

# China.com Inc.

[Incorporated in the Cayman Islands with limited liability]

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

The cover features a vibrant blue sky with a green field at the bottom. A large, semi-transparent globe is centered in the upper half. A bright yellow sun is positioned in the middle, with numerous thin white lines radiating from it across the sky. A trail of white dots curves from the bottom left towards the sun. The text 'Annual Report 2009' is written in yellow to the right of the sun.

Annual Report 2009





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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Wong Kwong Chi  
*(Chief Executive Officer)*  
Cheng Loi

#### Non-Executive Directors

Ch'ien Kuo Fung, Raymond  
*(Chairman of the board of directors)*  
Yip Hak Yung, Peter  
*(Vice-Chairman of the board of directors)*  
Mao Hongcheng

#### Independent Non-Executive Directors

Wong Sin Just  
Wang Cheung Yue, Fred  
Lam Lee G.  
Anson Wang  
Li On-kwok, Victor

### COMPANY SECRETARY

Cheng Loi

### COMPLIANCE OFFICER

Cheng Loi

### AUDIT COMMITTEE

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

### EXECUTIVE COMMITTEE

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

### REMUNERATION COMMITTEE

Wang Cheung Yue, Fred *(Committee Chairman)*  
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

### AUTHORISED REPRESENTATIVES

Wong Kwong Chi  
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

11th Floor, ING Tower  
308 Des Voeux Road Central  
Hong Kong

### AUDITORS

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman  
KY1-1106  
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](http://www.inc.china.com)

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT



**EXECUTIVE DIRECTOR**  
**Wong Kwong Chi**  
 (Chief Executive Officer, aged 58)



**EXECUTIVE DIRECTOR**  
**Cheng Loi**  
 (Company Secretary and  
 Chief Financial Officer, aged 56)

Mr. Wong was appointed as executive director and chief executive officer of the Company on 5 March 2010. Mr. Wong currently serves as a director of CDC Corporation (NASDAQ: CHINA), the ultimate holding company of the Company. Mr. Wong is also holding numerous directorship of certain subsidiaries of CDC Corporation, namely, a director of CDC Software Corporation (NASDAQ: CDCS), a director and chief executive officer of CDC Games Corporation, a director of CDC Games International Corporation and a director of CDC Software International Corporation. Mr. Wong is a managing partner of Asian Global Capital ("AGC"). Prior to joining AGC, he was a director and Executive Vice President of Transpac Capital Ltd. ("Transpac"), one of the oldest and largest private equity investment firms in Asia, managing a \$820 million portfolio with investments in approximately 200 companies in East Asia and the United States. Prior to joining Transpac, Mr. Wong was deputy managing director of Cony Electronics Products Ltd. and Hung Nien Electronics Ltd. in Hong Kong and president of Cony Electronics Inc. in Chicago. Mr. Wong serves on the boards of Fountain Set (Holdings) Limited (HKEX: 420) and Glory Mark Hi-Tech (Holdings) Limited (HKGEM: 8159). Previously, Mr. Wong was Past Chairman of the Hong Kong Venture Capital and Private Equity Association, Past Executive Committee Member of the Hong Kong Young Industrialists Council, Past Vice Chairman of The Hong Kong Electronic Industries Association, Past Vice President of Hong Kong Auto Parts Industry Association and Past Member of Financial Services Advisory Committee of Hong Kong Trade Development Council. Currently, Mr. Wong is a Member of Planning Committee for C.W. Chu College of Chinese University of Hong Kong, a Director of CityU Enterprises Limited, Vice President of Hong Kong Critical Components Manufacturers Association, Committee Member of Federation of Hong Kong Machinery & Metal Industries, Member of Advisory Committee on the Promotion of Innovation & Technology through the Hong Kong Platform of Hong Kong Trade Development Council, and Council Member of Hong Kong Biotechnology Association. Mr. Wong is currently Advisor to Chengdu City Advisory Group for Science & Technology, Guangdong Commercial Chamber of High-Tech Industries, and Zhuhai High-Tech Innovation Centre. Mr. Wong is also currently Honorary Citizen of Nanhai City, Kaiping City, Jiangmen City and Foshan City. Mr. Wong received Bachelor of Science and MBA Degrees from the Chinese University of Hong Kong.

Dr. Cheng was appointed as the company secretary of the Company in December 2007 and as executive director, compliance officer and authorised 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 Digital 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 (NASDAQ: CHINA), 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 58)

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; as well as a director of its subsidiary CDC Software Corporation since April 2009. 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, Convenience Retail Asia Limited, The Wharf (Holdings) Limited, Hong Kong Mercantile Exchange Ltd. 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**  
**Mao Hongcheng**  
 (aged 48)

Mr. Mao was appointed as non-executive director of the Company on 15 October 2009. Mr. Mao is currently the general manager of the Asia-Pacific regional Bureau and Hong Kong SAR Branch of Xinhua News Agency and the 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 (NASDAQ: CHINA). Mr. Mao, a senior economist of Xinhua, has been engaged in financial, marketing, operations and administration business. He has extensive experience in

all these fields. He has abundant resources of personal relationship in the mainland and Hong Kong. Mr. Mao served as Finance director, Assistant General Manager, General Manager of "Banyuetan", a biweekly with the biggest circulation among all the mainland-based journals and known as "China's First magazine", Marketing Manager of Golden Tripod (Holdings) Ltd., Assistant General Manger of N.C.N. Ltd., Managing Director of Xinhua Media (Hong Kong) Company Limited, as well as Deputy General Manger of China Photo Services (CPS), the biggest enterprise of China's picture industry. Mr. Mao graduated from the Beijing Institute of Finance and Trade.



**NON-EXECUTIVE DIRECTOR**  
**Yip Hak Yung, Peter**  
 (Vice-Chairman, aged 58)

Mr. Yip was appointed as director to the Board since 15 October 1999. He was an executive director of the Company from 3 August 2006 to 5 March 2010. He served as chief executive officer of the Company from 1 September 2008 until 5 March 2010. Mr. Yip has been re-designated as vice-chairman and non-executive director from 5 March 2010. Mr. Yip is also the founder, vice-chairman of the board and chief executive officer of CDC Corporation (NASDAQ: CHINA), the ultimate parent of the Company. Under Mr. Yip's leadership, CDC Corporation 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. Mr. Yip is also the vice-chairman of the board and chief executive officer of CDC Software Corporation (NASDAQ: CDCS). Mr. Yip is also a director of China M Interactive (BVI) Limited, the substantial shareholder of the Company, and also a director of chinadotcom Mobile Interactive Corporation. China M Interactive (BVI) Limited is a wholly owned subsidiary of chinadotcom Mobile Interactive Corporation which, in turn, is a wholly owned subsidiary of CDC Corporation, the ultimate holding company of the Company. 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.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Wong Sin Just**  
(aged 44)

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Wang Cheung Yue, Fred**  
(aged 66)

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 (NASDAQ: CHINA), the ultimate holding company of the Company. 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 the founder of SBI E2 Capital Group of companies and currently serve as the Chairman of SBI E2-Capital Asset Management Ltd. He is also the Independent Non-executive Director of China.com Inc., CSI Properties Limited (formerly 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.

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 (NASDAQ: CHINA), 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, committee member of the Hong Kong-France Business Partnership 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Lam Lee G.**  
(aged 50)



**INDEPENDENT NON-EXECUTIVE DIRECTOR**

**Anson Wang**  
(aged 62)

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 Software Corporation (NASDAQ: CDCS), CDC Games International Corporation and CDC Games Corporation which are subsidiaries of CDC Corporation (NASDAQ: CHINA), 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, a LLM in law from the University of Wolverhampton in the U.K., and a Doctor of Philosophy from the University of Hong Kong. Dr. Lam has over 28 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.

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 55)

**SENIOR MANAGEMENT**

**Darren Ng**  
(TTG Managing Director, 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.

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.

## FINANCIAL HIGHLIGHTS

## RESULTS

	Year ended 31 December				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover					
Continuing operations	<b>94,960</b>	106,723	88,993	78,503	70,163
Discontinued operations	<b>43</b>	9,515	65,672	496,078	317,152
	<b>95,003</b>	116,238	154,665	574,581	387,315
Profit (loss) from ordinary activities attributable to owners of the Company	<b>19,352</b>	(26,776)	(599,723)	621,487	9,737

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 December				
	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Assets	<b>508,617</b>	1,213,308	1,791,333	2,499,068	1,725,638
Liabilities	<b>(44,184)</b>	(61,823)	(50,253)	(192,687)	(177,568)
Non-controlling interests	–	–	–	(12,933)	(32,249)
	<b>464,433</b>	1,151,485	1,741,080	2,293,448	1,515,821

## KEY FINANCIAL DATA

	Year ended 31 December				
	2009 HK cents	2008 HK cents	2007 HK cents	2006 HK cents	2005 HK cents
Earnings (loss) per share – basic (note 1)	<b>18.07</b>	(24.72)	(547.66)	576.80	9.20
Net assets per share – basic (notes 1 and 2)	<b>433.66</b>	1,079.85	1,590.00	2,128.00	1,460.00

## Notes:

- Earnings (loss) 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 23 to the consolidated financial statements.
- Net assets represent total assets less total liabilities and non-controlling interests.

## CHAIRMAN'S STATEMENT

During 2009, our business operations continued to be affected by the economic slow down caused by the global financial crisis. Nevertheless, we were able to return to profitability.

- Revenue from continuing operations decreased 11% to HK\$95.0 million in 2009 from HK\$106.7 million in 2008.
- Gross profit from continuing operations decreased 6% to HK\$52.2 million in 2009 from HK\$55.8 million in 2008.
- Profit attributable to owners of the Company amounted to HK\$19.4 million (inclusive of HK\$3.5 million of profit from discontinued MVAS operation) in 2009, compared to a loss of HK\$26.8 million in 2008.
- Basic earning per share (EPS) was HK cents 18.07, compared to basic loss per share (LPS) of HK cents 24.72 in 2008.
- Pursuant to the approval of the Grand Court of Cayman Islands, the share capital of the Company was reduced by HK\$3.99 per existing ordinary share from HK\$4.00 each to HK\$0.01 each by cancelling an equivalent amount of paid-up capital per existing ordinary share effective on 19 June 2009.
- The Company declared and paid dividends totaling HK\$700.9 million in 2009, as follows:
  - On 9 February 2009, a special dividend of HK\$3.66 per share totaling HK\$392.3 million was declared and paid to shareholders.
  - On 10 August 2009, an interim dividend of HK\$1.00 per share totaling HK\$107.2 million was declared and paid to shareholders.
  - On 15 October 2009, a special dividend of HK\$1.88 per share totaling HK\$201.4 million was declared and paid to shareholders.
- The process of closing down MVAS operations, announced in 2008, was completed in the third quarter of 2009.
- Financial position remains strong, with an aggregate amount of HK\$483.7 million of bank balances and cash, held-for-trading investments and available-for-sale investments as of 31 December 2009.

