

# Third Quarterly Report 2011

The background features a vibrant, abstract design with overlapping, glowing lines in shades of green, yellow, and pink. A prominent circular graphic in the lower right quadrant consists of concentric, glowing rings and a central bright point, resembling a stylized globe or a data visualization.

## China.com Inc.

(Incorporated in the Cayman Islands with limited liability)

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

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*This report, for which the Directors (the “Directors”) of China.com Inc. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and no misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## CHAIRMAN'S STATEMENT


Below are some financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 30 September 2011:

- Revenue from continuing operations was HK\$29.6 million, up 23% year-on-year but down 5% quarter-on-quarter.
- Gross profit from continuing operations was HK\$17.2 million, up 26% year-on-year and down 3% quarter-on-quarter.
- Profit attributable to owners of the Company amounted to HK\$2.9 million, compared to HK\$0.3 million in the third quarter of 2010 and a loss of HK\$0.7 million in the second quarter of 2011.
- Earning per share (EPS) was HK cent 2.70, compared to HK cents 0.31 in the third quarter of 2010 and loss per share (LPS) of HK cents 0.61 in the second quarter of 2011.
- Our financial position remains strong, with a total amount of HK\$328.7 million of bank balances and cash and available-for-sale investments as of 30 September 2011.

During the third quarter, Portal has continued its focus on the Automobile channel and Webgame channel. We have secured new high-profile clients, including Nokia, Haier, People's Insurance Company of China, Procter & Gamble, Xerox and Xiamen Airlines. In August 2011, our Automobile channel organized its sixth annual car design contest. This competition was opened to all automotive design professionals, college students and automotive design amateurs, giving them a platform to showcase their talents and to interact with various automotive manufacturers and famous designers.

In July 2011, our Webgame channel participated and reported on the Eighth China (Changzhou) International Animation Fair in Changzhou. More than 250 companies participated in this event, including companies from the United States, Germany, Japan, Taiwan, Korea, and other countries. 53 cooperation projects were successfully reached during this event, with a total transaction value of approximately RMB4.15billion. We created a special feature to report up-to-date news of this event to our users, and received wide attention in the gaming community in China.

TTG has continued doing well in the third quarter with a couple of major events and special projects, namely the Singapore Gift & Stationery Show (SGSS), PATA Travel Mart (PTM) 2011 Dailies, Singapore Night Race Map as well as production of directories for Myanmar Marketing Research & Development Co., Ltd (MMRD). All these events have contributed to a better performance than last year.



The Group's investment in a China-focused private equity fund (PE fund) has been generating impressive returns. We have committed another US\$4million to subscribe to this private equity fund this quarter. We believe that this investment will continue to bring good cash flow to the Company and will enhance the Company's treasury yields.

The controlling shareholder of the Company (the "Controlling Shareholder"), namely CDC Corporation (NASDAQ: CHINA), has been involved in a litigation relating to the redemption right of its noteholder in which a judgment has recently been entered by the Supreme Court of the State of New York against the Controlling Shareholder in the sum of US\$65.4million. Subsequently, the Controlling Shareholder filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code in order to facilitate restructuring and restore its long-term financial health. The Company's Board of Directors confirms that the filing relates to the Controlling Shareholder only and the business and operation of the Group remain unaffected.

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

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

Hong Kong, 7 November 2011

## UNAUDITED CONSOLIDATED RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months (the "Quarterly Period") and nine months (the "Nine-Month Period") ended 30 September 2011, together with the comparative unaudited figures for the corresponding periods in 2010.

