Annual Report 2011

China.com Inc.

(Incorporated in the Cayman Islands with limited liability)

GEM Stock : 8006

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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

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

Non-Executive Directors
Ch'ien Kuo Fung, Raymond
(Chairman of the board of directors)
Mao Hongcheng
Chen Mouhua

Independent Non-Executive Directors
Wang Cheung Yue
Anson Wang
Li On-kwok, Victor

COMPANY SECRETARY

Cheng Loi

COMPLIANCE OFFICER

Cheng Loi

AUDIT COMMITTEE

Anson Wang *(Committee Chairman)*
Wang Cheung Yue
Li On-kwok, Victor

EXECUTIVE COMMITTEE

Ch'ien Kuo Fung, Raymond
Wang Cheung Yue

REMUNERATION COMMITTEE

Wang Cheung Yue *(Committee Chairman)*
Ch'ien Kuo Fung, Raymond
Anson Wang
Li On-kwok, Victor

NOMINATION COMMITTEE

Li On-kwok, Victor *(Committee Chairman)*
Wang Cheung Yue
Anson Wang

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

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
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

Citibank N.A.
Standard Chartered Bank
China Merchants Bank

STOCK CODE

8006

WEBSITE

www.inc.china.com

EXECUTIVE DIRECTOR

Wong Kwong Chi

(Executive Director & Chief Executive Officer, aged 60)

Mr. Wong has been an executive director and the chief executive officer of the Company since March 2010. Mr. Wong was a director of CDC Corporation, the ultimate holding company of the Company, until September 2011. Mr. Wong is also holding numerous directorship of certain subsidiaries of CDC Corporation, namely, a director and chief executive officer of CDC Games Corporation and a director of CDC Games International Corporation.

Mr. Wong was 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 earliest 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) and Global Pharm Holdings Group, Inc. (OTCBB: GPHG). 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, Advisor and Past Vice President of Hong Kong Critical Components Manufacturers Association, Committee Member of Federation of Hong Kong Machinery & Metal Industries, Past 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 was 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 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.

EXECUTIVE DIRECTOR

Cheng Loi

(Executive Director, Company Secretary & Chief Financial Officer, aged 58)

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.

He also serves as director of the Company's subsidiary namely TTG Asia Media Pte Ltd and as director of certain other subsidiaries under the groups of its ultimate holding company CDC Corporation, namely CDC Global Services Holdings Corporation, CDC Software ISL Limited, Integrated Solutions Limited, ISL Technologies Limited and Vitova Limited. He served as group financial controller and director of finance of CDC Corporation from 1999 to 2001.

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.

He 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.

NON-EXECUTIVE DIRECTOR

Ch'ien Kuo Fung, Raymond

(Non-Executive Director & Chairman of the Board, aged 60)

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 MTR Corporation Limited, Hang Seng Bank Limited and Ascendas China Commercial Fund Management Limited. He serves on the boards of the Hongkong and Shanghai Banking Corporation Limited, Convenience Retail Asia Limited, The Wharf (Holdings) Limited, Swiss Reinsurance Company Limited, Hong Kong Mercantile Exchange Limited and China Resources Power Holdings 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 I'Ordre du Mérite Agricole of France.

NON-EXECUTIVE DIRECTOR

Chen Mouhua

(Non-Executive Director, aged 71)

Mr. Chen has been a non-executive director of the Company since January 2012. Mr. Chen is an experienced journalist with over 30 years reporting and editorial experience. He joined the group since 2000, and held various executive positions including editor-in-chief of China.com English portal. Before joining the group, Mr. Chen was the head of Asia Pacific news section of Xinhua News Agency in Hong Kong for nine years and the chief editor of China Economic Information Network of Xinhua News Agency for three years.

NON-EXECUTIVE DIRECTOR

Mao Hongcheng

(Non-Executive Director, aged 50)

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, executive director and general manager of Xinhua News Media Holdings Ltd. (HKEX: 309) 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. 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Wang Cheung Yue

(Independent Non-Executive Director, aged 68)

Mr. Wang has been serving as an independent non-executive director of the Company since February 2002. Mr. Wang also serves as the 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 serves as an independent director of CDC Corporation ("CDC"), the ultimate holding company of our Company and as a director of CDC Games International Corporation, CDC Games Corporation and CDC Mobile Corporation, all wholly owned subsidiaries of CDC. The Wang family found Salon Films (Hong Kong) Limited ("Salon") in 1969. Mr. Wang has been a director of Salon since 1969 and he has worked with various major Hollywood film and television companies in setting up projects in Asia. Since 1985, Mr. Wang has been involved with various investment groups in Asia notably Unifund S.A., a Geneva based investment service company. Mr. Wang is the hon. vice president of the China Film Foundation, a member of the board of governors of the Federation of Hong Kong Business Associations Worldwide, 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Anson Wang

(Independent Non-Executive Director, aged 64)

Mr. Anson Wang has been serving as an independent non-executive director of our Company since July 2007. Mr. Wang also serves as chairman of the audit committee and as members of the nomination and remuneration committees of the board of directors of the Company since June 2011. Mr. Wang 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. He 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Li On-kwok, Victor

(Independent Non-Executive Director, aged 57)

Professor Li was appointed to the board of directors of the Company as an independent non-executive director in August 2008. Professor Li also serves as chairman of the nomination committee and as members of the audit and remuneration committees of the board of directors of the Company since June 2011. Professor Li is the Associate Dean of Engineering, and the Chair Professor of Information Engineering at The University of Hong Kong ("HKU"). Prior to joining HKU, Professor Li was Professor of Electrical Engineering at the University of Southern California ("USC") and Director of the USC Communication Sciences Institute. Professor Li has chaired various committees of international professional organizations such as the Technical Committee on Computer Communications of the Institute of Electrical and Electronic Engineers ("IEEE"). Professor Li is a director of Versitech Limited, a wholly-owned subsidiary of HKU. Versitech Limited is the technology transfer and commercial arm of HKU. Professor Li has been serving as an independent non-executive director of SUNeVision Holdings Ltd. since January 2000. Professor Li received his bachelor's, master's, engineer's and doctoral degrees in Electrical Engineering and Computer Science from Massachusetts Institute of Technology in 1977, 1979, 1980 and 1981, respectively. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2002.

SENIOR MANAGEMENT

Darren Ng

(TTG Managing Director, aged 56)

A veteran in the travel and tourism industry, Darren has a wealth of experience of more than 27 years in the business. Having joined the company (*formerly known as Asian Business Press and Miller Freeman Pte Ltd*) since 1984, he is credited with successfully growing 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. Under Darren's leadership, TTG Asia Media achieved consistent organic growth, establishing profitable portfolios in event management, tourism and travel trade publishing. His accomplishments also include expanding TTG Asia Media's geographic presence across Asia.