Despite challenging economic conditions, the Company stayed focused on its two core businesses, "Portal" and "TTG", and tapped into new sources of revenue by rolling out new projects and embarking on new marketing and promotional initiatives.

The portal team launched a new version of its community platform, which provides richer contents and more user-friendly features. This drew in substantial new users and traffic. In May 2009, the portal team hosted the much lauded nationwide "Webgames Summit Forum" in the city of Jiaying in Zhejiang Province, and has entered into agreements with the municipal government of Jiaying to set up the "Webgames Incubation Centre". As the first Webgames incubator in China that aims to provide comprehensive support to the domestic webgame industry, the project has attracted wide attention.

The portal team was recognised with the following awards in 2009: "Most Influential Interactive Media in the Chinese Internet Industry 2008"; "Top Ten Internet Portal in China", "The Best Website for Beijing Olympics Event Coverage", "Distinguished Creative Network Award" and "2009 Outstanding Games Media Awards".

## CHAIRMAN'S STATEMENT

In 2009, TTG successfully organised and managed three world-class Meeting, Incentives, Conventions & Exhibitions (MICE) events in Asia, namely, ASEAN Tourism Forum (ATF), Incentive Travel & Conventions, Meetings Asia (IT&CMA) and Incentive Travel & Conventions, Meetings China (IT&CM China). These events have brought in significant revenue for the Group. TTG also won the Pacific Asia Travel Association Gold Awards in 2009.

With the economic recovery underway, we will continue to focus on growing our two core businesses and will commit resources to pursuing new strategic opportunities, particularly in China. In this vein, I wish to welcome Mr. Wong Kwong Chi, who became CEO of the Company on 5 March 2010. Mr. Wong is a seasoned manager and investment professional, with clear understanding of business opportunities in Greater China. I expect Mr. Wong to lead the Company into profitable new frontiers over time.

Finally, I would like to take this opportunity to thank all Board colleagues and employees at China.com for their good work and our shareholders for their continuing support.

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

*Chairman*

Hong Kong, 22 March 2010

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue and gross profit

Revenue for the year ended 31 December 2009 was HK\$94,960,000 representing a HK\$11,763,000, or 11% decrease compared to last year. The net decrease was primarily attributable to a decrease in revenue from travel media segment of HK\$11,197,000.

Gross profit margin maintained at a relatively stable level of 55% in 2009, compared to 52% in 2008.

#### Other income

Other income decreased by 50% to HK\$26,512,000 in 2009, compared to HK\$53,487,000 in 2008. The net decrease was primarily due to (1) a HK\$18,670,000 decrease in interest income from available-for-sale investments; (2) a HK\$15,563,000 decrease in interest income from cash and bank balances; (3) a HK\$11,508,000 decrease in note interest income as a result of the maturity of a US\$60 million promissory note on 27 June 2008; and (4) a gain on deregistration of subsidiaries of HK\$10,435,000.

#### Selling and distribution expenses

Selling and distribution expenses decreased by 9% to HK\$18,568,000 in 2009, compared to HK\$20,437,000 in 2008. The decrease was mainly attributable to the decrease in sales and marketing personnel expenses amounting to HK\$2,710,000.

#### Administrative expenses

Administrative expenses decreased by 16% to HK\$40,750,000 in 2009 versus HK\$48,314,000 in 2008. Administrative expenses include share option expenses in 2009 amounting to HK\$2,076,000 (2008: HK\$6,535,000) recognised in accordance with HKFRS 2.

#### Impairment losses

Impairment losses decreased 99% to HK\$678,000 in 2009, compared to HK\$54,605,000 in 2008. The decrease was mainly due to impairment charges against certain available-for-sale investments of HK\$53,037,000 recognised in 2008. Impairment losses in 2009 represent impairment charges on accounts receivable.

#### Other expenses

Other expenses decreased by about HK\$386,000 to HK\$54,000 in 2009, compared to HK\$440,000 in 2008. The decrease was primarily due to a loss on deregistration of a subsidiary recognised in 2008.

#### Income tax

The Group recorded an income tax expense of HK\$2,840,000 in 2009, compared to HK\$3,301,000 in 2008. Income tax expense in 2009 represents a provision for income tax of HK\$2,114,000 and deferred tax expense of HK\$726,000.

#### Profit (loss) for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company was HK\$19,352,000 in 2009, compared to loss attributable to owners of the Company of HK\$26,776,000 in 2008.

#### 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\$464,433,000 shareholders' funds as at 31 December 2009, compared to HK\$1,151,485,000 as at 31 December 2008. Total assets amounted to HK\$508,617,000 as at 31 December 2009, compared to HK\$1,213,308,000 as at 31 December 2008, of which HK\$374,536,000 (2008: HK\$870,461,000) was bank balances and cash, HK\$471,000 (2008: HK\$80,291,000) was held-for-trading investments and HK\$108,690,000 (2008: HK\$217,675,000) was available-for-sale investments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Capital structure

Except that the share capital of the Company was reduced by HK\$3.99 per existing ordinary share from HK\$4.00 each to HK\$0.01 each by cancelling an equivalent amount of paid-up capital per existing ordinary share (the "Capital Reduction") effective on 19 June 2009, there was no change in the capital structure of the Group as at 31 December 2009 as compared with that as at 31 December 2008.

### Charges on the Group's assets

There was no charge on the Group's assets as at 31 December 2009 and 2008.

### Gearing ratio

The Group has a zero gearing ratio as at 31 December 2009 and 2008 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 31 December 2009, no related hedges were made by the Group.

### Contingent liabilities

In prior years, the Company's directors assessed a contingent tax liability amounting to HK\$110,000,000 that might arise from the disposal of certain subsidiaries in December 2006 and considered such contingent tax liability was possible and would be confirmed only when the Inland Revenue Department concluded that the gain arising from the disposal was taxable. During the year ended 31 December 2009, the Inland Revenue Department concluded that such gain was not taxable and therefore the Group had no significant contingent tax or other liability at 31 December 2009.

## BUSINESS REVIEW

### Internet Portal

The portal team has successfully launched a new version of its community platform, which provides richer contents and more user-friendly features. This successfully drew in substantial new users and traffic. In May 2009, the portal team hosted the much lauded nationwide "Webgames Summit Forum" in the city of Jiaxing in Zhejiang Province, and has entered into agreements with the municipal government of Jiaxing to set up the "Webgames Incubation Centre". As the first Webgames incubator in China that aims to provide comprehensive support to the domestic webgame industry, the project has attracted wide attention.

The portal team was recognised with the following awards in 2009: "Most Influential Interactive Media in the Chinese Internet Industry 2008"; "Top Ten Internet Portal in China", "The Best Website for Beijing Olympics Event Coverage", "Distinguished Creative Network Award" and "2009 Outstanding Games Media Awards".

### Travel Media

In 2009, TTG successfully organised and managed three world-class Meeting, Incentives, Conventions & Exhibitions (MICE) events in Asia, namely, ASEAN Tourism Forum (ATF), Incentive Travel & Conventions, Meetings Asia (IT&CMA) and Incentive Travel & Conventions, Meetings China (IT&CM China). These events have brought in significant revenue for the Group. TTG also won the Pacific Asia Travel Association Gold Awards in 2009.

## MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

In 2009, certain available-for-sale investments were disposed of, and redeemed at an aggregate consideration of HK\$127,283,000, resulting in a gain on disposal of HK\$7,312,000. In 2009, the money-market fund, one of the held-for trading investments, was redeemed at HK\$79,917,000 and recognised a gain on disposal of HK\$426,000.

## EMPLOYEE INFORMATION

As at 31 December 2009, the Group has 230 (2008: 230) full-time employees of which 7 (2008: 6) are based in Hong Kong, 176 (2008: 178) in China, 45 (2008: 43) in Singapore, 1 (2008: 2) in Thailand and 1 (2008: 1) in Malaysia. The Group has introduced share option schemes to recognise 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.

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 December 2009.

### 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 33 to the consolidated financial statements. The Company and its subsidiaries (the "Group") are principally engaged in the operation of portal sites, the provision of content and internet services, advertising services through the internet and travel magazines, event organising services and magazine publication. The Group was also engaged in the provision of mobile services and applications which was discontinued in the current year.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2009, and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 29 to 82.

Details of dividends for the year are set out in note 13 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 15 to the consolidated financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefore, are set out in notes 23 and 27 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

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

### 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 31 December 2009, the Company's reserves available for distribution amounted to HK\$271,236,000.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 14% of the total sales for the year and sales to the largest customer included therein amounted to 4%. Purchases from the Group's five largest suppliers accounted for 30% of the total purchases for the year and purchases from the largest supplier included therein amounted to 8%.

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.

## REPORT OF THE DIRECTORS

### DIRECTORS

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

#### Executive directors

Wong Kwong Chi (*Chief executive officer*) (appointed as executive director and chief executive officer on 5 March 2010)

Cheng Loi

#### Non-executive directors

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

Yip Hak Yung, Peter (*Vice-Chairman*) (re-designated from executive director to non-executive director and also ceased to act as chief executive officer on 5 March 2010)

Mao Hongcheng (appointed on 15 October 2009)

Fang Xin

(resigned on 5 May 2009)

#### Independent non-executive directors

Wang Cheung Yue, Fred

Wong Sin Just

Lam Lee G.

Anson Wang

Li On-kwok, Victor

In accordance with article 99 of the Company's articles of association, Mr. Wong Kwong Chi and Mr. Mao Hongcheng 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 articles of association, Mr. Yip Hak Yung, Peter, Dr. Lam Lee G., and Mr. Anson Wang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

#### Emoluments of the directors and the five highest paid individuals

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

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

#### DIRECTORS' SERVICES CONTRACTS

China.com Corp. Limited (a direct wholly owned subsidiary of the Company) and Asia Pacific On-Line Limited ("APOL") entered into an executive services agreement effective as of 12 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. Mr. Yip was re-designated from acting chief executive officer to chief executive officer with effect from 1 September 2008. On 5 March 2010, Mr. Yip ceased to act as chief executive officer and was re-designated to vice-chairman and non-executive director. Mr. Yip has not entered into any new service agreement for his non-executive directorship with the Company. Subject to the final approval by the remuneration committee of the Company, Mr. Yip shall be paid a director's fee of (i) US\$10,000 per annum for his services as vice-chairman; (ii) US\$2,500 per annum for his services as a member of the remuneration committee during his term of appointment; and (iii) any additional fees as shall be determined by the remuneration committee from time to time.