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<b>Continuing operations</b>					
Revenue	2	29,570	24,138	92,226	70,908
Cost of sales		(12,417)	(10,472)	(42,137)	(34,237)
Gross profit		17,153	13,666	50,089	36,671
Other income		5,411	3,043	9,189	8,410
Selling and distribution expenses		(5,970)	(4,238)	(20,087)	(14,839)
Administrative expenses		(11,913)	(11,324)	(32,684)	(28,206)
Impairment losses		(1,173)	(850)	(675)	(1,845)
Other expenses		-	31	(191)	(77)
Profit before tax		3,508	328	5,641	114
Income tax expense	3	(568)	(479)	(1,499)	(1,327)
Profit (loss) for the period from continuing operations		2,940	(151)	4,142	(1,213)
<b>Discontinued operation</b>					
Profit for the period from discontinued operation	4	-	480	-	1,314
<b>Profit for the period</b>		<b>2,940</b>	<b>329</b>	<b>4,142</b>	<b>101</b>

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2011	2010	2011	2010
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive (expense) income</b>				
Exchange differences arising on translation	(156)	3,359	4,694	4,442
Fair value loss on available-for-sale investments	(2,111)	(3,928)	(4,885)	(4,807)
Other comprehensive expense for the period	(2,267)	(569)	(191)	(365)
<b>Total comprehensive income (expense) for the period</b>	<b>673</b>	<b>(240)</b>	<b>3,951</b>	<b>(264)</b>
<b>Profit attributable to:</b>				
Owners of the Company	2,897	329	4,068	101
Non-controlling interests	43	-	74	-
	<b>2,940</b>	<b>329</b>	<b>4,142</b>	<b>101</b>
<b>Total comprehensive income (expense) attributable to:</b>				
Owners of the Company	630	(240)	3,877	(264)
Non-controlling interests	43	-	74	-
	<b>673</b>	<b>(240)</b>	<b>3,951</b>	<b>(264)</b>
<b>Earnings (loss) per share</b>				
From continuing and discontinued operations				
Basic and diluted (cents per share)	2.70	0.31	3.80	0.09
From continuing operations				
Basic and diluted (cents per share)	2.70	(0.14)	3.80	(1.13)

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Notes:

**1. BASIS OF PREPARATION**

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

The unaudited consolidated results of the Group have not been reviewed by the Company’s auditor. Adjustments may be identified during the course of annual audit to be performed by the Company’s auditor.

The unaudited consolidated results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2010 except as described below.

In the current Nine-Month Period, the Group had applied, for the first time, a number of new or revised Standards and Interpretation (“new or revised HKFRSs”) issued by the HKICPA. The application of the new or revised HKFRSs in the current Nine-Month Period has had no material effect on the amounts reported in these unaudited consolidated financial statements and/or disclosures set out in these unaudited consolidated financial statements.

**2. REVENUE**

Revenue from continuing operations represents (1) travel media; and (2) internet portal.

**3. INCOME TAX**

No provision for Hong Kong profits tax has been made as the Group had no significant assessable profits in Hong Kong for the Nine-Month Period and the corresponding periods in 2010.

The estimated average annual tax rate used is 16.5% for the Nine-Month Period and the corresponding period in 2010.

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

**4. DISCONTINUED OPERATION**

The Group’s mobile services and application operation has been suffering loss since 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 have been completed.

The results of the discontinued operation are set out below.

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit for the period from discontinued operation				
Other income	-	488	-	1,646
Selling and distribution expenses	-	(43)	-	(103)
Administrative expenses	-	(138)	-	(402)
Profit before tax	-	307	-	1,141
Income tax benefit	-	173	-	173
Profit for the period from discontinued operation (attributable to owners of the Company)	-	480	-	1,314

## 5. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

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

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<i>Earnings</i>				
Profit for the period attributable to owners of the Company	<u>2,897</u>	<u>329</u>	<u>4,068</u>	<u>101</u>

	Three months ended 30 September		Nine months ended 30 September	
	2011 '000	2010 '000	2011 '000	2010 '000
<i>Number of shares</i>				
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>	<u>107,174</u>

The calculation of diluted earnings 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:

	Three months ended 30 September		Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
<i>Earnings</i>				
Profit for the period attributable to owners of the Company	2,897	329	4,068	101
Less: Profit from discontinued operation	-	480	-	1,314
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	<u>2,897</u>	<u>(151)</u>	<u>4,068</u>	<u>(1,213)</u>

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

The calculation of diluted earnings (loss) per share dose 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 for the three months ended 30 September 2011 is HK cent Nil (2010: HK cent 0.45), based on the profit from discontinued operation of HK\$Nil (2010: HK\$480,000). Basic earnings per share for discontinued operation for the nine months ended 30 September 2011 is HK cent Nil (2010: HK cent 1.22), based on the profit from discontinued operation of HK\$Nil (2010: HK\$1,314,000). The denominators used are the same as those detailed above for basic earnings per share.

The calculation of diluted earnings (loss) per share dose 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.

## 6. MOVEMENT OF RESERVES

	Share premium HK\$'000 (note a)	Capital reserve HK\$'000 (note a)	Goodwill reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Reserve funds HK\$'000 (note b)	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	SubTotal HK\$'000	Attributable to non- controlling interests HK\$'000	Total HK\$'000
<b>At 1 January 2010</b>	39,337	118,963	(31,193)	6,624	11,690	24,123	40,636	60,787	192,394	463,361	-	463,361
Profit for the period	-	-	-	-	-	-	-	-	101	101	-	101
Other comprehensive (expense) income for the period	-	-	-	(4,807)	-	-	4,442	-	-	(365)	-	(365)
Total comprehensive (expense) income for the period	-	-	-	(4,807)	-	-	4,442	-	101	(264)	-	(264)
Recognition of equity- settled share based payments	-	-	-	-	-	-	-	748	-	748	-	748
Dividends (note 7)	-	(94,313)	-	-	-	-	-	-	(64,304)	(158,617)	-	(158,617)
<b>At 30 September 2010</b>	<u>39,337</u>	<u>24,650</u>	<u>(31,193)</u>	<u>1,817</u>	<u>11,690</u>	<u>24,123</u>	<u>45,078</u>	<u>61,535</u>	<u>128,191</u>	<u>305,228</u>	<u>-</u>	<u>305,228</u>
<b>At 1 January 2011</b>	39,337	24,650	(31,193)	410	11,690	24,123	47,047	61,755	130,760	308,579	160	308,739
Profit for the period	-	-	-	-	-	-	-	-	4,068	4,068	74	4,142
Other comprehensive (expenses) income for the period	-	-	-	(4,885)	-	-	4,694	-	-	(191)	-	(191)
Total comprehensive (expenses) income for the period	-	-	-	(4,885)	-	-	4,694	-	4,068	3,877	74	3,951
Recognition of equity- settled share based payments	-	-	-	-	-	-	-	750	-	750	-	750
<b>At 30 September 2011</b>	<u>39,337</u>	<u>24,650</u>	<u>(31,193)</u>	<u>(4,475)</u>	<u>11,690</u>	<u>24,123</u>	<u>51,741</u>	<u>62,505</u>	<u>134,828</u>	<u>313,206</u>	<u>234</u>	<u>313,440</u>

**Note a:** Under the Companies Law of the Cayman Islands (2010 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 b:** 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 periods as there was no such profit after tax from FIEs in both periods.

## 7. DIVIDENDS

	Nine months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Special dividend declared and paid		
– HK\$0.88 per share (note a)	–	94,313
– HK\$0.60 per share (note b)	–	64,304
	<u>–</u>	<u>158,617</u>

### Notes:

- On 4 June 2010, the Company declared a special dividend of HK\$0.88 per share to shareholders out of the Company's capital reserve. The dividend was paid in July 2010 totaling HK\$94,313,000.
- On 10 September 2010, the Company declared a special dividend of HK\$0.60 per share to shareholders out of the Company's retained profits. The dividend was paid in October 2010 totaling HK\$64,304,000.
- The directors do not recommend the payment of an interim dividend for the nine months ended 30 September 2011.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue and gross profit*

Revenue for the Nine-Month Period was HK\$92,226,000 representing a HK\$21,318,000, or 30% increase compared to the corresponding period in 2010. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK\$10,506,000; and (2) an increase in revenue from internet portal segment of HK\$10,812,000.