Darren has also been at the helm of a multitude of incumbent committees and associations in the travel and tourism industry as council and advisory member. He is the current Chairman of PATA Singapore Chapter (since 2008) and is presently a Board Member of Pacific Asia Travel Association (since 2009), the Appointed Conference Ambassador to Shanghai City (since 2009) and a Member of the Asia Pacific Advisory Council to Meeting Professionals International (MPI) (since 2009). Previously, from 2001 to 2003, he also served as the President of Skål International Singapore,

SENIOR MANAGEMENT

Gao Fuxiang

(Portal General Manager of China.com, aged 41)

Mr. Gao Fuxiang is the Portal General Manager of China.com. From May 2006, Mr. Gao Fuxiang served as the Product Manager, Product Director, Sales Director and Deputy Manager, and on March 2010, he serves as the Portal General Manager of China.com. Prior to joining the Company, Mr. Gao Fuxiang worked at Sina.com for eight years. Mr. Gao Fuxiang graduated from Beijing Normal University, major in psychology.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover					
Continuing operations	**127,110**	105,547	94,960	106,723	88,993
Discontinued operation	**–**	–	43	9,515	65,672
	127,110	105,547	95,003	116,238	154,665
Profit (loss) for the year attributable to:					
Owners of the Company	**6,910**	2,670	19,352	(26,776)	(599,723)
Non-controlling interests	**1,051**	160	–	–	(12,933)
	7,961	2,830	19,352	(26,776)	(612,656)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	**366,326**	361,630	508,617	1,213,308	1,791,333
Liabilities	**(51,069)**	(51,819)	(44,184)	(61,823)	(50,253)
Non-controlling interests	**(1,721)**	(160)	–	–	–
Net assets	**313,536**	309,651	464,433	1,151,485	1,741,080

KEY FINANCIAL DATA

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share – basic (note 1)	**6.45**	2.49	18.07	(24.72)	(547.66)
Net assets per share – basic (notes 1 and 2)	**292.55**	288.92	433.66	1,079.85	1,590.00

Notes:

1 Earnings (loss) per share and net assets per share have been adjusted for the Company's share consolidation in June 2008.

2 Net assets represent total assets less total liabilities and non-controlling interests.

During 2011, our business operations delivered better results compare with the same period of last year.

- Revenue from continuing operations increased 20% to HK$127.1 million in 2011 from HK$105.5 million in 2010.
- Gross profit from continuing operations increased 24% to HK$70.0 million in 2011 from HK$56.4 million in 2010.
- Other income, gains and losses increased 85% to HK$20.5 million in 2011 from HK$11.1 million in 2010.
- Profit attributable to owners of the Company amounted to HK$6.9 million in 2011, compared to HK$2.7 million in 2010.
- Basic and diluted earnings per share (EPS) was HK cents 6.45, compared to HK cents 2.49 in 2010.
- Financial position remains strong, with an aggregate amount of HK$333.5 million of bank balances and cash and available-for-sale investments as of 31 December 2011.

2011 was an eventful year for China.com to say the least. On the positive side, revenue and profit for the Group has both increased compared to 2010. We continued to receive good returns from our private equity fund investment, and welcomed new shareholders who came in to help restore China.com's public float to above 25%. However, our majority shareholder CDC Corporation's Chapter 11 filing in the US in October has created more uncertainty for trying times ahead.

Portal's turnover has increased from HK$27.6 million for 2010 to HK$37.4 million for 2011, an increase of 35%. Our military channel and community continued to be one of best and largest in China. Overall, Portal's traffic has gone up by 18%, which led to more advertising deals sold by the sales department. The improvement was achieved through management efforts, together with the planning, coordination and execution among various departments.

Automobile channel also signed up more automaker clients, organised a number of original voyages and events during the year, and increased its coverage on industry news and events. Consequently, Automobile channel has climbed to 11 in industry rankings, compared to 27 a year ago. The progress is certainly encouraging.

Despite the progress made, the operating environment remained challenging in 2011, and we expect that to continue in 2012. Portal faced significant competition in the market, particularly from other major portals, social networks and industry verticals in China, and we had to compete with these entities directly for both users and customers.

TTG continued to grow and recorded great results, outperforming last year by a healthy margin. This achievement was made possible by the positive contributions from all profit centers. Also, TTG Events has organised five major exhibitions, including ASEAN Tourism Forum (ATF) Travel Exchange (TRAVEX) 2011, Incentive Travel & Conventions, Meetings China (IT&CM China), IT&CM Asia and Corporate Travel World (IT&CMA and CTW), Singapore Gifts and Stationary Show (SGSS) and International Feng Shui Convention (IFSC) across Asia. TTG Publishing team (Travel Trade and Maps & Guides) has successfully completed numerous special projects in addition to the publishing of its staple trade publication. All these special and ad-hoc projects contributed to TTG's success in 2011.

TTG will expand its footprint in event organising in coming year. They have secured the management contract for ATF TRAVEX 2012 Manado, Indonesia and signed an agreement with India Convention Promotion Bureau (ICPB) to launch the IT&CM Series' India chapter in 2012. TTG will also enhance its online travel portal business for new revenue opportunities. We believe that TTG will continue to perform well and have a fruitful performance in 2012.

We received HK$9.2 million in investment income for our private equity fund investment in 2011. We believe that our investment income will increase in the coming years as the higher-worth holdings are disposed. To follow up with this good performance, we subscribed an additional US$4 million (approximately HK$31.2 million) to a new private equity fund in the third quarter of 2011. We adopt a conservative approach in evaluating investment opportunities and only commit if the expected returns are high and there is proven track record. We believe that our investments in these private equity funds will continue to generate good cash flow to the Company, and provides an attractive yield of the Company's cash.

We have received a letter of resignation from Deloitte Touche Tohmatsu ("Deloitte") to resign as auditor of the Company with effect from 23 November 2011. The Board has appointed BDO Limited ("BDO") as auditor of the Company to fill the casual vacancy and BDO will hold office until the conclusion of the next annual general meeting of the Company.

Earlier in the year, we were informed by CDC Corporation, the controlling shareholder of the Company (the "Controlling Shareholder") that they have sold down 5,000,000 shares ("Sales Shares") of the Company on 29 June 2011. Immediately after selling down of the Sales Shares, the public float of the Company was restored to approximately 25.10% which is in compliance with the 25% minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules.

The Controlling Shareholder 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$65.4 million. Subsequently, the Controlling Shareholder filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code in order to facilitate restructuring and to repay the noteholder. The Company's Board of Directors confirms that the filing relates to CDC Corporation only, but the widespread coverage of the news in China has inevitably affected the Portal business. Some clients were worried that Portal would go out of business following CDC Corporation's filing and reduced their support in advertising. We expect a difficult year ahead for Portal in 2012, but I want to assure you that management is proactively taking all action possible to minimize the impact from CDC Corporation and to continue building the business.

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, 23 March 2012

FINANCIAL REVIEW

Revenue and gross profit

Revenue for the year ended 31 December 2011 was HK$127,110,000 representing a HK$21,563,000, or 20% increase compared to last year. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK$11,826,000; and (2) an increase in revenue from internet portal segment of HK$9,737,000.