## REPORT OF THE DIRECTORS

On 5 March 2010, Mr. Wong Kwong Chi (“Mr. Wong”) was appointed to act as an executive director and the chief executive officer of the Company. Mr. Wong has not entered into any service agreement for his executive directorship with the Company. No director’s fee will be paid during the term of his appointment as an executive director. Subject to the final approval from the remuneration committee of the Company, Mr. Wong will enter into an executive service agreement with China.com Corp. Limited (a direct wholly owned subsidiary of the Company) setting out details of services he shall provide to the Company as the chief executive officer. The term of Mr. Wong as the chief executive officer will continue unless terminated by either party by giving 3 months’ notice in writing or payment in lieu of notice.

Each of the non-executive directors and independent non-executive directors are all subject to rotational retirement and re-election in accordance with the 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 Enterprises 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 31 December 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:

## REPORT OF THE DIRECTORS

**The Company**

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

<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	142,900	450,000	Personal/beneficiary	0.55%
Mao Hongcheng	–	–	–	–
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%
Wong Sin Just	615,000	–	Corporate Note (4)	0.57%
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	539,160	6,524,072	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 shares and 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 and children of Mr. Yip.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (4) During the year ended 31 December 2009, 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.

## REPORT OF THE DIRECTORS

**Options to subscribe for ordinary shares in the Company**

Details of the 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 are set out in note 27 to the consolidated financial statements.

**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	1.30%
Lam Lee G.	–	10,000	Personal/beneficiary	0.01%
Cheng Loi	–	92,000	Corporate Note (4)	0.09%
Wang Cheung Yue, Fred	–	205,000	Personal/beneficiary	0.19%
Wong Sin Just	–	20,000	Personal/beneficiary	0.02%
Yip Hak Yung, Peter	16,976,251	6,999,999	Interest of children or spouse Note (2)	22.62%

*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 31 December 2009
Ch'ien Kuo Fung, Raymond	17 October 2000	17 January 2001 to 16 October 2010	6.8125	100,000
	9 January 2001	9 January 2001 to 8 January 2011	4.2813	30,000
	9 November 2007	9 February 2008 to 8 November 2014	6.1800	25,000 Note (1)
	18 September 2008	18 September 2008 to 17 September 2015	2.1700	180,000 Note (1)
	19 March 2009	19 June 2009 to 18 March 2016	1.0000	20,000

## REPORT OF THE DIRECTORS

Name of Directors	Date of grant	Option Exercise period	Exercise price US\$	Number of share options/Stock appreciation rights outstanding as at 31 December 2009
Lam Lee G.	22 December 2006	22 March 2007 to 21 December 2013	8.5100	10,000 Note(1)
Cheng Loi	29 October 2008	29 April 2009 to 29 October 2015	1.2700	40,000 Note (1)
	29 October 2008	28 October 2015	1.2700	15,000 Note (1)
	23 April 2009	23 April 2009 to 22 April 2016	1.2000	2,000 Note(1)
	4 May 2009	4 August 2009 to 3 May 2016	1.2000	35,000 Note(1)
Wang Cheung Yue, Fred	24 October 2005	24 October 2006 to 23 October 2015	3.2100	90,000
	18 December 2006	18 December 2007 to 17 December 2013	8.5200	25,000 Note (1)
	18 September 2008	18 September 2008 to 17 September 2015	2.1700	90,000 Note (1)
Wong Sin Just	22 December 2006	22 March 2007 to 21 December 2013	8.5100	20,000 Note(1)
Yip Hak Yung, Peter	29 July 2008	29 April 2009 to 28 July 2015	2.660	165,000* Note (1)
	26 November 2008	26 February 2009 to 25 November 2015	0.8700	3,535,000* 2,399,999*
	19 December 2008	19 March 2009 to 18 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) 11,987,253 Class A common shares and 6,999,999 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 and children of Mr. Yip. 4,988,998 Class A common shares were held by the spouse of Mr. Yip.

## REPORT OF THE DIRECTORS

- (3)\* 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 and children of Mr. Yip.
- (4) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

*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")*

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

*Options to subscribe for common shares in CDC Software International 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 31 December 2009
Ch'ien Kuo Fung, Raymond	17 February 2007	Date of commencement of initial public offering to 17 February 2014	13.330	25,000
Wang Cheung Yue, Fred	17 February 2007	Date of commencement of initial public offering to 17 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")*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/ Holding capacity	Approximate 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%

## REPORT OF THE DIRECTORS

## 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 and children 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 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 31 December 2009
Wang Cheung Yue, Fred	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	120,000
Yip Hak Yung, Peter	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	900,000
Ch'ien Kuo Fung, Raymond	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	100,000
Cheng Loi	21 April 2008	Date of commencement of initial public offering to 21 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 6 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	299,084	Interest of children or spouse Note (1)	1.05%
Ch'ien Kuo Fung, Raymond	–	32,000	Personal/beneficiary	0.11%
Lam Lee G.	–	32,000	Personal/beneficiary	0.11%
Cheng Loi	–	4,000	Corporate Note (2)	0.01%

## REPORT OF THE DIRECTORS

*Options to subscribe for Class A ordinary shares in CDCS 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 31 December 2009</b>
Yip Hak Yung, Peter	11 September 2009	11 December 2009 to 10 September 2016	8.45	299,084
Ch'ien Kuo Fung, Raymond	11 September 2009	11 December 2009 to 10 September 2016	8.45	32,000
Lam Lee G.	11 September 2009	11 December 2009 to 10 September 2016	8.45	32,000
Cheng Loi	11 September 2009	11 December 2009 to 10 September 2016	8.45	4,000

Notes:

- (1) 5,903 Class A ordinary shares were purchased after CDCS was newly listed on 6 August 2009 and these shares were held by the spouse of Mr. Yip. 299,084 options were granted to Asia Pacific On-Line Limited, a company 50% owned by the spouse of Mr. Yip and 50% owned by a trust established for the benefit of the spouse and children of Mr. Yip.
- (2) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Save as disclosed above, as at 31 December 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 31 December 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%

## REPORT OF THE DIRECTORS

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 and children of Mr. Yip.

Save as disclosed above, as at 31 December 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.

### 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.

### PENSION SCHEME

Details of the pension scheme of the Group and the employer's pension costs charged to the consolidated statement of comprehensive income for the year are set out in notes 9 and 31 to the consolidated financial statements, respectively.

### SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 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, 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 31 December 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 year ended 31 December 2009 with the Code.

### AUDIT COMMITTEE

The Company established an audit committee on 25 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 2009. The Company's annual results for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.



## REPORT OF THE DIRECTORS

### 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, 22 March 2010

## 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 31 December 2009 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 rotational retirement and re-election in accordance with the 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.

## CORPORATE GOVERNANCE REPORT

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 31 December 2009 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 articles of association of the Company.

<b>Executive Directors</b>	<b>Attendance</b>
Yip Hak Yung, Peter ( <i>vice-chairman and chief executive officer</i> ) ( <i>re-designated as vice-chairman and non-executive director</i> <i>and ceased to act as chief executive officer on 5 March 2010</i> )	100%
Cheng Loi ( <i>company secretary and chief financial officer</i> )	100%
 <b>Non-executive Directors</b>	
Ch'ien Kuo Fung, Raymond ( <i>chairman of the board of directors</i> )	100%
Fang Xin ( <i>resigned as non-executive director on 5 May 2009</i> )	0%
Mao Hongcheng ( <i>appointed as non-executive director on 15 October 2009</i> )	N.A.
 <b>Independent Non-executive Directors</b>	
Wong Sin Just	75%
Wang Cheung Yue, Fred	100%
Lam Lee G.	100%
Anson Wong	100%
Li On-kwok, Victor	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 31 December 2009.

#### **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.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

The Audit Committee was established on 25 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%
Lam Lee G.	100%

### Nomination Committee

The Nomination Committee was established on 28 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 25 February 2000 with written terms of reference as amended and restated. The Remuneration Committee has one executive director, Mr. Yip Hak Yung, Peter (re-designated as non-executive director on 5 March 2010), 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 31 December 2009, 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 31 December 2009, approximately HK\$1,197,000 has been paid or payable to Deloitte Touche Tohmatsu, auditors of the Company for audit services.

## CORPORATE GOVERNANCE REPORT

### **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 29 to 82, which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 affairs of the Group as at 31 December 2009 and of the Group's profit 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  
22 March 2010

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Continuing operations</b>			
Revenue	5	94,960	106,723
Cost of sales		(42,725)	(50,940)
Gross profit		52,235	55,783
Other income		26,512	53,487
Selling and distribution expenses		(18,568)	(20,437)
Administrative expenses		(40,750)	(48,314)
Impairment losses	7	(678)	(54,605)
Other expenses		(54)	(440)
Profit (loss) before tax		18,697	(14,526)
Income tax expense	8	(2,840)	(3,301)
Profit (loss) for the year from continuing operations	9	15,857	(17,827)
<b>Discontinued operation</b>			
Profit (loss) for the year from discontinued operation	10	3,495	(8,949)
<b>Profit (loss) for the year</b>		<b>19,352</b>	<b>(26,776)</b>
<b>Other comprehensive (expense) income</b>			
Exchange differences arising on translation		952	13,863
Reclassification adjustment on translation difference upon deregistration of subsidiaries		(10,441)	–
Fair value gain (loss) on available-for-sale investments		6,624	(36,795)
Reclassification adjustment on disposal of available-for-sale investments		(7,635)	–
Reclassification adjustment on maturity of available-for-sale investments		–	1,729
Reclassification adjustment on impairment of available-for-sale investments		–	53,037
Other comprehensive (expense) income for the year		(10,500)	31,834
<b>Total comprehensive income for the year</b>		<b>8,852</b>	<b>5,058</b>
Profit (loss) attributable to:			
Owners of the Company		19,352	(26,776)
Total comprehensive income attributable to:			
Owners of the Company		8,852	5,058
<b>Earnings (loss) per share</b>			
From continuing and discontinued operations	14		
Basic and diluted (cents per share)		18.07	(24.72)
From continuing operations			
Basic and diluted (cents per share)		14.81	(16.46)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Notes	2009 HK\$'000	2008 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	15	2,339	4,690
Goodwill	16	450	450
Available-for-sale investments	19	108,690	179,383
Deferred tax assets	24	–	725
		<u>111,479</u>	<u>185,248</u>
<b>Current assets</b>			
Accounts receivable	18	14,968	23,679
Prepayments, deposits and other receivables		6,512	7,936
Available-for-sale investments	19	–	38,292
Held-for-trading investments	20	471	80,291
Amounts due from fellow subsidiaries	21	309	6,704
Amount due from ultimate holding company	21	342	697
Bank balances and cash	22	374,536	870,461
		<u>397,138</u>	<u>1,028,060</u>
<b>Current liabilities</b>			
Accounts payable	25	6,466	15,042
Other payables and accrued liabilities		12,347	19,409
Deferred revenue		20,246	12,321
Tax liabilities		5,125	6,417
Amounts due to fellow subsidiaries	21	–	8,634
		<u>44,184</u>	<u>61,823</u>
<b>Net current assets</b>		<u>352,954</u>	<u>966,237</u>
<b>Total assets less current liabilities</b>		<u>464,433</u>	<u>1,151,485</u>
<b>Capital and reserves</b>			
Share capital	23	1,072	426,534
Share premium and reserves		463,361	724,951
<b>Total equity</b>		<u>464,433</u>	<u>1,151,485</u>