Gross profit margin for the Nine-Month Period was 54%, compared to 52% in the same period last year.

#### *Other income*

Other income increased by 9% to HK\$9,189,000 for the Nine-Month Period, compared to HK\$8,410,000 for the corresponding period in 2010. The increase was primarily due to (1) a HK\$1,306,000 increase in interest income from bank balances; (2) a HK\$542,000 decrease in investment income from available-for-sale investments.

#### *Selling and distribution expenses*

Selling and distribution expenses increased by 35% to HK\$20,087,000 for the Nine-Month Period, compared to HK\$14,839,000 for the corresponding period in 2010.

#### *Administrative expenses*

Administrative expenses increased by 16% to HK\$32,684,000 for the Nine-Month Period, compared to HK\$28,206,000 for the corresponding period in 2010. The increase was primarily attributable to an increase in personnel expenses amounting to HK\$3,232,000. Administrative expenses include share option expenses of HK\$750,000 (2010: HK\$748,000) recognised in accordance with HKFRS 2.

#### *Impairment losses*

An impairment loss of HK\$675,000 (2010: HK\$1,845,000) has been provided for accounts receivable for the Nine-Month Period since the management considered the amount will not be collectible.

#### *Other expenses*

Other expenses increased by HK\$114,000 to HK\$191,000 (2010: HK\$77,000) for the Nine-Month Period. The increase was primarily due to a loss on disposal of a held-for-trading investment amounting to HK\$131,000.

### *Income tax*

The Group recorded an income tax expense of HK\$1,499,000 for the Nine-Month Period, compared to HK\$1,327,000 for the corresponding period in 2010. Income tax expense for the Nine-Month Period represents a provision for income tax.

### *Discontinued operation*

The Group discontinued its mobile services and applications operation since the third quarter of 2009. Details of the discontinued operation are set out in note 4.

### *Non-controlling interests*

Profit shared by non-controlling interests was HK\$74,000 for the Nine-Month Period, compared to HK\$ Nil for the corresponding period in 2010. Profit shared by non-controlling interests represented non-controlling interests' share of profit in a company that is partly owned by a third party. The Group's equity interest in this company is 90% as at 30 September 2011 (2010: 90%).

### *Profit for the period attributable to owners of the Company*

Profit for the period attributable to owners of the Company was HK\$4,068,000 for the Nine-Month Period, compared to a profit of HK\$101,000 for the corresponding period in 2010.

## **BUSINESS REVIEW**

### **Internet Portal**

During the third quarter, Portal has continued its focus on the Automobile channel and Webgame channel. We have secured new high-profile clients, including Nokia, Haier, People's Insurance Company of China, Procter & Gamble, Xerox and Xiamen Airlines. In August 2011, our Automobile channel organized its sixth annual car design contest. This competition was opened to all automotive design professionals, college students and automotive design amateurs, giving them a platform to showcase their talents and to interact with various automotive manufacturers and famous designers.

In July 2011, our Webgame channel participated and reported on the Eighth China (Changzhou) International Animation Fair in Changzhou. More than 250 companies participated in this event, including companies from the United States, Germany, Japan, Taiwan, Korea, and other countries. 53 cooperation projects were successfully reached during this event, with a total transaction value of approximately RMB4.15billion. We created a special feature to report up-to-date news of this event to our users, and received wide attention in the gaming community in China.

## Travel Media

TTG has continued doing well in the third quarter with a couple of major events and special projects, namely the Singapore Gift & Stationery Show (SGSS), PATA Travel Mart (PTM) 2011 Dailies, Singapore Night Race Map as well as production of directories for Myanmar Marketing Research & Development Co., Ltd (MMRD). All these events have contributed to a better performance than last year.