Gross profit margin was 55% in 2011, compared to 53% in 2010.

Other income, gains and losses

Other income, gains and losses increased by 85% to HK $ 20,470,000 in 2011, compared to HK$11,071,000 in 2010. The net increase was primarily due to (1) one-off gain on deregistration of subsidiaries of HK$8,846,000; (2) a HK$394,000 increase in interest income from bank balances from HK$2,258,000 in 2010 to HK$2,652,000 in 2011; and (3) a HK$301,000 increase in investment income from available-for-sale investments from HK$8,854,000 in 2010 to HK$9,155,000 in 2011.

Selling and distribution expenses

Selling and distribution expenses increased by 28% to HK$27,629,000 in 2011, compared to HK$21,670,000 in 2010. The increase was due to an increase in sales and marketing personnel expenses amounting to HK$2,419,000, and a HK$2,640,000 increase in marketing expenses.

Administrative expenses

Administrative expenses increased by 21% to HK$47,464,000 in 2011, compared to HK$39,233,000 in 2010. The increase was mainly attributable to an increase in personnel expenses amounting to HK$4,333,000, and a HK$5,009,000 increase in professional fee expenses. Administrative expenses include share option expenses amounting to HK$657,000 (2010: HK$968,000) recognised in accordance with HKFRS 2.

Impairment losses

Impairment losses increased 645% to HK$7,170,000 in 2011, compared to HK$962,000 in 2010. The increase was mainly attributable to an impairment charge against our available–for-sale investment amounting to HK$6,136,000 as a result of prolonged and significant decline in the quoted market price of our available-for-sale investment.

Income tax

The Group recorded an income tax expense of HK$250,000 in 2011, compared to HK$2,585,000 in 2010. The decrease of income tax expenses is due to a reversal of over-provided income tax expenses in prior years.

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 10.

Non-controlling interests

Profit shared by non-controlling interests was HK$1,051,000 in 2011, compared to HK$160,000 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 31 December 2011 (2010: 90%).

Profit for the year attributable to owners of the Company

Profit for the year attributable to owners of the Company was HK$6,910,000 in 2011, compared to HK$2,670,000 in 2010.

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$313,536,000 shareholders' funds as at 31 December 2011, compared to HK$309,651,000 as at 31 December 2010. Total assets amounted to HK$366,326,000 as at 31 December 2011, compared to HK$361,630,000 as at 31 December 2010, of which HK$253,087,000 (2010: HK$241,357,000) was bank balances and cash, HK$ nil (2010: HK$438,000) was held-for-trading investments and HK$80,413,000 (2010: HK$94,744,000) was available-for-sale investments.

Capital structure
There was no change in the capital structure of the Group as at 31 December 2011 as compared to 31 December 2010.

Charges on the Group's assets
There was no charge on the Group's assets as at 31 December 2011 and 2010.

Gearing ratio
The Group has a zero gearing ratio as at 31 December 2011 and 2010 as calculated by net debts divided by shareholders' equity.

Exposure to fluctuations in exchange rates and any related hedges
The majority of the Group's assets and liabilities and business transactions were denominated in Renminbi, Singapore dollars, Hong Kong dollars and US dollars. During the year ended 31 December 2011, the Group had not entered into any hedging arrangements. However the management will continue to monitor closely its foreign currency exposure and requirements and to arrange for hedging facilities when necessary.

Contingent liabilities
The Group had no significant contingent liabilities as at 31 December 2011 and 2010.

Future plan of significant investment
The Group has committed US$4,000,000 (approximately HK$31,200,000) to subscribe to a new private equity fund as a limited partner. The fund was formed in April 2011, principally to make direct and indirect investments in state-owned enterprises and privately-owned enterprises in China. The management, operation, policy and conduct of the fund shall be vested exclusively in the general partner. The investment will be funded by internal resources of the Group.

BUSINESS REVIEW

Internet Portal
Portal's turnover has increased from HK$27.6 million for 2010 to HK$37.4 million for 2011, an increase of 35%. Our military channel and community continued to be one of best and largest in China. Overall, Portal's traffic has gone up by 18%, which led to more advertising deals sold by the sales department. The improvement was achieved through management efforts, together with the planning, coordination and execution among various departments.

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Despite the progress made, the operating environment remained challenging in 2011, and we expect that to continue in 2012. Portal faced significant competition in the market, particularly from other major portals, social networks and industry verticals in China, and we had to compete with these entities directly for both users and customers.

Travel Media
TTG continued to grow and recorded great results, outperforming last year by a healthy margin. This achievement was made possible by the positive contributions from all profit centers. Also, TTG Events has organised five major exhibitions, including ASEAN Tourism Forum (ATF) Travel Exchange (TRAVEX) 2011, Incentive Travel & Conventions, Meetings China (IT&CM China), IT&CM Asia and Corporate Travel World (IT&CMA and CTW), Singapore Gifts and Stationary Show (SGSS) and International Feng Shui Convention (IFSC) across Asia. TTG Publishing team (Travel Trade and Maps & Guides) has successfully completed numerous special projects in addition to the publishing of its staple trade publication. All these special and ad-hoc projects contributed to TTG's success in 2011.

TTG will expand its footprint in event organising in coming year. They have secured the management contract for ATF TRAVEX 2012 Manado, Indonesia and signed an agreement with India Convention Promotion Bureau (ICPB) to launch the IT&CM Series' India chapter in 2012. TTG will also enhance its online travel portal business for new revenue opportunities. We believe that TTG will continue to perform well and have a fruitful performance in 2012.

Material acquisitions, disposals and significant investments

There were no material acquisition or disposal of subsidiaries, or significant investments during the year ended 31 December 2011.

Employee information

As at 31 December 2011, the Group has 275 (2010: 269) full-time employees of which 18 (2010: 8) are based in Hong Kong, 211 (2010: 214) in China, 45 (2010: 45) in Singapore, 1 (2010: 1) in Thailand and nil (2010: 1) in Malaysia. Remuneration of employees is generally in line with the market trend and commensurate with the salary level in the industry. The Group also 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.

The directors have pleasure in submitting their annual report together with the audited financial statements of the Group for the year ended 31 December 2011.

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 18 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 third quarter of 2009.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011, and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 31 to 88.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, 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 24 and 29 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 Island 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 2011.

