	-	-	15,528
Net (expense) income recognised directly in equity	-	-	-	(26,676)	-	-	15,528	-	-	(11,148)
Profit for the period	-	-	-	-	-	-	-	-	21,782	21,782
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	98	-	-	-	-	-	98
Total recognised income and expense for the period	-	-	-	(26,578)	-	-	15,528	-	21,782	10,732
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	4,908	-	4,908
Dividends	(577,137)	-	-	-	-	-	-	-	-	(577,137)
Repurchase of shares	(12,526)	-	-	-	9,168	-	-	-	(9,168)	(12,526)
At 30th September, 2008	<u>430,446</u>	<u>-</u>	<u>(31,193)</u>	<u>(36,914)</u>	<u>9,278</u>	<u>24,123</u>	<u>51,790</u>	<u>57,401</u>	<u>224,012</u>	<u>728,943</u>
At 1st January, 2009	430,501	-	(31,193)	7,635	11,690	24,123	50,125	59,028	173,042	724,951
Surplus on revaluation of available-for-sale investments	-	-	-	5,120	-	-	-	-	-	5,120
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	929	-	-	929
Net income recognised directly in equity	-	-	-	5,120	-	-	929	-	-	6,049
Loss for the period	-	-	-	-	-	-	-	-	(6,782)	(6,782)
Investment revaluation reserve released on disposal of available-for-sale investments	-	-	-	708	-	-	-	-	-	708
Total recognised income and expense for the period	-	-	-	5,828	-	-	929	-	(6,782)	(25)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	2,154	-	2,154
Shares issued upon exercises of share options	775	-	-	-	-	-	-	-	-	775
Transfer to share premium upon exercises of share options	317	-	-	-	-	-	-	(317)	-	-
Capital reduction	-	427,623	-	-	-	-	-	-	-	427,623
Dividends	(392,256)	(107,174)	-	-	-	-	-	-	-	(499,430)
At 30th September, 2009	<u>39,337</u>	<u>320,449</u>	<u>(31,193)</u>	<u>13,463</u>	<u>11,690</u>	<u>24,123</u>	<u>51,054</u>	<u>60,865</u>	<u>166,260</u>	<u>656,048</u>

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



## 6. DIVIDENDS

	Nine months ended 30th September,	
	2009	2008
	HK\$'000	HK\$'000
Interim dividend declared and paid, at HK\$1.00 (2008: HK\$Nil) per share ( <i>note b</i> )	107,174	–
Special dividend declared and paid, at HK\$3.66 (2008: HK\$5.34) per share ( <i>note a</i> )	392,256	577,137
	<u>499,430</u>	<u>577,137</u>

### Notes:

- (a) On 9th February, 2009, the Company declared a special dividend of HK\$3.66 per share (2008:HK\$5.34 per share) to shareholders out of the Company's share premium. The dividend was paid in March 2009 totaling HK\$392,256,000 (2008: HK\$577,137,000).
- (b) On 10th August, 2009, the Company declared an interim dividend of HK\$1.00 per share (2008: HK\$Nil) to shareholders out of the Company's capital reserve. The dividend was paid in September 2009 totaling HK\$107,174,000 (2008: HK\$Nil).
- (c) The Board has on 15th October, 2009 declared a special dividend of HK\$1.88 per share to shareholders whose names appear on the register of members of the Company on 4th November, 2009. The dividend will be paid on 11th November, 2009.
- (d) The Board does not recommend the payment of an interim dividend for the Quarterly Period 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 Nine-Month Period was HK\$63,316,000 representing a HK\$15,723,000, or 20% 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\$8,915,000; and (2) a decrease in advertising revenue from the internet and media segment of HK\$6,808,000.

Gross profit margin remained at a relatively stable level of 55% for the Nine-Month Period, compared to 50% in the same period last year.