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

As at 30 September 2011, the interests of each of the Directors, chief executives and their associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors, were as follows:

### The Company

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	142,900	200,000	Personal/beneficiary	0.32%
Anson Wang	-	-	-	-
Cheng Loi	-	37,875	Corporate Note (3)	0.04%
Li On-kwok, Victor	-	-	-	-
Mao Hongcheng	-	-	-	-
Wang Cheung Yue, Fred	-	150,000	Personal/beneficiary	0.14%

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/Holding capacity	Approximate percentage of interests
Wong Kwong Chi	-	637,500	Personal/beneficiary	0.59%
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	525,160	6,524,072	Interest of children or spouse Note (2)	6.58%

*Notes:*

- (1) These shares were beneficially owned by Asia Internet Holdings Limited which is 100% owned by Mr. Yip Hak Yung, Peter.
- (2) These options were beneficially owned by Asia Pacific On-Line Limited, a company 50% owned by the spouse of Mr. Yip Hak Yung, Peter and 50% owned by a trust established for the benefit of the spouse 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.

*Options to subscribe for ordinary shares in the Company pursuant to its share option scheme*

Name of Directors	Date of Grant	Exercise period	Exercise price HK\$	Number of share options outstanding as at 30 September 2011
Ch'ien Kuo Fung, Raymond	5 June 2003	5 June 2004 to 4 June 2013	25.040	100,000
	10 October 2005	10 October 2006 to 9 October 2015	25.200	100,000
Cheng Loi	26 March 2008	26 March 2009 to 25 March 2018	11.00	37,875

Name of Directors	Date of Grant	Exercise period	Exercise price HK\$	Number of share options outstanding as at 30 September 2011
Wang Cheung Yue, Fred	5 June 2003	5 June 2004 to 4 June 2013	25.040	50,000
	15 September 2005	15 September 2006 to 14 September 2015	22.400	100,000
Wong Kwong Chi	3 January 2006	3 January 2007 to 2 January 2016	21.040	137,500
	11 May 2010	11 May 2010 to 10 May 2021	4.124	500,000
Yip Hak Yung, Peter	5 June 2003	5 June 2004 to 4 June 2013	25.040	100,000
	10 October 2005	10 October 2006 to 9 October 2015	25.200	100,000
	3 January 2006	3 January 2007 to 2 January 2016	21.040	225,000
	4 August 2006	14 August 2007 to 13 August 2016	17.800	5,983,912
	19 August 2008	19 August 2009 to 18 August 2018	5.436	540,160



## Associated Corporation

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

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	321,012	82,312	Personal/beneficiary	1.14%
Cheng Loi	311	33,096	Corporate Note (3)	0.09%
Wang Cheung Yue, Fred	2,079	58,188	Personal/beneficiary	0.17%
Wong Kwong Chi	–	158,328	Personal/beneficiary	0.45%
Yip Hak Yung, Peter	5,658,750	2,886,743	Interest of children or spouse Note (2)	24.24%

## *Options/stock appreciation rights/restricted shares in CDC Corporation*

Name of Directors	Date of Grant	Exercise period	Exercise price Note (5) US\$	Number of share options/stock appreciation rights/restricted shares outstanding as at 30 September 2011 Note (5)
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	33,282 Note (4)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	30,000 Note (1)
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	19,030 Note (4)