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 2011, the Company's reserves available for distribution amounted to HK$115,296,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 10% of the total sales for the year and sales to the largest customer included therein amounted to 3%. Purchases from the Group's five largest suppliers accounted for 23% 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 or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive directors

Wong Kwong Chi *(Chief Executive Officer)*
Cheng Loi *(Chief Financial Officer and Company Secretary)*

Non-executive directors

Ch'ien Kuo Fung, Raymond *(Chairman)*	
Yip Hak Yung, Peter *(Vice-Chairman)*	(resigned on 18 January 2012)
Wong Chung Kiu	(appointed on 8 September 2011 and resigned on 7 November 2011)
Mao Hongcheng	
Chen Mouhua	(appointed on 18 January 2012)

Independent non-executive directors

Wang Cheung Yue	
Wong Sin Just	(resigned on 23 March 2011)
Lam Lee G.	(resigned on 23 March 2011)
Anson Wang	
Li On-kwok, Victor	

In accordance with Article 99 of the Company's articles of association, Mr. Chen Mouhua 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 and the Code on Corporate Governance Practices, Mr. Wang Cheung Yue and Mr. Anson Wang shall retire by rotation and, being eligible, shall 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 latter 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. As approved by the remuneration committee of the Company on 29 April 2010 and 16 November 2011, Mr. Yip shall be paid a director's fee of (i) US$10,000 per annum for his services as vice-chairman of the Board and US$10,000 per annum as a member of the Board; (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. Mr. Yip resigned from the board on 18 January 2012.

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. As approved by the remuneration committee of the Company on 29 April 2010, Mr. Wong 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 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.

On 1 October 2011, the executive director, Dr. Cheng Loi ("Dr. Cheng"), 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 month's notice in writing or payment in lieu of notice, or (2) by the Company immediately without notice for cause. On 7 February 2012, China.com Corp. Limited and SLC Management Consulting International Limited ("SLC") entered into an executive service agreement with SLC agreeing to provide certain services to China.com Corp. Limited, including the service of Dr. Cheng as the project director for China.com Group. Pursuant to this agreement, the term of Dr. Cheng as the project director will continue unless terminated (1) by either party by giving 3 month's notice in writing or payment in lieu of notice, or (2) by Company immediately without notice for cause. 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.

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 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%
Cheng Loi	–	37,875	Corporate *Note (3)*	0.04%
Wang Cheung Yue	–	150,000	Personal/beneficiary	0.14%
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

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 29 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

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	15,353	44,914	Personal/beneficiary	0.17%
Wong Kwong Chi	–	158,328	Personal/beneficiary	0.45%
Yip Hak Yung, Peter	6,112,956	2,432,537	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 *US$*	Number of share options/stock appreciation rights/ restricted shares outstanding as at 31 December 2011 *Note (5)*
Ch'ien Kuo Fung, Raymond	4 August 2010	4 November 2010 to 3 August 2017	– *Note (4)*	37,441 *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)*
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)*	2,497 *Note (4)*
Wang Cheung Yue	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)*	13,273 *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)*	454,205 *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) 4,449,957 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 three to one 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 (formerly known as 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	–	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 31 December 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	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 (1)*	0.15%
Wang Cheung Yue	–	120,000	Personal/beneficiary	0.40%
Wong Kwong Chi	–	500,000	Personal/beneficiary	1.67%

Notes:

(1) 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 31 December 2011
Ch'ien Kuo Fung, Raymond	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	100,000
Cheng Loi	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	45,000
Wang Cheung Yue	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	120,000
Wong Kwong Chi	21 April 2008	Date of commencement of initial public offering to 21 February 2015	2.570	500,000

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

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 (1)*	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 to subscribe for Class A ordinary shares in CDC Software pursuant to its share option scheme

Name of Directors	Date of Grant	Exercise period	Exercise price *US$*	Number of share options outstanding as at 31 December 2011 *Note (1)*
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
Cheng Loi	11 September 2009	11 December 2009 to 10 September 2016	8.450	4,000
	4 August 2010	4 August 2010 to 3 August 2017	6.750	3,000 *Note (2)*
Wong Kwong Chi	11 September 2009	11 December 2009	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) This represents options granted under the 2009 Stock Incentive Plan.

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

(2) 81,119 Class A ordinary shares were 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.

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

Name	**Number of shares**	**Number of underlying shares**	**Percentage of issued share capital**
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 Mr. Yip's spouse and his children.

Save as disclosed above, as at 31 December 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 year ended 31 December 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.

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 32 to the consolidated financial statements, respectively.

SECURITIES TRANSACTIONS BY DIRECTORS

During the year ended 31 December 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 year ended 31 December 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 year ended 31 December 2011 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. At present, the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Wang Cheung Yue 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 annual results and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

AUDITORS

On 29 November 2011, the Board of the Company announced that the Company has received a letter from Deloitte Touche Tohmatsu informing the Board of their resignation as auditors of the Company with effect from 23 November 2011. The Board also announced that BDO Limited has been appointed as auditors of the Company to fill the casual vacancy arising therefrom and BDO Limited will hold office until the conclusion of the next annual general meeting of the Company.

The accounts have been audited by BDO Limited who retire, and being eligible, offer themselves for reappointment.

BDO Limited will 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
Dr. Ch'ien Kuo Fung, Raymond
Chairman

Hong Kong, 23 March 2012

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 summarises 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 2011 the Board of the Company comprises a total of eight directors, with two executive directors, three non-executive directors and three 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-fertilise best practices and reporting to the Board regarding the Group's overall progress.

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Board met over 4 times during the financial year ended 31 December 2011 to consider, among other things, reviewing and approving the quarterly, interim, annual results and payments of dividends of the Group. The directors attend meetings in person or via telephone conference, as permitted under the articles of association of the Company.

Executive Directors	**Attendance**
Wong Kwong Chi *(chief executive officer)*	100%
Cheng Loi *(company secretary and chief financial officer)*	100%
Non-executive Directors	
Ch'ien Kuo Fung, Raymond *(chairman of the board of directors)*	100%
Yip Hak Yung, Peter *(vice-chairman of the board of directors)(resigned on 18 January 2012)*	0%
Mao Hongcheng	0%
Wong Chung Kiu *(appointed on 8 September 2011 and resigned on 7 November 2011)*	0%
Chen Mouhua *(appointed on 18 January 2012)*	N/A
Independent Non-executive Directors	
Wong Sin Just *(resigned on 23 March 2011)*	0%
Lam Lee G. *(resigned on 23 March 2011)*	0%
Wang Cheung Yue	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 2011.

Board Committees
To maximise the effectiveness of the Board, the Board has established the audit committee, nomination committee and remuneration committee with specific terms of reference to assist in the execution of their duties.

Audit Committee
The Audit Committee was established on 25 February 2000 with written terms of reference as amended and restated. 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.

The Audit Committee comprises three independent non-executive directors namely, Dato' Dr. Wong Sin Just (committee chairman), Mr. Wang Cheung Yue and Dr. Lam Lee G. until 23 March 2011. On 23 March 2011, the Board of the Company announced (1) the resignation of Dato' Dr. Wong Sin Just from his positions as independent non-executive director, chairman and member of Audit Committee, member of Remuneration Committee, and member of Nomination Committee of the Company; and (2) the resignation of Dr. Lam Lee G. from his positions as independent non-executive director, member of Audit Committee, member of Remuneration Committee, and chairman and member of Nomination Committee of the Company. During the period from 1 January 2011 to 23 March 2011, one meeting of the Audit Committee meeting has been held with full attendance by all three members.