#### *Other income*

Other income decreased by 82% to HK\$9,314,000 for the Nine-Month Period, compared to HK\$52,372,000 for the corresponding period in 2008. The decrease was primarily due to (1) a HK\$17,702,000 decrease in interest income from available-for-sale investments; (2) a HK\$13,299,000 decrease in interest income from cash and bank balances; and (3) the maturity of a US\$60 million promissory note on 27 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 by 17% to HK\$13,275,000 for the Nine-Month Period from HK\$16,084,000 for the corresponding period last year. The decrease was mainly attributable to the decrease in sales and marketing personnel expenses amounting to HK\$3,069,000 during the Nine-Month Period.

#### *Administrative expenses*

Administrative expenses decreased by 37% to HK\$31,590,000 for the Nine-Month Period from HK\$50,413,000 for the corresponding period last year. Administrative expenses include share option expenses amounting to HK\$2,154,000 (2008: HK\$4,908,000) recognised in accordance with HKFRS 2.

#### *Impairment losses*

Impairment losses increased by 83% to HK\$2,468,000 for the Nine-Month Period from HK\$1,345,000 for the corresponding period last year. Impairment losses include impairment charges of HK\$1,497,000 (2008: HK\$1,345,000) on accounts receivable and HK\$971,000 (2008: HK\$Nil) on fixed assets of mobile value added services (MVAS) operation.

### *Other expenses*

Other expenses increased by HK\$2,441,000 to HK\$2,457,000 for the Nine-Month Period, compared to HK\$16,000 for the corresponding period last year. The increase was primarily due to the loss on disposal of an available-for-sale investment amounting to HK\$2,403,000 during the Nine-Month Period.

### *Income tax*

The Group recorded an income tax expense of HK\$1,076,000 for the Nine-Month Period, compared to HK\$1,865,000 for the corresponding period last year. The income tax expense for the Nine-Month Period represented provision for income tax.

### *Minority interests*

(Loss) profit shared by minority interests was HK\$Nil for the Nine-Month 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\$6,782,000 for the Nine-Month Period, compared to a profit attributable to owners of the Parent of HK\$21,782,000 for the corresponding period last year.

## **Business Review**

### *Portal*

During the third quarter, portal revenue was down 20% quarter-on-quarter but increased by 16% year-on-year. Due to the adverse impact of economic recession, the advertising spending of our clients has been declining and it is expected that the trend will continue until the end of 2009. Major clients include Shanghai Volkswagen, Worry-free work network, Sofang.com, IBM China, Nokia China, Guangzhou Honda, Haier Group, FAW Mazda Motor, Kumho Asiana, Lotto Travel Network, Toyota China, Canon China, Dongfeng and Yueda Kia Motors.

In the third quarter, China.com portal Automobile Channel reported the Auto Show Events in Changchun and Chengdu as well as the Motor Show in Frankfurt. In September, our Game Channel covered the Tokyo Game Show. We were the leading media reporting these major events in China, all of which had generated a great deal of interest in the gaming community. Many of our reports and stories were carried by other media.

In September, the Automobile Channel organised "Design in China" competition in search for innovative design for automotive and tire. The sponsors of these two events included China Great Wall Auto, Pan Asia Technical Automotive Center and China Automotive Engineers Society. We will continue to host these events and will roll them out to major design colleges and universities to tap talented designers in the country.

### *Media and Travel*

TTG has initiated new strategies to find new revenue sources. In the third quarter, the team initiated two new projects namely "TTG 35th Anniversary Special Edition" and "New TTG Revamp Issues" and successfully brought in new source of revenue. On the expense side, TTG has implemented new measures to control costs. The net profit after tax for the third quarter has out-performed the budget by HK\$1.5 million or 100%.

Other notable achievements for TTG for the quarter include: clinching the production of the official LTA map for F1; positive performance of the PATA Mart dailies; better-than-expected results from the Singapore Gift and Stationery Show 2009; launch of TTG's brand new destination online travel portal Singapore Travelholic ([www.singaporetravelholic.com](http://www.singaporetravelholic.com)) that has yielded an exponential 25% increase in the number of hits over the last 2 months since its launch; as well as the appointment of TTG as "Media Partner" by Xin Lu Advertising – the official advertising agency of China National Tourism Administration – to publish the International Section of the official directory of China International Travel Mart (CITM) 2009 and the CITM 2009 official daily.