Name of Directors	Date of Grant	Exercise period	Exercise price Note (5) US\$	Number of share options/stock appreciation rights/ restricted shares outstanding as at 30 September 2011 Note (5)
Cheng Loi	29 October 2008	29 October 2009 to 28 October 2015	3.810	18,333 Note (1)
	23 April 2009	23 April 2009 to 22 April 2016	3.600	600 Note (1)
	4 May 2009	4 May 2009 to 3 May 2016	3.600	11,666 Note(1)
	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	2,183 Note (4)
Wang Cheung Yue, Fred	4 August 2010	4 November 2010 to 3 August 2017	– Note (4)	16,641 Note (4)
	3 January 2011	3 January 2011 to 2 January 2018	3.500	15,000 Note (1)
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	26,547 Note (4)
Wong Kwong Chi	24 August 2005	24 August 2005 to 23 August 2015	9.690	36,664
	15 September 2005	15 September 2005 to 14 September 2015	8.982	33,332
	18 December 2006	18 March 2007 to 17 December 2016	25.560	8,333 Note (1)
	8 November 2007	8 February 2008 to 6 November 2014	19.080	8,333 Note (1)
	18 September 2008	18 September 2008 to 17 September 2015	6.510	30,000 Note (1)
	2 September 2009	2 December 2009 to 1 September 2016	2.490	41,666
Yip Hak Yung, Peter	26 November 2008	26 February 2009 to 25 November 2015	2.610	1,978,332
	3 March 2011	3 September 2011 to 3 March 2012	– Note (4)	908,411 Note (4)

**Notes:**

- (1) This represents stock appreciation rights ("SARs") to subscribe for Class A common shares in CDC Corporation granted under the 2005 Stock Incentive Plan.
- (2) 3,995,751 Class A common shares and 1,978,332 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. 1,662,999 Class A common shares were held by the spouse of Mr. Yip.
- (3) These options were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.
- (4) This represents restricted shares ("RSAs") granted under the 2005 Stock Incentive Plan.
- (5) Exercise prices (where applicable) and balances of the number of options/SARs/RSAs were adjusted resulting from the one-for-three reverse split of the Class A common shares in CDC Corporation effective on 23 August 2010.

*Long positions in common shares and the underlying shares of equity of derivatives in CDC Software International 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	Exercise period	Exercise price US\$	Number of share options outstanding as at 30 September 2011
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 ("CDC Games")*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	-	100,000	Personal/beneficiary	0.33%
Cheng Loi	-	45,000	Corporate Note (2)	0.15%
Wang Cheung Yue, Fred	-	120,000	Personal/beneficiary	0.40%
Wong Kwong Chi	-	500,000	Personal/beneficiary	1.67%
Yip Hak Yung, Peter	-	900,000	Interest of children or spouse Note (1)	3.00%

*Notes:*

- (1) These options to subscribe for common shares were held under the name of Asia Pacific 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	Exercise period	Exercise price US\$	Number of share options outstanding as at 30 September 2011
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
Wang Cheung Yue, Fred	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	120,000
Wong Kwong Chi	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	500,000
Yip Hak Yung, Peter	21 April 2008	Date of commencement of initial public offering to 21 April 2015	2.570	900,000

*Long positions in Class A ordinary shares and the underlying shares of equity of derivatives in CDC Software Corporation ("CDCS")*

Name of Directors	Number of shares	Number of underlying shares	Nature of interests/Holding capacity	Approximate percentage of interests
Ch'ien Kuo Fung, Raymond	-	45,750	Personal/beneficiary	0.16%
Cheng Loi	-	7,000	Corporate Note (2)	0.02%
Wong Kwong Chi	-	34,000	Personal/beneficiary	0.12%
Yip Hak Yung, Peter	81,119	549,084	Interest of children or spouse Note (1)	2.17%

*Options/stock appreciation rights to subscribe for Class A ordinary shares in CDCS pursuant to its share option scheme*