On 9 June 2011, the Board of the Company announced (1) the appointment of Mr. Anson Wang to act as the chairman and member of audit committee, member of remuneration committee, and member of nomination committee of the Company to fill the vacancies caused by the resignation of Dato' Dr. Wong Sin Just on 23 March 2011, in addition to his existing capacity as an independent non-executive director of the Company; and (2) the appointment of Professor Li On-kwok to act as member of Audit Committee, member of Remuneration Committee, and chairman of and member of Nomination Committee of the Company to fill the vacancies caused by the resignation of Dr. Lam Lee G. on 23 March 2011, in addition to his existing capacity as an independent non-executive director of the Company.

Following the new appointments of Mr. Anson Wang and Professor Li On-kwok on 9 June 2011, (1) 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; and (2) the Company has been able to meet the requirements set out in Rule 5.28 of the GEM Listing Rules that the audit committee must comprise a minimum of 3 members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2). During the year after 9 June 2011, two meetings of the Audit Committee have been held with the following attendances:

Committee members	Attendance
Anson Wong	100%
Wang Cheung Yue	100%
Li On-kwok, Victor	100%

Nomination Committee
The Nomination Committee was established on 28 February 2005 with written terms of reference. The terms of reference of the Nomination Committee are available on the Company's website. The primary duties of the Nomination 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.

The Nomination Committee has three independent non-executive directors comprising Dr. Lam Lee G. (committee chairman), Mr. Wang Cheung Yue, and Dato' Dr. Wong Sin Just until 23 March 2011. As abovementioned, Dr. Lam Lee G. and Dato' Dr. Wong Sin Just resigned from the Nomination Committee on 23 March 2011 and their vacancies were filled by Professor Li On-kwok and Mr. Anson Wang respectively on 9 June 2011. Following the new appointments on 9 June 2011, the Nomination Committee comprises three independent non-executive directors namely Professor Li On-kwok (committee chairman), Mr. Wang Cheung Yue, and Mr. Anson Wang. 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 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.

The Remuneration Committee has two non-executive directors, namely, Dr. Ch'ien Kuo Fung, Raymond and Mr. Yip Hak Yung, Peter, and three independent non-executive directors, namely, Mr. Wang Cheung Yue (committee chairman), Dato' Dr. Wong Sin Just and Dr. Lam Lee G. until 23 March 2011. As abovementioned, Dato' Dr. Wong Sin Just and Dr. Lam Lee G. resigned from the Remuneration Committee on 23 March 2011 and their vacancies were filled by Mr. Anson Wang and Professor Li On-kwok respectively on 9 June 2011. Following the new appointments on 9 June 2011, the Remuneration Committee comprises two non-executive directors, namely, Dr. Ch'ien Kuo Fung, Raymond and Mr. Yip Hak Yung, Peter, and three independent non-executive directors namely Mr. Wang Cheung Yue (Committee Chairman), Mr. Anson Wang and Professor Li On-kwok. No meeting of the Remuneration Committee was held during the year. After the year, Mr. Yip Hak Yung, Peter resigned from the Remuneration Committee on 18 January 2012.

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 2011, 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.

Auditor's Remuneration

On 29 November 2011, the Board of the Company announced that the Company has received a letter from Deloitte Touche Tohmatsu informing the Board of their resignation as auditors of the Company with effect from 23 November 2011. The Board also announced that BDO Limited has been appointed as auditors of the Company to fill the casual vacancy arising therefrom and BDO Limited will hold office until the conclusion of the next annual general meeting of the Company.

For the year ended 31 December 2011, approximately HK$880,000 has been paid or payable to BDO Limited, auditors of the Company for audit services.

Internal Controls

The Board has overall responsibilities for maintaining a proper and effective systems of internal control of the Group. The Group's internal control system includes a defined management structure with specified limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorised 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.

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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 31 to 88 which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 information.

Directors' Responsibility for the Consolidated Financial Statements
The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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, in accordance with our agreed terms of engagement, 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 about 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 of consolidated financial statements that give a true and fair view 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 Company and of the Group as at 31 December 2011 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.

BDO Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number P05544

Hong Kong, 23 March 2012

	Notes	2011 HK$'000	2010 HK$'000
Continuing operations			
Revenue	5	**127,110**	105,547
Cost of sales		**(57,106)**	(49,194)
Gross profit		**70,004**	56,353
Other income, gains and losses		**20,470**	11,071
Selling and distribution expenses		**(27,629)**	(21,670)
Administrative expenses		**(47,464)**	(39,233)
Impairment losses	7	**(7,170)**	(962)
Profit before tax		**8,211**	5,559
Income tax expense	8	**(250)**	(2,585)
Profit for the year from continuing operations	9	**7,961**	2,974
Discontinued operation			
Loss for the year from discontinued operation	10	**–**	(144)
Profit for the year		**7,961**	2,830
Other comprehensive income			
Exchange differences arising on translation		**6,065**	6,411
Fair value loss on available-for-sale investments		**(6,546)**	(6,214)
Reclassification adjustment on translation difference upon deregistration of subsidiaries		**(8,827)**	–
Reclassification adjustment upon impairment of available-for-sale investments		**6,136**	–
Other comprehensive (expenses) income for the year		**(3,172)**	197
Total comprehensive income for the year		**4,789**	3,027
Profit attributable to:			
Owners of the Company		**6,910**	2,670
Non-controlling interests		**1,051**	160
		7,961	2,830
Total comprehensive income attributable to:			
Owners of the Company		**3,738**	2,867
Non-controlling interests		**1,051**	160
		4,789	3,027
Earnings per share	14		
From continuing and discontinued operations			
Basic and diluted (cents per share)		**6.45**	2.49
From continuing operations			
Basic and diluted (cents per share)		**6.45**	2.61

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,105**	1,772
Goodwill	16	**–**	–
Available-for-sale investments	19	**80,413**	94,744
		82,518	96,516
Current assets			
Accounts receivable	20	**19,594**	16,003
Prepayments, deposits and other receivables		**8,323**	6,148
Held-for-trading investments	21	**–**	438
Amounts due from fellow subsidiaries	22	**2,465**	829
Amount due from ultimate holding company	22	**339**	339
Bank balances and cash	23	**253,087**	241,357
		283,808	265,114
Current liabilities			
Accounts payable	27	**8,628**	7,514
Other payables and accrued liabilities		**16,959**	13,351
Deferred revenue		**21,406**	24,688
Tax liabilities		**3,964**	5,924
Amounts due to fellow subsidiaries	22	**112**	342
		51,069	51,819
Net current assets		**232,739**	213,295
Total assets less current liabilities		**315,257**	309,811
Capital and reserves			
Share capital	24	**1,072**	1,072
Share premium and reserves		**312,464**	308,579
Equity attributable to owners of the Company		**313,536**	309,651
Non-controlling interests		**1,721**	160
Total equity		**315,257**	309,811