The consolidated financial statements on pages 29 to 82 were approved and authorised for issue by the board of directors on 22 March 2010 and are signed on its behalf by:

**Cheng Loi**  
DIRECTOR

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000 (note b)	Capital reserve HK\$'000 (note b)	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000 (note c)	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2008	438,114	1,020,109	-	(31,193)	(10,336)	110	24,123	36,262	52,493	211,398	1,741,080
Loss for the year	-	-	-	-	-	-	-	-	-	(26,776)	(26,776)
Other comprehensive income for the year	-	-	-	-	17,971	-	-	13,863	-	-	31,834
Total comprehensive income for the year	-	-	-	-	17,971	-	-	13,863	-	(26,776)	5,058
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	-	6,535	-	6,535
Dividends (note 13)	-	(577,137)	-	-	-	-	-	-	-	-	(577,137)
Repurchase of shares	(11,580)	(12,471)	-	-	-	11,580	-	-	-	(11,580)	(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
Profit for the year	-	-	-	-	-	-	-	-	-	19,352	19,352
Other comprehensive expense for the year	-	-	-	-	(1,011)	-	-	(9,489)	-	-	(10,500)
Total comprehensive income for the year	-	-	-	-	(1,011)	-	-	(9,489)	-	19,352	8,852
Recognition of equity-settled share-based payments	-	-	-	-	-	-	-	-	2,076	-	2,076
Shares issued upon exercises of share options	2,161	775	-	-	-	-	-	-	-	-	2,936
Transfer to share premium upon exercise of share options	-	317	-	-	-	-	-	-	(317)	-	-
Capital reduction (note a)	(427,623)	-	427,623	-	-	-	-	-	-	-	-
Dividends (note 13)	-	(392,256)	(308,660)	-	-	-	-	-	-	-	(700,916)
At 31 December 2009	1,072	39,337	118,963	(31,193)	6,624	11,690	24,123	40,636	60,787	192,394	464,433

Note a: Pursuant to the approval of the Grand Court of the 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 19 June 2009. A credit of HK\$427,623,000 arising from the Capital Reduction was transferred to the capital reserve account.

Note b: Under the Companies Law of the Cayman Islands (2009 Revision as amended from time to time), the share premium and capital reserve of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Note c: 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. No such transfer was made during both years.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK\$'000	2008 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit (loss) for the year	19,352	(26,776)
Adjustments for:		
Income tax expense	2,840	3,336
Depreciation of plant and equipment	2,859	5,871
Gain on disposal of available-for-sale investments	(7,312)	–
Gain on held-for-trading investments	(1,220)	(193)
Impairment losses	1,844	59,447
Interest income on available-for-sale investments	(4,972)	(23,642)
Loss on disposal of plant and equipment	54	61
(Gain) loss on deregistration of subsidiaries	(10,435)	1,298
Other interest income	(4,142)	(33,154)
Share-based payments expense	2,076	6,535
	<u>944</u>	<u>(7,217)</u>
Operating cash flows before movements in working capital		
Movements in working capital		
Decrease (increase) in accounts receivable	7,900	(5,264)
Decrease in prepayments, deposits and other receivables	793	3,969
Decrease (increase) in held-for-trading investments	81,040	(75,573)
(Decrease) increase in accounts payable	(8,528)	5,101
Decrease in other payables and accrued liabilities	(7,023)	(2,173)
Increase in deferred revenue	7,969	9,363
	<u>83,095</u>	<u>(71,794)</u>
Cash generated from (used in) operations		
PRC and Singapore taxes paid	(3,430)	(4,015)
PRC and Singapore taxes refund	8	1,212
	<u>79,673</u>	<u>(74,597)</u>
<b>NET CASH GENERATED BY (USED IN) OPERATING ACTIVITIES</b>		
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of available-for-sale investments	127,283	–
Interest received	4,777	21,646
Proceeds from repayment of available-for-sale investments	2,537	12,548
Proceeds from disposal of plant and equipment	98	42
Purchases of available-for-sale investments	(9,562)	(88,414)
Purchases of plant and equipment	(1,631)	(1,681)
Decrease (increase) in amounts due from fellow subsidiaries	6,411	(3)
Decrease in amounts due from ultimate holding company	357	–
Proceeds from repayment of note receivable	–	468,000
Proceeds from maturity of available-for-sale investments	–	343,200
Interest received from note receivable	–	35,100
Interest received on available-for-sale investments	–	21,271
	<u>130,270</u>	<u>811,709</u>
<b>NET CASH GENERATED BY INVESTING ACTIVITIES</b>		

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
FINANCING ACTIVITIES		
(Decrease) increase in amounts due to fellow subsidiaries	<b>(8,586)</b>	321
Dividends paid	<b>(700,916)</b>	(577,137)
Proceeds from issue of share capital	<b>2,936</b>	–
Repurchase of shares	–	(24,051)
	<hr/>	<hr/>
NET CASH USED IN FINANCING ACTIVITIES	<b>(706,566)</b>	(600,867)
	<hr/>	<hr/>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<b>(496,623)</b>	136,245
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<b>870,461</b>	724,331
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<b>698</b>	9,885
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, representing bank balances and cash	<b>374,536</b>	870,461
	<hr/>	<hr/>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 1. GENERAL

The Company is a public 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 operation of portal sites, the provision of content and internet services, advertising services through the internet and travel magazines, event organising services and magazine publication. The Group was also engaged in the provision of mobile services and applications which was discontinued in the current year (see note 10).

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 new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising On Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HK (IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK (IFRIC) – Int 13	Customer Loyalty Programmes
HK (IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK (IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK (IFRIC) – Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

In addition, in the current year, the Group has elected to early adopt the amendment to HKFRS 5 as part of Improvement to HKFRSs 2009 (adopted in advance of effective date of 1 January 2010).

Except as described below, the adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – CONTINUED****HKAS 1 (Revised 2007) Presentation of Financial Statements**

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

**HKFRS 8 Operating Segments**

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group’s reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

**Improving Disclosures about Financial Instruments****(Amendments to HKFRS 7 Financial Instruments: Disclosures)**

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

**Early adoption of Amendment to HKFRS 5 as part of Improvement to HKFRSs 2009**

The amendment has clarified that HKFRS 5 has specified the disclosures required in respect of disposal groups classified as discontinued operations. Disclosures requirements in other HKFRSs do not generally apply to such disposal groups.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments of HKFRS 5 as part of Improvement to HKFRSs 2008 <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009, except for amendment to HKFRS 5 <sup>2</sup>
HKAS 24 (Revised)	Related Party Disclosures <sup>6</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>1</sup>
HKAS 32 (Amendment)	Classification of Rights Issues <sup>4</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>1</sup>
HKFRS 1 (Revised)	First-time Adopters of Hong Kong Financial Reporting Standards <sup>1</sup>
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>3</sup>
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>1</sup>
HKFRS 9	Financial Instruments <sup>7</sup>
HK (IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement <sup>6</sup>
HK (IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>1</sup>
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2013

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – CONTINUED

The application of HKFRS 3 (Revised) may affect the Group’s accounting for business combination for which the acquisition dates are on or after 1 January 2010. HKAS 27 (Revised) will affect the Group’s accounting treatment for changes in the Group’s ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of Group’s financial assets.

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 consolidated financial statements.

### 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 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 statement of comprehensive income 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Business combinations – continued**

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.

#### **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 is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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 profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

#### **Revenue recognition**

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

Revenue from internet portal and travel 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Revenue recognition – continued

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

Interest income from a financial asset 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 on initial recognition.

#### Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated 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 profit or loss in the period 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.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

#### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Foreign currencies – continued**

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 end of the reporting period. 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 the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the 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 statement of comprehensive income 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 end of the reporting period.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which it is able to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### **Taxation – continued**

Deferred tax assets and liability are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

#### **Impairment losses on tangible assets**

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 consolidated statement of financial position 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 or 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments except for financial assets at FVTPL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Financial instruments – continued***Financial assets – continued*

## Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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 or interest 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. 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) 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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on 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, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

## Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Financial instruments – continued

##### *Financial assets – continued*

##### Impairment of financial assets – continued

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 accounts receivable, 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 an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve. 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.

##### 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 (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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED****Financial instruments – continued***Financial liabilities and equity – continued***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 equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the 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 profit or loss 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 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.

#### Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of cash generating units to which goodwill has been allocated. The recoverable amounts have been determined either based on value-in-use calculations or the cash-generating units' fair value less costs to sell. Details of the calculation are disclosed in note 17.

#### Impairment of available-for-sale financial assets

For the private equity funds disclosed in note 19(c), the ranges of reasonable fair value estimates is significant and the fair value cannot be measured reliably, therefore they are measured at cost less impairment. Management judgment is required in determining the impairment loss, if any. In assessing the private equity funds with carrying amount of HK\$95,618,000 (2008: HK\$86,056,000), management takes into account the investment's financial performance (including such factors as earnings trends, dividend payments, asset quality and specific events), the near term prospects of the investment, the current and expected financial condition of the investment's issuer. Any change in these estimates may result in impairment loss.

### 5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2009 HK\$'000	2008 HK\$'000
Travel media	66,587	77,784
Internet portal	28,373	28,939
	94,960	106,723

### 6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments by the types of services provided. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 6. SEGMENT INFORMATION – CONTINUED

In prior years, segment information reported externally was analysed on the basis of the types of services provided by the Group's operating divisions (i.e. (1) mobile services and applications and (2) internet and media). However, information reported to the chief operating decision maker, the Chief Executive Officer of the Company, is more specifically focused on the category of customer for each type of services. The Group's operating and reportable segments under HKFRS 8 are therefore as follows:

1. Travel media
2. Internet portal
3. Mobile services and applications

The Group was involved in the provision of mobile services and applications. That operation was discontinued from the third quarter of 2009 (segment revenue and results are disclosed in note 10).