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

As at 30th September, 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	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	450,000	Personal/ beneficiary	0.55%
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%
Wong Sin Just	615,000	–	Corporate <i>Note (5)</i>	0.57%
Yip Hak Yung, Peter	85,400	–	Corporate <i>Note (1)</i>	0.08%
Yip Hak Yung, Peter	22,500	425,000	Personal/ beneficiary	0.42%
Yip Hak Yung, Peter	539,160 <i>Note (10)</i>	6,524,072 <i>Note (9)</i> & <i>Note (10)</i>	Interest of children or spouse <i>Note (2)</i>	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 the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of the spouse of Mr. Yip 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 previous balances (before 27th June, 2008) 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 become effective 27th June, 2008. The par value of share capital was reduced from HK\$4.00 per share to HK\$0.01 per share effective 19th June, 2009 ("Capital Reduction"). The Capital Reduction was approved by special resolution at the extraordinary general meeting held on 16th January, 2009 and confirmed by court order granted by the Grand Court of the Cayman Islands on 19th June, 2009.
- (5) During the Nine Month Period, these shares were purchased and beneficially owned by Pan Asia Young Corporation Opportunities Fund, Ltd. which is 34.08% owned by Fine High Investments Limited, a company 100% owned by Dato' Dr Wong Sin Just.

*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 (7)	Exercise price Note (6) HK\$	Number of share options outstanding as at 30th September, 2009 Note (6)
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
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
	26th March, 2008	11.00	375 Note (8)
Wong Sin Just	9th March, 2000	75.20	25,000
	5th June, 2003	25.04	62,500
	15th September, 2005	22.40	25,000

Name of Directors	Date of grant Note (7)	Exercise price Note (6) HK\$	Number of share options outstanding as at 30th September, 2009 Note (6)
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
	19th August, 2008	5.436	Note (9) 540,160 Note (10)

*Notes:*

- (6) Before the Share Consolidation effective 27th June, 2008, adjustments were made to the previous exercise prices and balances (before 27th June, 2008) of the number of share options. Resulting from the Capital Reduction effective 19th June, 2009, the par value of share capital was reduced from HK\$4.00 per share to HK\$0.01 per share.
- (7) 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 (8), (9) and (10) below shall vest over a period of four years.
- (8) 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 from 26th March, 2009
  - 12,500 options shall vest from 26th March, 2010
  - 12,500 options shall vest from 26th March, 2011
- (9) 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 the spouse of Mr. Yip 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.

108,798,412 (2,719,960 after Share Consolidation) 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 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 130,558,095 options (3,263,952 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 People's Republic of China 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 People's Republic of China; 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 People's Republic of China 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.
- (10) 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 the spouse of Mr. Yip 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 from 1st October, 2008
  - 270,080 options shall vest from 1st January, 2009
  - 270,080 options shall vest from 1st April, 2009
  - 270,080 options shall vest from 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. On 22nd April, 2009, APOL sold 1,000 new ordinary shares of the Company.



## Associated Corporation

Long positions in Class A common shares and the underlying shares of equity of derivatives in CDC Corporation (listed on NASDAQ – Stock Code: CHINA)