Name of Directors	Date of Grant	Exercise period	Exercise price US\$	Number of share options/stock appreciation rights outstanding as at 30 September 2011
Ch'ien Kuo Fung, Raymond	11 September 2009	11 December 2009 to 10 September 2016	8.450	32,000
	4 August 2010	4 August 2010 to 3 August 2017	6.750	13,750 Note (2)
Cheng Loi	11 September 2009	11 December 2009 to 10 September 2016	8.450	4,000 Note (3)
	4 August 2010	4 August 2010 to 3 August 2017	6.750	3,000 Note (2) & Note (3)
Wong Kwong Chi	11 September 2009	11 December 2009 to 10 September 2016	8.450	34,000
Yip Hak Yung, Peter	11 September 2009	11 December 2009 to 10 September 2016	8.450	299,084
	1 March 2010	1 June 2010 to 28 February 2017	10.150	250,000

*Note:*

- (1) 81,119 Class A ordinary shares were held by the spouse of Mr. Yip. 549,084 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) This represents stock appreciation rights ("SARs") granted under the 2009 Stock Incentive Plan.
- (3) These SARs were beneficially owned by SLC Management Consulting International Limited, a company 100% owned by Dr. Cheng Loi.

Save as disclosed above, as at 30 September 2011, 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 30 September 2011, 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	79,492,700	–	74.17%
China M Interactive (BVI) Limited	79,045,700	–	73.75%
Asia Pacific On-Line Limited	525,160	6,524,072	6.58%

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 30 September 2011, none of the directors are aware of any other persons who has an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the nine months ended 30 September 2011.

## **COMPETING INTERESTS**

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

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

During the nine months ended 30 September 2011, the Company has not adopted a code of conduct regarding the directors' securities transactions but has applied the principles of the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). Having made specific enquiry of all directors of the Company, the directors confirmed that they have complied with or they were not aware of any non-compliance with the Required Standard of Dealings during the nine months ended 30 September 2011.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

The Company has applied the principles of the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules and is satisfied that the Company has complied throughout the nine months ended 30 September 2011 with the Code.

## **AUDIT COMMITTEE**

The Company established an audit committee on 25th February 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. At present, the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Wang Cheung Yue, Fred and Professor Li On-kwok. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed the final draft report for this third quarterly results and has provided advice and comments thereon before passing the same for approval by the Board of the Company.



## CHANGE IN DIRECTORS' INFORMATION

The executive Director, Dr. Cheng Loi ("Dr. Cheng"), has entered 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 financial officer. Pursuant to this agreement, the term of Dr. Cheng as the chief financial officer, commencing on 1 October 2011, will continue unless terminated (1) by either party by giving 3 months' notice in writing or payment in lieu of notice, or (2) by the Company immediately without notice for cause. Dr. Cheng is entitled to receive a fixed remuneration for a total of US\$166,950 per annum and employee benefits as determined with reference to his experience, duties and responsibilities for his acting as the chief financial officer of the Company. Dr. Cheng has not entered into any service agreement for his executive directorship with the Company and no director's fee will be paid during the term of his appointment.

References are made to the announcement dated 30 September 2011 in relation to the litigation and the related judgment concerning the controlling shareholder ("Controlling Shareholder") of the Company, namely CDC Corporation (NASDAQ: CHINA) and the subsequent announcement dated 7 October 2011 in relation to the filing of a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code by the Controlling Shareholder. The filing relates to the Controlling Shareholder only and the business and operation of the Group remain as usual. Pursuant to Rule 17.50A(2) of the GEM Listing Rules, the Board of the Company announced on 10 October 2011 that the non-executive Director, Mr. Yip Hak Yung, Peter and the independent non-executive Director, Mr. Wang Cheung Yue, Fred are the vice chairman and the independent director of the Controlling Shareholder respectively, and that the non-executive Director, Dr. Ch'ien Kuo Fung, Raymond, was the chairman and non-executive director of the Controlling Shareholder until his resignation from those positions with effect from 3 October 2011, while the executive Director, Mr. Wong Kwong Chi, was the director of the Controlling Shareholder until his resignation from this position with effect from 13 September 2011.

## DIVIDEND

The directors do not recommend the payment of an interim dividend for the nine months period ended 30 September 2011.

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

Hong Kong, 7 November 2011

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