Information regarding the above segments relating to continuing operations is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

**Segment revenues and results**

The following is an analysis of the Group's revenues and results by reportable segment:

*Continuing operations*

	Segment revenue		Segment profit (loss)	
	Year ended 31 December		Year ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Travel media	66,587	77,784	11,772	14,327
Internet portal	28,373	28,939	(8,051)	(10,885)
	<b>94,960</b>	106,723	<b>3,721</b>	3,442

**Reconciliation of segment results to profit (loss) before tax**

Segment profit	3,721	3,442
Gain (loss) on deregistration of subsidiaries	10,435	(440)
Investment and other income	16,077	53,487
Impairment loss on available-for-sale investments	–	(53,037)
Central administration costs	(11,536)	(17,978)
Profit (loss) before tax	<b>18,697</b>	(14,526)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in either year.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 6. SEGMENT INFORMATION – CONTINUED

**Segment revenues and results – continued**

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of investment and other income and expenses, central administration costs, directors' salaries, gain (loss) on deregistration of subsidiaries and impairment loss on financial assets. Included in investment and other income consists of interest income, gain on disposal of available-for-sale investments and gain on held-for-trading investments. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

**Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2009 HK\$'000	2008 HK\$'000
<b>Segment assets</b>		
Travel media	56,971	56,893
Internet portal	33,563	30,902
Total segment assets for continuing operations	90,534	87,795
Assets relating to discontinued operation	226	4,181
Unallocated bank balances and cash	306,113	815,919
Available-for-sale investments	108,690	217,675
Held-for-trading investments	471	80,291
Others	2,583	7,447
Consolidated assets	508,617	1,213,308
<b>Segment liabilities</b>		
Travel media	21,198	25,422
Internet portal	16,985	18,752
Total segment liabilities for continuing operations	38,183	44,174
Liabilities relating to discontinued operation	3,146	10,148
Others	2,855	7,501
Consolidated liabilities	44,184	61,823

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated bank balances and cash, available-for-sale investments, held-for-trading investments and assets used jointly by reportable segments.
- all liabilities are allocated to reportable segments other than liabilities for which reportable segments are jointly liable.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 6. SEGMENT INFORMATION – CONTINUED

## Other segment information

Continuing operations

	Depreciation and amortisation		Additions to non-current assets*	
	Year ended 31 December		Year ended 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Travel media	636	618	1,417	196
Internet portal	1,713	3,080	214	1,485
	<b>2,349</b>	<b>3,698</b>	<b>1,631</b>	<b>1,681</b>

Amounts included in the measure of segment profit or loss or segment assets:

\* Non-current assets excluding those relating to mobile services and applications and excluding financial instruments and deferred tax assets.

## Geographical information

The Group's operations are mainly located in Singapore (mainly travel media services) and the PRC (mainly internet portal services).

The Group's revenue from continuing operations from external customers and information about its non-current assets\* by geographical location are detailed below:

	Revenue from customers		Non-current assets	
	Year ended 31 December		At 31 December	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Singapore	66,587	77,784	1,058	277
The PRC	28,373	28,939	1,723	3,365
	<b>94,960</b>	<b>106,723</b>	<b>2,781</b>	<b>3,642</b>

\* Non-current assets excluding those relating to mobile services and applications and excluding financial instruments and deferred tax assets.

## Information about major customers

Included in revenues arising from operation of portal sites of HK\$28,373,000 (2008: HK\$28,939,000) are revenues of approximately HK\$3,780,000 (2008: HK\$2,523,000) which arose from sales to the Group's largest customer (the internet portal segment).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 7. IMPAIRMENT LOSSES

	2009 HK\$'000	2008 HK\$'000
<i>Continuing operations</i>		
Impairment loss on available-for-sale investments	–	53,037
Impairment loss recognised on accounts receivable	678	1,568
	<u>678</u>	<u>54,605</u>

## 8. INCOME TAX EXPENSE

	2009 HK\$'000	2008 HK\$'000
<i>Continuing operations</i>		
Current tax:		
Singapore	1,934	2,655
The PRC	–	695
	<u>1,934</u>	<u>3,350</u>
Under provision in prior years:		
The PRC	181	629
	<u>2,115</u>	<u>3,979</u>
Deferred tax charge (credit)		
Current year	725	(678)
	<u>2,840</u>	<u>3,301</u>

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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 8. INCOME TAX EXPENSE – CONTINUED

The tax charge for the year can be reconciled to the profit (loss) per the consolidated statement of comprehensive income as follows:

## Year ended 31 December 2009

	The PRC HK\$'000	Hong Kong HK\$'000	Singapore HK\$'000	Total HK\$'000
(Loss) profit before tax from continuing operations	(7,542)	14,461	11,778	18,697
Statutory tax rate	25%	16.5%	17%	
Tax (credit) charge at the statutory tax rate	(1,886)	2,386	2,002	2,502
Tax effect of income not taxable for tax purposes	–	(3,080)	(69)	(3,149)
Tax effect of expenses not deductible for tax purposes	42	3,345	–	3,387
Tax effect of tax losses not recognised	2,570	–	–	2,570
Utilisation of tax loss previously not recognised	–	(2,651)	–	(2,651)
Under provision in respect of prior years	181	–	–	181
Tax expense relating to continuing operations	907	–	1,933	2,840

## Year ended 31 December 2008

	The PRC HK\$'000	Hong Kong HK\$'000	Singapore HK\$'000	Total HK\$'000
(Loss) profit before tax from continuing operations	(15,879)	(13,404)	14,757	(14,526)
Statutory tax rate	25%	16.5%	18%	
Tax (credit) charge at the statutory tax rate	(3,970)	(2,212)	2,656	(3,526)
Tax effect of income not taxable for tax purposes	(1,600)	(9,504)	(230)	(11,334)
Tax effect of expenses not deductible for tax purposes	498	9,446	228	10,172
Tax effect of tax losses not recognised	5,774	2,395	–	8,169
Utilisation of tax loss previously not recognised	(684)	(125)	–	(809)
Under provision in respect of prior years	629	–	–	629
Tax expense relating to continuing operations	647	–	2,654	3,301

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 9. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

	2009 HK\$'000	2008 HK\$'000
Profit (loss) for the year from continuing operations has been arrived at after charging (crediting):		
Depreciation of plant and equipment	2,349	3,698
Staff costs (including directors' emoluments)	28,518	40,182
Retirement benefits scheme contributions	2,922	3,300
Total staff costs	31,440	43,482
Auditors' remuneration	1,285	1,875
Gain on disposal of available-for-sale investments (included in other income)	(7,312)	–
Gain on held-for-trading investments (included in other income)	(1,220)	(193)
(Gain) loss on deregistration of subsidiaries (included in other (income) expenses)	(10,435)	440
Interest income on available-for-sale investments (included in other income)	(4,972)	(23,642)
Loss (gain) on disposal of plant and equipment (included in other expenses (income))	54	(6)
Net foreign exchange loss	4,266	3,074
Other interest income (included in other income)	(2,573)	(29,646)

## 10. DISCONTINUED OPERATION

**Close down of mobile services and applications operation**

The Group's mobile services and applications operation has been suffering loss since the year ended 31 December 2006. The board of directors of the Company sees no reasonable instance where this operation may turn profitable in the foreseeable future. In view of this, on 4 February 2008, the board of directors passed an unanimous written consent that it was desirable and in the best interests of the Group to scale down the mobile services and applications operation. The closing down was completed in the third quarter of 2009, in which the outstanding services obligations had been completed.

**Analysis of profit (loss) for the year from discontinued operation**

The combined results of the discontinued operation (i.e. mobile services and applications segment) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative profit (loss) and cash flows from discontinued operation have been re-presented to include those operations classified as discontinued in the current year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 10. DISCONTINUED OPERATION – CONTINUED

	2009 HK\$'000	2008 HK\$'000
Profit (loss) for the year from discontinued operation		
Revenue	43	9,515
Cost of sales	(175)	(5,372)
Gross (loss) profit	(132)	4,143
Other income	4,871	3,508
Selling and distribution expenses	143	(481)
Administrative expenses	(221)	(10,318)
Impairment losses	(1,166)	(4,842)
Other expenses	–	(924)
Profit (loss) before taxation	3,495	(8,914)
Income tax expenses	–	(35)
Profit (loss) for the year from discontinued operation (attributable to owners of the Company)	<u>3,495</u>	<u>(8,949)</u>
Profit (loss) for the year from discontinued operation include the following:		
Auditors' remuneration	80	301
Depreciation and amortisation	510	2,173
Impairment loss on plant and equipment	971	–
Impairment loss on accounts receivable	195	4,842
Cash flows from discontinued operation		
Net cash outflows from operating activities	(28,930)	(5,038)
Net cash inflows from investing activities	1,569	3,527
Net cash outflows	<u>(27,361)</u>	<u>(1,511)</u>

Revenue and profit (loss) before taxation represent the segment revenue and profit (loss) from discontinued operation respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**11. DIRECTORS' EMOLUMENTS**

The emoluments paid or payable to each of the 10 (2008: 11) directors were as follows:

**Year ended 31 December 2009**

	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
Executive directors:					
Mr. Yip Hak Yung, Peter	–	1,209	20	–	1,229
Dr. Cheng Loi	–	86	–	–	86
	–	1,295	20	–	1,315
Independent non-executive directors:					
Mr. Wong Sin Just	–	15	195	–	210
Mr. Wang Cheung Yue, Fred	–	58	156	–	214
Dr. Lam Lee G.	–	–	176	–	176
Mr. Anson Wang	–	–	78	–	78
Mr. Li On-kwok, Victor	–	–	78	–	78
	–	73	683	–	756
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	78	98	–	176
Mr. Fang Xin (note a)	–	6	–	–	6
Mr. Mao Hongcheng (note b)	–	–	–	–	–
	–	84	98	–	182
	–	1,452	801	–	2,253

Notes:

- Resigned as non-executive director during the year ended 31 December 2009.
- Appointed as non-executive director during the year ended 31 December 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 11. DIRECTORS' EMOLUMENTS – CONTINUED

Year ended 31 December 2008

	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
Executive directors:					
Mr. Yip Hak Yung, Peter	–	4,566	20	–	4,586
Dr. Chen Xiao Wei (note a)	269	–	–	–	269
Dr. Cheng Loi (note b)	–	113	–	–	113
	269	4,679	20	–	4,968
Independent non-executive directors:					
Mr. 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

Notes:

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2009, nil (2008: 1,118,195) 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 27.

During the year ended 31 December 2009, 20,000 (2008: 6,234,999) 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, 6,834,999 (2008: 6,044,999) CDC Share Options were held by Asia Pacific On-line Limited ("APOL"), a company owned by the spouse of Mr. Yip Hak Yung, Peter, and a trust established for the benefit of Mr. Yip's children.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 11. DIRECTORS' EMOLUMENTS – CONTINUED

During the year ended 31 December 2009, 37,000 (2008: 220,000) stock appreciation rights to subscribe for Class A common shares in the capital of CDC Corporation (“SARs”) were granted by CDC Corporation to certain directors of the Company under a stock appreciation rights plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the SARs to receive an amount equal to the excess, if any, of the fair market value of one share on the date of exercise of the SARs over the exercise price, subject to certain vesting provisions. Out of the SARs held by the directors, 165,000 (2008: 765,000) SARs were held by APOL.