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	1,023,773	355,000	Personal/ beneficiary	1.16%
Lam Lee G.	–	10,000	Personal/ beneficiary	0.01%
Cheng Loi	–	92,000	Corporate Note (2)	0.08%
Wang Cheung Yue, Fred	–	115,000	Personal/ beneficiary	0.10%
Wong Sin Just	–	20,000	Personal/ beneficiary	0.02%
Yip Hak Yung, Peter	16,946,251	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 Class A common shares and 6,809,999 stock appreciation rights/options to subscribe for Class A common shares were held under the name of Asia Pacific On-Line Limited ("APOL"). 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 the spouse of Mr. Yip and his children. 4,958,998 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/stock appreciation rights 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 30th September, 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>
	18th September, 2008	18th September, 2008 to 17th September, 2015	2.1700	180,000 <i>Note (1)</i>
	19th March, 2009	19th June, 2009 to 18th March, 2016	1.0000	20,000
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>
	23rd April, 2009	23rd April, 2009 to 22nd April, 2016	1.2000	2,000 <i>Note (1) &amp; Note (3)</i>
	4th May, 2009	4th August, 2009 to 3rd May, 2016	1.2000	35,000 <i>Note (1) &amp; Note (4)</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>

Name of Directors	Date of grant	Option exercise period	Exercise price US\$	Number of share options/ stock appreciation rights outstanding as at 30th September, 2009
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 28th 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 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 rights to subscribe for Class A common shares in 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 the spouse of Mr. Yip and his children.
- (3) These are stock appreciation rights granted by CDC Corporation on 23rd April, 2009. 10% of these 2,000 stock appreciation rights vest immediately as of the grant date and the vesting schedule of the other portion will be contingent on the achievement of milestone events as agreed by CDC Corporation.
- (4) These are stock appreciation rights granted by CDC Corporation on 4th May, 2009. 20,000 stock appreciation rights vest quarterly over 3 years and the vesting schedule of the other 15,000 stock appreciation rights will be contingent on the achievement of milestone events as agreed by CDC Corporation.

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

<b>Name of Directors</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Nature of interests/ Holding capacity</b>	<b>Approximate percentage of interests</b>
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 International pursuant to its share option scheme*

<b>Name of Directors</b>	<b>Date of grant</b>	<b>Option exercise period</b>	<b>Exercise price US\$</b>	<b>Number of stock appreciation rights outstanding as at 30th September, 2009</b>
Ch'ien Kuo Fung, Raymond	17th February, 2007	Date of commencement of initial public offering 17th February, 2014	13.330	25,000
Wang Cheung Yue, Fred	17th February, 2007	Date of commencement of initial public offering 17th February, 2014	13.330	20,000

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

<b>Name of Directors</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Nature of interests/ Holding capacity</b>	<b>Approximate percentage of interests</b>
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 the spouse of Mr. Yip 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 stock appreciation rights outstanding as at 30th September, 2009
Wang Cheung Yue, Fred	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	120,000
Yip Hak Yung, Peter	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	900,000
Ch'ien Kuo Fung, Raymond	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	100,000
Cheng Loi	21st April, 2008	Date of commencement of initial public offering to 21st April, 2015	2.570	45,000

*Long positions in Class A ordinary shares and the underlying shares of equity of derivatives in CDC Software Corporation (newly listed on NASDAQ on 6th August, 2009 – Stock Code: CDCS) (“CDCS”)*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate percentage of interests
Yip Hak Yung, Peter	5,903	–	Interest of children or spouse Note (1)	0.12%

*Note:*

- (1) The 5,903 Class A ordinary shares were purchased after CDCS was newly listed on 6th August, 2009 and these shares were held by the spouse of Mr. Yip during the Nine Month Period.

Save as disclosed above, as at 30th September, 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.

#### **INTERESTS 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 30th September, 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:

<b>Name</b>	<b>Number of shares</b>	<b>Number of underlying shares</b>	<b>Percentage of issued share capital</b>
CDC Corporation	84,546,700	–	78.89%
China M Interactive (BVI) Limited	84,045,700	–	78.42%
Asia Pacific On-Line Limited	539,160	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 the spouse of Mr. Yip and his children.

Save as disclosed above, as at 30th September, 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 Nine Month Period.

## **COMPETING INTERESTS**

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

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the Nine Month Period, 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 Nine Month Period.

## **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 Nine Month Period 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, 9th November, 2009

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