On behalf of the Board

Ch'ien Kuo Fung, Raymond
Director

Cheng Loi
Director

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Investment in subsidiaries	18	**65,480**	65,480
Available-for-sale investments	19	**80,413**	94,744
		145,893	160,224
Current assets			
Prepayments, deposits and other receivables		**824**	127
Held-for-trading investments	21	**–**	438
Amounts due from subsidiaries	22	**4,586**	4,586
Bank balances and cash		**87,667**	61,849
		93,077	67,000
Current liabilities			
Other payables and accrued liabilities		**1,561**	405
Amounts due to subsidiaries	22	**46,939**	33,595
		48,500	34,000
Net current assets		**44,577**	33,000
Total assets less current liabilities		**190,470**	193,224
Capital and reserves			
Share capital	24	**1,072**	1,072
Share premium and reserves	25	**189,398**	192,152
Total equity		**190,470**	193,224

On behalf of the Board

Ch'ien Kuo Fung, Raymond
Director

Cheng Loi
Director

	Share capital HK$'000	Share premium HK$'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
At 1 January 2010	1,072	39,337	118,963	(31,193)	6,624	11,690	24,123	40,636	60,787	192,394	464,433	–	464,433
Profit for the year	–	–	–	–	–	–	–	–	–	2,670	2,670	160	2,830
Other comprehensive income for the year	–	–	–	–	(6,214)	–	–	6,411	–	–	197	–	197
Total comprehensive income for the year	–	–	–	–	(6,214)	–	–	6,411	–	2,670	2,867	160	3,027
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	968	–	968	–	968
Dividends (note 13)	–	–	(94,313)	–	–	–	–	–	–	(64,304)	(158,617)	–	(158,617)
At 31 December 2010	1,072	39,337	24,650	(31,193)	410	11,690	24,123	47,047	61,755	130,760	309,651	160	309,811
Profit for the year	–	–	–	–	–	–	–	–	–	6,910	6,910	1,051	7,961
Other comprehensive income for the year	–	–	–	–	(410)	–	–	(2,762)	–	–	(3,172)	–	(3,172)
Total comprehensive income for the year	–	–	–	–	(410)	–	–	(2,762)	–	6,910	3,738	1,051	4,789
Transfer of reserve upon deregistration of subsidiaries	–	–	–	–	–	–	(5,098)	–	–	4,588	(510)	510	–
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	–	657	–	657	–	657
At 31 December 2011	1,072	39,337	24,650	(31,193)	–	11,690	19,025	44,285	62,412	142,258	313,536	1,721	315,257

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 in either year as there was no such profit after tax from the FIEs in either year.

	2011 HK$'000	2010 HK$'000
Cash flows from operating activities		
Profit before income tax expense	**8,211**	5,559
Loss before tax from discontinued operation	**–**	(317)
	8,211	5,242
Adjustments for:		
Amortisation of management fee for available-for-sale investments	**3,237**	–
Depreciation of property, plant and equipment	**1,634**	1,867
Gain on deregistration of subsidiaries	**(8,846)**	–
Gain on disposal of property, plant and equipment	**(6)**	(330)
Impairment losses	**7,170**	962
Investment income on available-for-sale investments	**(9,155)**	(8,854)
Loss on held-for-trading investments	**191**	33
Bank interest income	**(2,652)**	(2,258)
Share-based payments expense	**657**	968
Operating profit (loss) before working capital changes	**441**	(2,370)
Increase in accounts receivable	**(4,812)**	(1,379)
(Increase) decrease in prepayments, deposits and other receivables	**(2,138)**	421
Increase in accounts payable	**1,082**	1,162
Increase in other payables and accrued liabilities	**3,462**	1,113
(Decrease) increase in deferred revenue	**(3,414)**	4,923
Cash (used in) generated from operations	**(5,379)**	3,870
PRC and Singapore taxes paid, net	**(2,311)**	(1,955)
Net cash (used in) from operating activities	**(7,690)**	1,915
Cash flows from investing activities		
Investment income received from available-for-sale investments	**9,155**	8,854
Proceeds from capital return of available-for-sale investments	**5,186**	12,963
Interest received	**2,531**	2,242
Proceeds from disposal of held-for-trading investments	**247**	–
Proceeds from disposal of property, plant and equipment	**6**	338
Purchases of property, plant and equipment	**(1,615)**	(1,294)
Advance of amounts due from fellow subsidiaries	**(1,701)**	(464)
Purchases of available-for-sale investments	**(638)**	(5,231)
Repayment of amount due from ultimate holding company	**–**	3
Net cash from investing activities	**13,171**	17,411

	2011 HK$'000	2010 HK$'000
Cash flows from financing activities		
(Repayment) advance of amounts due to fellow subsidiaries	**(239)**	379
Dividends paid	**–**	(158,617)
Net cash used in financing activities	**(239)**	(158,238)
Net increase (decrease) in cash and cash equivalents	**5,242**	(138,912)
Cash and cash equivalents at beginning of year	**241,357**	374,536
Effect of exchange rate changes on cash and cash equivalents	**6,488**	5,733
Cash and cash equivalents at end of year	**253,087**	241,357
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	**253,087**	241,357

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. 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 Company and its subsidiaries (collectively referred to as 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 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 consolidated financial statements are presented in Hong Kong dollars.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

Except as explained below, the adoption of these new/revised standards and interpretations has no material impact on the Group's financial statements.

HKAS 24 (Revised) – Related Party Disclosures

HKAS 24 (Revised) amends the definition of related party and clarifies its meaning. This may result in changes to those parties who are identified as being related parties of the reporting entity. The Group has reassessed the identification of its related parties in accordance with the revised definition. The adoption of HKAS 24 (Revised) has no impact on the Group's reported profit or loss, total comprehensive income or equity for any period presented.

HKAS 24 (Revised) also introduces simplified disclosure requirements applicable to related party transactions where the Group and the counterparty are under the common control, joint control or significant influence of a government, government agency or similar body. These new disclosures are not relevant to the Group because the Group is not a government related entity.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective:

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[2]
Amendments to HKAS 32	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

Amendments to HKFRS 7 – Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 improve the disclosure requirements for transfer transactions of financial assets and allow users of financial statements to better understand the possible effects of any risks that may remain with the entity on transferred assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Amendments to HKAS 32 – Presentation – Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

Amendments to HKAS 1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit and loss in the future (e.g. revaluations of available-for-sale financial assets) and those that may not (e.g. revaluations of property, plant and equipment). Tax on items of other comprehensive income is allocated and disclosed on the same basis. The amendments will be applied retrospectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011) and HKAS 28 (2011). These five standards are effective for annual periods beginning on or after 1 January 2013 as mentioned above. Earlier application is permitted provided that all of these five standards are applied early at the same time.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – CONTINUED

(b) New/revised HKFRSs that have been issued but are not yet effective: – Continued

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 13 – Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively.