During the year ended 31 December 2009, nil (2008: nil) shares options (the “CDC Software International Share Options”) to subscribe for common shares in CDC Software International Corporation, a fellow subsidiary of the Company, were granted by CDC Software International Corporation to certain directors of the Company under a stock option plan of CDC Software International Corporation in respect of the services of the directors to CDC Software International Corporation. Out of the CDC Software International Share Options held by the directors, nil (2008: nil) CDC Software International Share Options were held by APOL. CDC Software International Corporation was formerly known as CDC Software Corporation.

During the year ended 31 December 2009, nil (2008: 1,165,000) share options (the “CDC Games International Share Options”) to subscribe for common shares in CDC Games International Corporation, a fellow subsidiary of the Company were granted by CDC Games International Corporation to certain directors of the Company under a stock option plan of CDC Games International Corporation in respect of the services of the directors to CDC Games International Corporation. Out of the CDC Games International Share Options held by the directors, 900,000 (2008: 900,000) CDC Games Share Options were held by APOL. CDC Games International Corporation was formerly known as CDC Games Corporation.

During the year ended 31 December 2009, 367,084 (2008: nil) share options (the “CDC Software Share Options”) to subscribe for Class A ordinary shares in CDC Software Corporation, a fellow subsidiary of the Company 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, 299,084 (2008: nil) CDC Software Share Options were held by APOL. CDC Software Corporation was newly listed on NASDAQ on 6 August 2009.

No value in respect of the CDC Share Options, SARs, CDC Software International Share Options, CDC Games International or CDC Software Share Options granted during the year has been charged to the Group’s profit or loss, or is otherwise included in the above directors’ remuneration disclosures (2008: nil) because these share options or SARs were issued for services provided to CDC Corporation, CDC Software International Corporation, CDC Games International Corporation or CDC Software Corporation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 12. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid (2008: five) individuals were as follows:

	2009 HK\$'000	2008 HK\$'000
Salaries and other benefits	4,122	4,245
Retirement benefits scheme contributions	265	179
Share-based payments	1,397	1,240
	5,784	5,664

  

	2009 Number of employees	2008 Number of employees
HK\$Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	1	1
	5	5

## 13. DIVIDENDS

	2009 HK\$'000	2008 HK\$'000
Interim dividend declared and paid – HK\$1.00 per share (note c)	107,174	–
Special dividend declared and paid – HK\$3.66 per share (note b)	392,256	–
– HK\$1.88 per share (note d)	201,486	–
– HK\$5.34 per share (note a)	–	577,137
	700,916	577,137

Notes:

- a. On 27 June 2008, the Company declared a special dividend of HK\$5.34 per share to shareholders out of the Company's share premium. The dividend was paid in July 2008 totaling HK\$577,137,000.
- b. 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.
- c. On 10 August 2009, the Company declared an interim dividend of HK\$1.00 per share to shareholders out of the Company's capital reserve. The dividend was paid in September 2009 totaling HK\$107,174,000.
- d. On 15 October 2009, the Company declared a special dividend of HK\$1.88 per share to shareholders out of the Company's capital reserve. The dividend was paid in November 2009 totaling HK\$201,486,000.
- e. The directors do not recommend the payment of a final dividend for the year ended 31 December 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**14. EARNINGS (LOSS) PER SHARE****From continuing and discontinued operations**

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

	2009 HK\$'000	2008 HK\$'000
<b>Earnings</b>		
Profit (loss) for the year attributable to owners of the Company	<u>19,352</u>	(26,776)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<u>107,095</u>	108,319

The weighted average number of shares in 2008 had been adjusted for share consolidation (see note 23).

The calculation of diluted earnings (loss) per share does not assume the exercise of share options as the exercise prices of share options are higher than the average market price of Company's shares over the reporting period.

**From continuing operations**

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2009 HK\$'000	2008 HK\$'000
<b>Earnings</b>		
Profit (loss) for the year attributable to owners of the Company	19,352	(26,776)
Less: Profit (loss) from discontinued operation	<u>3,495</u>	(8,949)
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	<u>15,857</u>	(17,827)

The denominators used are the same as those detailed above for basic earnings (loss) per share.

The calculation of diluted earnings (loss) per share does not assume the exercise of share options as the exercise prices of share options are higher than the average market price of Company's shares over the reporting period.

**From discontinued operation**

Basic earnings per share for discontinued operation is HK cents 3.26 (2008: loss per share HK cents 8.26), based on the profit for the year from discontinued operation of HK\$3,495,000 (2008: a loss of HK\$8,949,000) and the denominators detailed above for basic earnings (loss) per share.

The calculation of diluted earnings (loss) per share does not assume the exercise of share options as the exercise prices of share options are higher than the average market price of Company's shares over the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 15. 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
<b>COST</b>						
At 1 January 2008	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
Exchange realignments	74	–	9	29	–	112
Additions	1,010	21	45	400	155	1,631
Disposals	(812)	–	–	(29)	(155)	(996)
Disposal of subsidiaries	–	(12)	–	–	–	(12)
At 31 December 2009	6,956	1,132	12,189	52,810	500	73,587
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2008	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
Exchange realignments	74	–	8	24	–	106
Provided during the year	672	66	223	1,799	99	2,859
Eliminated on disposals	(812)	–	–	(29)	(3)	(844)
Impairment loss recognised	–	14	775	182	–	971
Released upon disposal of subsidiaries	–	(6)	–	–	–	(6)
At 31 December 2009	6,533	1,064	11,996	51,158	497	71,248
<b>CARRYING VALUES</b>						
At 31 December 2009	423	68	193	1,652	3	2,339
At 31 December 2008	85	133	1,145	3,228	99	4,690

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 $\frac{1}{3}$ % – 50%
Furniture and fixtures	20% – 33 $\frac{1}{3}$ %
Office equipment	20% – 33 $\frac{1}{3}$ %
Computer equipment and software	33 $\frac{1}{3}$ %
Motor vehicles	20% – 33 $\frac{1}{3}$ %

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 16. GOODWILL

	HK\$'000
COST AND CARRYING VALUES	
At 1 January 2008, 31 December 2008 and 31 December 2009	<u>520,281</u>
IMPAIRMENT	
At 1 January 2008, 31 December 2008 and 31 December 2009	<u>(519,831)</u>
CARRYING VALUE	
At 31 December 2009	<u>450</u>
At 31 December 2008	<u>450</u>

## 17. IMPAIRMENT TESTING ON GOODWILL

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:

	2009 HK\$'000	2008 HK\$'000
Internet portal	450	450
Travel media	<u>31,193</u>	<u>31,193</u>
	<u>31,643</u>	<u>31,643</u>
Included in:		
Assets	450	450
Reserves	<u>31,193</u>	<u>31,193</u>
	<u>31,643</u>	<u>31,643</u>

**Internet portal**

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 20% (2008: 21%). Cash flows beyond the one-year period are extrapolated using growth rates of 25% for 2010 and 8% to 15% for 2011 to 2014 (2008: 10% to 15%) 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.

**Travel 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 20% (2008: 21%). Cash flows beyond the one-year period are extrapolated using growth rates of 5% to 11% (2008: 10% to 15%) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 18. ACCOUNTS RECEIVABLE

	2009 HK\$'000	2008 HK\$'000
Accounts receivable	29,477	37,567
Less: Allowance for bad and doubtful debts	(14,509)	(13,888)
	14,968	23,679

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 accounts receivable net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2009 HK\$'000	2008 HK\$'000
Within 90 days	13,794	20,561
91 – 120 days	92	605
121 – 180 days	246	2,091
Over 180 days	836	422
	14,968	23,679

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 78% 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\$3,267,000 (2008: HK\$6,032,000) 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 108 days (2008: 111 days).

**Ageing of trade receivables which are past due but not impaired**

	2009 HK\$'000	2008 HK\$'000
Within 90 days	2,139	2,914
91 – 120 days	46	605
121 – 180 days	246	2,091
Over 180 days	836	422
	3,267	6,032

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**18. ACCOUNTS RECEIVABLE – CONTINUED****Movement in the allowance for bad and doubtful debts**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Balance at beginning of the year	<b>(13,888)</b>	(11,724)
Impairment loss recognised on receivables	<b>(873)</b>	(6,410)
Amounts written off as uncollectible	<b>388</b>	4,941
Exchange realignment	<b>(136)</b>	(695)
	<b>(14,509)</b>	(13,888)

An impairment loss of HK\$873,000 has been provided for the year ended 31 December 2009 (2008: HK\$6,410,000) since the Group does not consider the amount will be collectible. The amount included HK\$195,000 (2008: HK\$4,842,000) provided for discontinued operation (i.e. mobile services and applications segment).

**19. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments comprise:

	Notes	<b>2009</b>	2008
		<b>HK\$'000</b>	HK\$'000
Listed investments:			
– Equity securities listed outside Hong Kong	a	<b>13,072</b>	6,448
Unlisted securities:			
– Investment in principal protected structured finance investments	b	–	125,171
– Equity interest in private equity funds	c	<b>95,618</b>	86,056
		<b>95,618</b>	211,227
Total		<b>108,690</b>	217,675
Analysed for reporting purposes as:			
– Current assets		–	38,292
– Non-current assets		<b>108,690</b>	179,383
		<b>108,690</b>	217,675

Notes:

- (a) The Group holds approximately a 0.7% (2008: 0.7%) equity interest in the Company's ultimate holding company, CDC Corporation. CDC Corporation is a global provider of enterprise software, internet and media services and development and operation of online games.

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 in 2008, the Group recorded an impairment loss of HK\$31,837,000 for the year ended 31 December 2008. The directors of the Company did not consider impairment loss was necessary for the year ended 31 December 2009. Due to increase in fair value, the Group recognised a fair value gain of HK\$6,624,000 in other comprehensive income in 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 19. AVAILABLE-FOR-SALE INVESTMENTS – CONTINUED

Notes: – continued

- (b) 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 in 2008, the Group recorded an impairment loss of HK\$21,200,000 for the year ended 31 December 2008.

In 2009, the two principal protected structured finance investments were disposed of at an aggregate consideration of HK\$88,283,000, resulting in a gain of HK\$7,312,000.

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 was highly liquid and was traded on a secondary market of the banks. The investment could be redeemed at any point at its market value with a 3-day settlement period. The investment was stated at fair value of HK\$38,292,000 at 31 December 2008, which was 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 amounting to HK\$39,000,000.

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

	2009 HK\$'000	2008 HK\$'000
New Horizon Capital, L.P. ("New Horizon")	88,400	78,838
Greycroft Partners, L.P. ("Greycroft")	7,218	7,218
	<u>95,618</u>	<u>86,056</u>

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, including the general partner's commitment of HK\$39,000,000. In May 2007, the Group signed the subscription document indicating its total capital commitment to the fund is HK\$109,200,000, representing 2.8% of the partnership interest. The Group had contributed HK\$88,400,000 as at 31 December 2009 (2008: HK\$78,838,000). The remaining commitment is HK\$20,800,000 (2008: HK\$30,362,000). 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 including the general partner's commitment of HK\$31,278,000. The Group signed the subscription document indicating its total capital commitment to the fund is HK\$7,800,000, representing 1.3% of the partnership interest. The Group had contributed HK\$7,800,000 as at 31 December 2009 and 2008. The Group had no further capital commitment to this fund at 31 December 2009 and 2008. No capital distribution from the fund was received for the year ended 31 December 2009 (2008: HK\$512,000).

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 the end of the reporting period because 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**20. HELD-FOR-TRADING INVESTMENTS**

Held-for-trading investments include:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Listed securities:		
– Equity securities listed in US	<b>471</b>	800
Unlisted securities:		
– Investment in money-market fund	–	79,491
	<b>471</b>	80,291

During the year ended 31 December 2009, the Group recognised a gain of HK\$794,000 (2008: a loss of HK\$1,298,000) for the listed securities in the consolidated statement of comprehensive income.

In March and April 2008, the Group made an investment of HK\$78,000,000 in a money-market fund. The fund invested in a diversified portfolio of short-term fixed income securities, debt securities and money market instruments that had a residual maturity of less than 12 months. The fund was redeemable on a daily basis. The investment was stated at fair value, which was determined by reference to quoted market bid price. During the year ended 31 December 2009, no unrealised gain or loss (2008: an unrealised gain of HK\$1,491,000) was recognised in the consolidated statement of comprehensive income. In August 2009, the money-market fund was redeemed at HK\$79,917,000 and recognised a gain on disposal of HK\$426,000 (2008: nil).

**21. 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.

**22. 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 2% (2008: 1% to 4%) per annum. As at 31 December 2009, bank balances and cash amounting to HK\$131,402,000 and HK\$36,849,000 were denominated in Renminbi and Singapore dollars, functional currency of the relevant group entities, respectively (2008: HK\$155,912,000 and HK\$25,823,000 respectively).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 23. SHARE CAPITAL

	Number of shares		Share capital	
	2009 After Capital Reduction	2008 Before Capital Reduction	2009 After Capital Reduction HK\$'000	2008 Before Capital Reduction HK\$'000
Ordinary shares of HK\$0.01 each after Capital Reduction or HK\$4.00 each before Capital Reduction Authorised	<b>250,000,000</b>	250,000,000	<b>2,500</b>	1,000,000
Issued and fully paid:				
At beginning of the year	<b>106,633,482</b>	109,528,482	<b>426,534</b>	438,114
Repurchase of shares	-	(2,895,000)	-	(11,580)
Exercise of share options (before Capital Reduction)	<b>540,160</b>	-	<b>2,161</b>	-
Capital reduction	-	-	<b>(427,623)</b>	-
At end of the year	<b>107,173,642</b>	106,633,482	<b>1,072</b>	426,534

Pursuant to the approval of the Grand Court of the 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 19 June 2009. A credit of HK\$427,623,000 arising from the Capital Reduction was transferred to the capital reserve account.

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

Month of repurchase		No. of ordinary shares		Average price per share		Total paid HK\$'000
		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\$	
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
						<u>24,051</u>

The above shares were cancelled upon repurchase. No such repurchase occurred in 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**24. DEFERRED TAXATION**

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

	<b>Accelerated tax depreciation</b> HK\$'000	<b>Doubtful debts</b> HK\$'000	<b>Others</b> HK\$'000	<b>Total</b> HK\$'000
At 1 January 2008	(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
Credit (charge) to profit for the year	–	(832)	107	(725)
At 31 December 2009	–	–	–	–

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

	<b>2009</b> <b>HK\$'000</b>	2008 HK\$'000
Deferred tax assets	–	725

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK\$936,000 (31 December 2008: HK\$905,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, the Group had unused tax losses arising in the PRC of HK\$87,189,000 (2008: HK\$76,910,000) and in Hong Kong of HK\$175,123,000 (2008: HK\$191,190,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**25. ACCOUNTS PAYABLE**

The following is an aged analysis of accounts payable presented based on the invoice date at the end of the reporting period:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>6,009</b>	10,796
91 – 120 days	<b>50</b>	104
121 – 180 days	<b>60</b>	133
Over 180 days	<b>347</b>	4,009
	<hr/> <b>6,466</b>	<hr/> 15,042

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.

**26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT****(a) Categories of financial instruments**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
<b>Financial assets</b>		
Held-for-trading investments	<b>471</b>	80,291
Loans and receivables (including cash and cash equivalents)	<b>390,155</b>	901,541
Available-for-sale investments	<b>108,690</b>	217,675
	<hr/> <b>9,817</b>	<hr/> 29,851
<b>Financial liabilities</b>		
Liabilities measured at amortised cost	<b>9,817</b>	29,851

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, accounts receivable, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 26. 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 58% (2008: 54%) 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 2009 was HK\$34,045,000 and HK\$8,537,000 (2008: HK\$92,505,000 and HK\$15,601,000) respectively. This would be the Group's concentration of foreign currency risk.

The sensitivity analysis below has been determined based on the exposure to a 5% (2008: 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 profit for the year ended 31 December 2009 would be increased by HK\$1,116,000 (2008: post-tax loss reduced by HK\$3,372,000). 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.

##### 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 2% per annum (2008: 1% to 4%). 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. Such investment was disposed during year 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

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

## (i) Market risk – continued

## Other price risk

The Group is exposed to other price risk through its available-for-sale investments and held-for-trading investments. As at 31 December 2009, management manages this exposure by maintaining a portfolio of investments with different risk and return profiles, as detailed in notes 19 and 20.

The sensitivity analysis below has been determined based on the exposure of investments other than equity interest in private equity funds which are measured at cost less impairment as fair value of private equity funds cannot be measured reliably. If the price of the respective investment had been 5% higher/lower:

- post-tax profit for the year ended 31 December 2009 would increase/decrease by HK\$24,000 (2008: post-tax loss would decrease/increase by HK\$4,015,000). This is mainly due to the changes in fair value of held-for-trading investments; and
- investment revaluation reserve for the year ended 31 December 2009 would increase/decrease by HK\$654,000 (2008: HK\$322,000) as a result of the increase/decrease in fair value of listed available-for-sales investments. Post-tax loss of 2008 would decrease/increase by HK\$322,000 due to changes in impairment loss on the listed available-for-sales investments; and
- post-tax loss for the year ended 31 December 2008 would decrease/increase by HK\$4,344,000 and investment revaluation reserve would increase/decrease by HK\$1,915,000 as a result of increase/decrease in fair value of principal protected structured finance investments; whereas investment revaluation reserve would increase/decrease by HK\$6,259,000 for the year ended 31 December 2008 as the fair value of principal protected structured finance investments increase/decrease. In 2009, these investments were disposed of.

## (ii) Credit risk

As at 31 December 2009, 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 recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management reviews the recoverable amount of each individual accounts receivable at the end of the reporting period 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 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 27% (2008: 23%) of the Group's total accounts receivable. In order to minimise 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

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

## (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.

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 in accordance with agreed repayment terms. The tables include 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
<b>2009</b>						
Accounts payable	6,466	–	–	–	6,466	6,466
Other payables	3,351	–	–	–	3,351	3,351
	<b>9,817</b>	–	–	–	<b>9,817</b>	<b>9,817</b>
<b>2008</b>						
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
	<b>29,851</b>	–	–	–	<b>29,851</b>	<b>29,851</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 26. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

## (c) Fair value of financial instruments

The fair value of financial assets such as available-for-sales investments as described in notes 19(a) and 19(b) 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 that the private equity funds are stated at cost less impairment as detailed in note 19(c), management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

*Fair value measurements recognised in the consolidated statement of financial position*

At 31 December 2009, the held-for-trading investments and the available-for-sales investment as described in notes 19(a) are measured subsequent to initial recognition at fair value, grouped into Level 1 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## (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 maximising 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 2009 and 2008. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 27. 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 2009, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO Scheme and the 2002 Scheme was 282,500, 21,062 and 4,500,488 (31 December 2008: 299,500, 26,202 and 4,545,393), respectively, which represented approximately 4.48% (31 December 2008: 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**27. 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 within 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 2009, the remaining life of the Schemes is two months (2008: one year and two months) and the remaining life of the 2002 Scheme is two years and four months (2008: three years and four months).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

## Equity-settled share option scheme of the Company – continued

(i) Pre-IPO Scheme

## Year ended 31 December 2009

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK\$	Number of share options			
			At 1 January 2009	Forfeited during the year	Cancelled during the year	At 31 December 2009
Directors						
Ch'ien Kuo Fung, Raymond	9 March 2000	75.200	250,000	–	–	250,000
Wong Sin Just	9 March 2000	75.200	25,000	–	–	25,000
Other Eligible Persons						
In aggregate	9 March 2000	75.200	24,500	(17,000)	–	7,500
			299,500	(17,000)	–	282,500
Number of share options exercisable at the end of the year						282,500

## 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)		Number of share options				At 31 December 2008
		Before Share Consolidation HK\$	After Share Consolidation HK\$	At 1 January 2008		Forfeited during the year	Cancelled during the year	
				Before Share Consolidation	After Share Consolidation			
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

## Equity-settled share option scheme of the Company – continued

(ii) Post-IPO Scheme

Year ended 31 December 2009

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK\$	Number of share options			
			At 1 January 2009	Exercised during the year	Forfeited during the year	At 31 December 2009 (note d)
Employees						
In aggregate	24 November 2000 and 10 April 2001	11.440 and 20.720	24,650	–	(5,140)	19,510
Other Eligible Persons						
In aggregate	28 February 2002	13.880	1,552	–	–	1,552
			26,202	–	(5,140)	21,062
Number of share options exercisable at the end of the year						21,062

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)		Number of share options				
		Before Share Consolidation HK\$	After Share Consolidation HK\$	At 1 January 2008		Exercised during the year	Forfeited during the year	At 31 December 2008 (note d)
				Before Share Consolidation	After Share Consolidation			
Employees								
In aggregate	24 November 2000 and 10 April 2001	0.286 and 0.518	11.440 and 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

## Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme

Year ended 31 December 2009

Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK\$	Number of share options				At 31 December 2009	Price of Company's share (note c)
			At 1 January 2009	Granted during the year	Exercised during the year	Forfeited during the year		At exercise date of options HK\$
<b>Directors</b>								
Ch'ien Kuo Fung, Raymond	5 June 2003	25.040	100,000	–	–	–	100,000	
	10 October 2005	25.200	100,000	–	–	–	100,000	
Wong Sin Just	5 June 2003	25.040	62,500	–	–	–	62,500	
	15 September 2005	22.400	25,000	–	–	–	25,000	
Yip Hak Yung, Peter	5 June 2003	25.040	100,000	–	–	–	100,000	
	10 October 2005	25.200	100,000	–	–	–	100,000	
	3 January 2006	21.040	225,000	–	–	–	225,000	
	14 August 2006	17.800	5,983,912	–	–	–	5,983,912	
	19 August 2008	5.436	1,080,320 (note d) (note e)	–	(540,160) (note e)	–	540,160	2.750
Wang Cheung Yue, Fred	5 June 2003	25.040	50,000	–	–	–	50,000	
	15 September 2005	22.400	100,000	–	–	–	100,000	
Fang Xin (note f)	10 October 2005	25.200	25,000	–	–	(25,000)	–	
Cheng Loi	26 March 2008	11.000	37,500 (note h)	–	–	–	37,500	
	26 March 2008	11.000	375	–	–	–	375	
<b>Employees</b>								
In aggregate	24 February 2003	6.840	807	–	–	–	807	
	29 May 2003	28.640	1,614	–	–	–	1,614	
	22 December 2003	25.360	1,291	–	–	(1,291)	–	
	7 September 2004	20.400	2,294	–	–	(1,003)	1,291	
	26 November 2004	21.120	4,198	–	–	(4,198)	–	
	15 September 2005	22.400	65,000	–	–	(50,000)	15,000	
	3 January 2006	21.040	6,250	–	–	–	6,250	
	2 October 2007	17.160	11,250	–	–	(1,250)	10,000	
13 November 2007	17.160	12,500	–	–	(12,500)	–		
	26 March 2008	11.000	6,250	–	–	(6,250)	–	
<b>Other Eligible Persons</b>								
In aggregate	5 June 2003	25.040	16,250	–	–	–	16,250	
	15 September 2005	22.400	48,750	–	–	–	48,750	
	3 January 2006	21.040	400,000	–	–	(125,000)	275,000	
	25 August 2006	18.000	125,000 (note j)	–	–	–	125,000	
			8,691,061	–	(540,160)	(226,492)	7,924,409	
Number of share options exercisable at the end of the year							4,500,488	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

## Equity-settled share option scheme of the Company – continued

(iii) 2002 Scheme – continued

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)		At 1 January 2008		Number of share options			At 31 December 2008	Price of Company's share (note c)  At grant date of options HK\$
		Before Share	After Share	Before Share	After Share	Granted during the year	Exercised during the year	Forfeited during the year		
		Consolidation HK\$	Consolidation HK\$	Consolidation	Consolidation					
<b>Directors</b>										
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	-	-	-	5,983,912	
					(note d)					
	19 August 2008	N/A	5.436	-	-	1,080,320	-	-	1,080,320	5.410
									(note e)	
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 g)	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 g)	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 h)	26 March 2008	0.275	11.000	-	-	37,500	-	-	37,500	0.275
									(note i)	
	26 March 2008	0.275	11.000	-	-	375	-	-	375	0.275
<b>Employees</b>										
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
<b>Other Eligible Persons</b>										
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	-	-	-	125,000	
					(note j)					
				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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

### 27. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

**Equity-settled share option scheme of the Company – continued***(iii) 2002 Scheme – continued*

Notes: – continued

*(d) – continued*

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 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 recognised 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.

On 23 February 2009, 540,160 new ordinary shares of the Company were issued and allotted to Asia Pacific On-Line Limited (“APOL”) resulting from the exercise of 540,160 out of 1,080,320 options by APOL. On 22 April 2009, APOL sold 1,000 new ordinary shares of the Company. 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.

*(f) Resigned as directors during the year ended 31 December 2009.**(g) Resigned as directors during the year ended 31 December 2008.**(h) Appointed as executive director during the year ended 31 December 2008.**(i) 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.

*(j) 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.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED**

Details of specific categorised options are as follows:

**Pre-IPO Scheme**

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b> HK\$
9 March 2000	9 March 2001 to 8 March 2010	75.200

**Post-IPO Scheme**

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b> HK\$
24 November 2000	24 November 2001 to 23 November 2010	20.720
10 April 2001	10 April 2002 to 9 April 2011	11.440
28 February 2002	28 February 2003 to 27 February 2012	13.880

**2002 Scheme**

<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price</b> HK\$
24 February 2003	24 February 2004 to 23 February 2013	6.840
29 May 2003	29 May 2004 to 28 May 2013	28.640
5 June 2003	5 June 2004 to 4 June 2013	25.040
22 December 2003	22 December 2004 to 21 December 2013	25.360
7 September 2004	7 September 2005 to 6 September 2014	20.400
26 November 2004	26 November 2005 to 25 November 2014	21.120
15 September 2005	15 September 2006 to 14 September 2015	22.400
10 October 2005	10 October 2006 to 9 October 2015	25.200
23 November 2005	23 November 2006 to 22 November 2015	22.800
3 January 2006	3 January 2007 to 2 January 2016	21.040
1 July 2006	1 July 2007 to 30 June 2017	18.400
14 August 2006	As detailed in note d	17.800
25 August 2006	As detailed in note j	18.000
2 October 2007	2 October 2008 to 1 October 2017	17.160
13 November 2007	13 November 2008 to 12 November 2017	17.760
26 March 2008	26 March 2009 to 25 March 2018	11.000
19 August 2008	As detailed in note e	5.436

540,160 share options were exercised during the year ended 31 December 2009 (2008: nil) resulting in the issue of 540,160 (2008: nil) ordinary shares of the Company and new share capital of HK\$2,161,000 (2008: nil) and share premium of HK\$775,000 (2008: nil) (before issue expenses). As at 31 December 2009, the Company had in aggregate 8,227,971 (2008: 9,016,763) share options outstanding under the three schemes, which represented approximately 7.68% (2008: 4.57%) 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 8,227,971 (2008: 9,016,763) additional ordinary shares of the Company and additional share capital of approximately HK\$82,280 (2008: HK\$36,067,000) and share premium of approximately HK\$162,076,000 (2008: HK\$148,829,000) (before issue expenses).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**27. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED****2002 Scheme – continued**

During the year ended 31 December 2009, no option was granted. 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.

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

	<b>26 March 2008</b> <b>(before Share Consolidation)</b>	<b>19 August 2008</b> <b>(after Share Consolidation)</b>
Weighted average share price	HK\$0.275	HK\$5.410
Exercise price	HK\$0.275	HK\$5.436
Expected volatility	66.53%	69.08%
Expected life	5 years	5 years
Risk-free rate	1.95%	2.88%
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\$2,076,000 for the year ended 31 December 2009 (2008: HK\$6,535,000) in relation to share options granted by the Company.

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

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 9% (2008: 10%) of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, 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.

**28. CONTINGENT LIABILITIES**

In prior years, the Company's directors assessed a contingent tax liability amounting to HK\$110,000,000 that might arise from the disposal of certain subsidiaries in December 2006 and considered such contingent tax liability was possible and would be confirmed only when the Inland Revenue Department concluded that the gain arising from the disposal was taxable. During the year ended 31 December 2009, the Inland Revenue Department concluded that such gain was not taxable and therefore the Group had no contingent tax or other liability at 31 December 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**29. OPERATING LEASES****The Group as lessee**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Minimum lease payments paid under operating leases during the year in respect of office premises	<u>4,799</u>	<u>4,303</u>

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Within one year	5,695	2,047
In the second to the fifth year inclusive	<u>7,417</u>	<u>2,894</u>
	<u>13,112</u>	<u>4,941</u>

Operating leases relate to office premises with lease terms of between 1 month to 5 years (2008: 1 month to 5 years).

**30. COMMITMENTS**

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Commitment in respect of additional investments in a private equity fund (note 19(c))	<u>20,800</u>	<u>30,362</u>

**31. 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 profit or loss as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement benefits to its employees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

**32. RELATED PARTY TRANSACTIONS**

The Group entered into the following transactions with related parties:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Operating lease rentals in respect of office premises charged by a fellow subsidiary	72	313
Consultancy fee paid to a related company	<u>1,170</u>	–

In addition to the above transactions, during the years ended 31 December 2009 and 2008, 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 nil consideration (2008: HK\$Nil) and at an annual license fee of US\$1 (equivalent to HK\$8) (2008: HK\$8), respectively.

During the years ended 31 December 2009 and 2008, CDC Corporation, CDC Software International Corporation, CDC Games International Corporation and CDC Software Corporation granted CDC Share Options, SARs, CDC Software International Share Options, CDC Games International Share Options and CDC Software Share Options to certain directors, as disclosed in note 11, and certain employees of the Group. No value in respect of these options has been charged to the Group’s profit or loss because these options were granted to these directors and employees of the Group in respect of their services to CDC Corporation, CDC Software International Corporation, CDC Games International Corporation and CDC Software Corporation.

Details of balances with related parties at the end of the reporting period are set out in the consolidated statement of financial position and in note 21.

**Compensation of key management personnel**

The remuneration of key management consisting of directors and two employees (2008: directors and an employee) during the year was as follows:

	<b>2009</b>	2008
	<b>HK\$'000</b>	HK\$'000
Short-term benefits	3,487	1,614
Share-based payments	<u>1,461</u>	5,222
	<u>4,948</u>	6,836

The remuneration of key management consisting of directors and two employees (2008: directors and an employee) is determined by the remuneration committee having regard to the performance of individuals and market trends.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

## 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries at 31 December 2009 and 2008 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		
			2009 %	2008 %	2009 %	2008 %	
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 Ltd	Singapore	S\$100,000	-	-	100	100	Provision of advertising and event organising services and magazine publication
Beijing China.com Technology Services Co., Ltd (note a)	PRC	RMB10,000,000	-	-	100	100	Operation of a portal site, provision of content and Internet advertising services
Chinadotcom Communications Technology Development (Beijing) Limited (note b)	PRC	US\$850,000	-	-	100	100	Operation of a portal site, provision of content and Internet advertising services
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) This company is registered as a limited liability company under the PRC law. This company is accounted for as a subsidiary by virtue of the Group's control over its financial and operating policies, directly or indirectly, so as to obtain benefits from its activities.
- (b) This company is registered as a wholly-foreign owned enterprise under the PRC law.

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.

## 34. EVENTS AFTER THE REPORTING PERIOD

Effective from 5 March 2010, Mr. Yip Hak Yung, Peter was re-designated from vice-chairman and executive director to vice-chairman and non-executive director of the Company and Mr. Wong Kwong Chi was appointed as an executive director of the Company. On the same date, Mr. Wong Kwong Chi was appointed in replacement of Mr. Yip Hak Yung, Peter to act as the chief executive officer and authorised representative of the Company.