HKAS 19 (2011) – Employee Benefits

HKAS 19 (2011) abandons the corridor approach with the result that changes in defined benefit obligations and the fair value of plan assets are recognised in the period in which they occur. The revised standard requires the changes in the Group's net defined benefit liability (or asset) to be separated into three components: service cost (including current and past service cost and settlements) recognised in profit or loss; net interest on the net defined benefit liability recognised in profit or loss; and re-measurements of the defined benefit liability (or asset) recognised in other comprehensive income. The revised standard distinguishes between short-term and long-term employee benefits based on the expected date of settlement. The previous standard used the term "due to be settled". This change may result in more plans being classified as long-term employee benefit plans that will need to be accounted for in a similar way to defined benefit plans. HKAS 19 (2011) provides additional guidance on the definition of termination benefits. Benefits that are conditional on future service being provided including those that increase if additional service is provided are not termination benefits. The revised standard requires that a liability for termination benefits is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits and the date the entity recognises any related restructuring costs. This could lead to later recognition of voluntary termination benefits in some cases. The amendments will generally be applied retrospectively with two exceptions.

The Group is in the process of making an assessment of the potential impact of these new/revised HKFRSs and the directors so far concluded that the application of these new/revised HKFRSs will have no material impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs"). In addition, the 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.

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

The principal accounting policies are set out below.

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates 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.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Contingent consideration balances arising from business combinations whose acquisition dates preceded 1 January 2010 (i.e. the date the Group first applied HKFRS 3 (2008)) have been accounted for in accordance with the transition requirements in the standard. Such balances are not adjusted upon first application of the standard. Subsequent revisions to estimates of such consideration are treated as adjustments to the cost of these business combinations and are recognised as part of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(a) Business combination and basis of consolidation – Continued

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) 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 acquisition on or after 1 January 2005 was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(b) Goodwill – Continued

Goodwill arising on acquisitions on or after 1 January 2005 – Continued

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit 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 in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

(c) Subsidiaries

A subsidiary is an entity over which the Company is able to exercise control. Control is achieved where the Company, directly or indirectly, has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

An item of property, 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(e) 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 lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

(f) 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.

Revenue from travel media also includes income from management fees, registration and exhibitor fees on the various events and conferences organised by the Group. The revenue was recognised upon completion of the events and conferences.

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

(g) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Taxation – Continued

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.

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.

(h) 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 at 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(h) Foreign currencies – Continued

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.

(i) 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.

(j) 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.

(k) 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.

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Financial instruments – Continued

(ii) 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.

(iii) 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).

(iv) 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).

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) **Financial instruments – Continued**

(v) *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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(k) Financial instruments – Continued

(v) Impairment of financial assets – Continued

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in 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 instruments

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.

(vi) 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.

(vii) 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.

(viii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(l) 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 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 retained in the share options reserve.

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.

(m) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

3. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(m) Related parties – Continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – CONTINUED

Impairment of available-for-sale financial assets

For the private equity funds disclosed in note 19(b), 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 a carrying amount of HK$80,101,000 (2010: HK$87,886,000), 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 an impairment loss.

5. REVENUE

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

	2011	2010
	HK$'000	HK$'000
Travel media	**89,755**	77,929
Internet portal	**37,355**	27,618
	127,110	105,547

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's operating segments represents a strategic unit that offers services which are subject to risks and returns that are different from those of the other operating segments.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

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

The reportable segment regarding the provision of mobile services and applications was discontinued in the third quarter of 2009. The segment information reported below does not include any amounts for this discontinued operation, which is described in more detail in note 10.

6. SEGMENT INFORMATION – CONTINUED

Segment revenues and results

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

Continuing operations

	Travel media		Internet portal		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Reportable segment revenue	**89,755**	77,929	**37,355**	27,618	**127,110**	105,547
Reportable segment profit (loss)	**17,325**	14,786	**(9,398)**	(10,496)	**7,927**	4,290
Bank interest income	**4**	1	**407**	292	**411**	293
Depreciation	**(653)**	(687)	**(981)**	(1,172)	**(1,634)**	(1,859)
Impairment loss on accounts receivable	**(212)**	(31)	**(822)**	(481)	**(1,034)**	(512)
Income tax (expense) credit	**(2,944)**	(2,417)	**2,694**	(168)	**(250)**	(2,585)
Reportable segment assets	**50,993**	54,009	**29,986**	37,418	**80,979**	91,427
Additions to non-current assets	**281**	128	**1,334**	1,166	**1,615**	1,294
Reportable segment liabilities	**25,452**	26,489	**21,310**	19,534	**46,762**	46,023

Reconciliation of segment results to profit before tax:

	2011 HK$'000	2010 HK$'000
Segment profit	**7,927**	4,290
Gain on deregistration of subsidiaries	**8,846**	–
Investment and other income	**11,396**	11,112
Impairment loss on available-for-sale investments	**(6,136)**	–
Impairment loss on goodwill	**–**	(450)
Central administration costs	**(13,822)**	(9,393)
Profit before tax	**8,211**	5,559

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

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of gain on deregistration of subsidiaries, investment and other income, impairment loss on available-for-sale investments, impairment loss on goodwill and central administration costs. Included in investment and other income consists of investment income and interest income from unallocated bank balances. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION – CONTINUED

Segment assets and liabilities

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

	2011 HK$'000	2010 HK$'000
Segment assets		
Travel media	50,993	54,009
Internet portal	29,986	37,418
Total segment assets for continuing operations	80,979	91,427
Assets relating to discontinued operation	–	293
Unallocated bank balances and cash	199,649	172,004
Available-for-sale investments	80,413	94,744
Held-for-trading investments	–	438
Others	5,285	2,724
Consolidated assets	366,326	361,630
Segment liabilities		
Travel media	25,452	26,489
Internet portal	21,310	19,534
Total segment liabilities for continuing operations	46,762	46,023
Liabilities relating to discontinued operation	–	3,147
Others	4,307	2,649
Consolidated liabilities	51,069	51,819

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

- all assets are allocated to reportable and operating segments other than unallocated bank balances and cash, available-for-sale investments, held-for-trading investments and unallocated other assets.

- all liabilities are allocated to reportable and operating segments other than unallocated other payables and accrued liabilities.

6. SEGMENTS INFORMATION – CONTINUED

Geographical information

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		As at 31 December	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Singapore	**89,755**	77,929	**437**	498
The PRC	**37,355**	27,618	**1,668**	1,274
	127,110	105,547	**2,105**	1,772

Note: Non-current assets excluded financial instruments.

No customer attributed more than 10% of the Group's total revenue (2010: Nil).

7. IMPAIRMENT LOSSES

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Impairment loss recognised on available-for-sale investments	**6,136**	–
Impairment loss recognised on accounts receivable	**1,034**	512
Impairment loss recognised on goodwill	**–**	450
	7,170	962

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Continuing operations		
Current tax – Singapore	**2,944**	2,417
Current tax – PRC	**–**	–
(Over) under provision in prior years	**(2,694)**	168
	250	2,585
Deferred tax charge		
Current	**–**	–
	250	2,585

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong for the year ended 31 December 2011 (2010: HK$ Nil).

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% (2010:25%).

8. INCOME TAX EXPENSE – CONTINUED

For subsidiaries in Singapore, they are subject to the flat corporate tax rate of 17% (2010:17%).

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

	2011 HK$'000	2010 HK$'000
Profit before income tax expense	**8,211**	5,559
Tax calculated at Singapore flat corporate tax rate of 17% (2010: 17%)	**1,396**	945
Effect of different tax rate of operation in the PRC and Hong Kong	**328**	(652)
Tax effect of revenue not taxable for tax purposes	**(5,703)**	(1,482)
Tax effect of expenses not deductible for tax purposes	**3,229**	503
Tax effect of deductible temporary differences not recognised	**27**	–
Tax effect of tax losses not recognised	**3,667**	3,103
(Over) under provision in respect of prior year	**(2,694)**	168
Tax expenses relating to continuing operations	**250**	2,585

9. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is arrived at after charging (crediting):

	2011 HK$'000	2010 HK$'000
Operating leases		
– in respect of office premises	**5,578**	5,122
– in respect of office equipment	**154**	166
Depreciation of property, plant and equipment	**1,634**	1,859
Staff costs (including directors' emoluments and share-based payments)	**55,226**	45,777
Retirement benefits scheme contributions	**4,259**	3,483
Total staff costs	**59,485**	49,260
Net foreign exchange (gain) loss	**(2,071)**	1,034
Auditor's remuneration	**880**	1,119
(Gain) loss on disposal of property, plant and equipment	**(6)**	8
Loss on held-for-trading investments	**191**	33
Investment income on available-for-sale investments	**(9,155)**	(8,854)
Bank interest income	**(2,652)**	(2,258)
Gain on deregistration of subsidiaries	**(8,846)**	–

10. DISCONTINUED OPERATION

Close down of mobile services and applications operation

The Group's mobile services and applications operation had been suffering loss since the year ended 31 December 2006. The board of directors of the Company saw no reasonable instance where this operation might 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 loss for the year from discontinued operation

The 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.

	2011	2010
	HK$'000	HK$'000
Loss for the year from discontinued operation		
Other income	–	338
Administrative expenses	–	(655)
Loss before tax	–	(317)
Income tax credit	–	173
Loss for the year from discontinued operation	–	(144)
Loss from discontinued operation attributable to:		
Owners of the Company	–	(130)
Non-controlling interests	–	(14)
	–	(144)
Loss for the year from discontinued operation include the following:		
Auditor's remuneration	–	29
Depreciation	–	8
Cash flows from discontinued operation		
Net cash inflows from operating activities	–	43

Administrative expenses included the expenses incurred in closing down the business.

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2010: 10) directors were as follows:

Year ended 31 December 2011

	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. Wong Kwong Chi	1,170	367	–	12	1,549
Mr. Cheng Loi	350	6	–	3	359
	1,520	373	–	15	1,908
Independent non-executive directors:					
Mr. Wong Sin Just (note a)	–	–	44	–	44
Mr. Wang Cheung Yue	–	–	156	–	156
Dr. Lam Lee G. (note a)	–	–	40	–	40
Mr. Anson Wang	–	–	144	–	144
Mr. Li On-kwok, Victor	–	–	133	–	133
	–	–	517	–	517
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	–	107	–	107
Mr. Mao Hong Cheng	–	–	–	–	–
Mr. Yip Hak Yung, Peter	–	–	39	–	39
	–	–	146	–	146
	1,520	373	663	15	2,571

Notes:

a. Resigned as an Independent non-executive director during the year ended 31 December 2011.

11. DIRECTORS' EMOLUMENTS – CONTINUED

Year ended 31 December 2010

	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. Wong Kwong Chi (note a)	962	745	–	10	1,717
Mr. Cheng Loi	–	36	–	–	36
	962	781	–	10	1,753
Independent non-executive directors:					
Mr. Wong Sin Just	–	–	195	–	195
Mr. Wang Cheung Yue	–	–	156	–	156
Dr. Lam Lee G.	–	–	176	–	176
Mr. Anson Wang	–	–	78	–	78
Mr. Li On-kwok, Victor	–	–	78	–	78
	–	–	683	–	683
Non-executive directors:					
Dr. Ch'ien Kuo Fung, Raymond	–	–	98	–	98
Mr. Mao Hong Cheng	–	–	–	–	–
Mr. Yip Hak Yung, Peter (note b)	–	1	20	–	21
	–	1	118	–	119
	962	782	801	10	2,555

Notes:

a. Appointed as an executive director during the year ended 31 December 2010.

b. Re-designated from executive director to non-executive director during the year ended 31 December 2010.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year. During the year ended 31 December 2011, Nil (2010: 500,000) share options of the Company were granted to a director in respect of his services provided to the Group under a share option scheme of the Company, further details of which are set out in note 29.

During the year ended 31 December 2011, Nil (2010: 799,999) 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.

11. DIRECTORS' EMOLUMENTS – CONTINUED

During the year ended 31 December 2011,45,000 (2010: 45,000) 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.

During the year ended 31 December 2011, 973,017 (2010: 58,969) restricted shares ("RSAs") were granted by CDC Corporation to certain directors of the Company under a restricted shares plan of CDC Corporation in respect of the services of the directors to CDC Corporation, which entitle the holders of the RSAs to receive shares of CDC Corporation, subject to certain vesting provisions.

During the year ended 31 December 2011, Nil (2010: 277,918) share options to subscribe for Class A ordinary shares in CDC Software Corporation, a fellow subsidiary of the Company, (the "CDC Software Share Options") were granted by CDC Software Corporation to certain directors of the Company under a stock option plan of CDC Software Corporation in respect of the services of the directors to CDC Software Corporation.

No value in respect of the CDC Share Options, SARs, RSAs 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 (2010: Nil) because these share options or SARs were issued for services provided to CDC Corporation or CDC Software Corporation.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2010: one) was director of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining four (2010: four) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**5,606**	5,239
Retirement benefits scheme contributions	**237**	168
	5,843	5,407

	2011	2010
HK$ NIL TO HK$ 1,000,000	**1**	1
HK$ 1,000,001 TO HK$ 1,500,000	**2**	2
HK$ 1,500,001 TO HK$ 2,000,000	**–**	–
HK$ 2,000,001 TO HK$ 2,500,000	**1**	1
	4	4

13. DIVIDENDS

	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
	–	158,617

Notes:

a. 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.

b. 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.

c. The directors do not recommend the payment of a final dividend for the year ended 31 December 2011 and 31 December 2010.

14. EARNINGS 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:

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	6,910	2,670

	2011 '000	2010 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	107,174	107,174

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 the Company's shares over the reporting period.

14. EARNINGS PER SHARE – CONTINUED

From continuing operations

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

	2011 HK$'000	2010 HK$'000
Earnings		
Earnings for the year attributable to owners of the Company	**6,910**	2,670
Less: Loss from discontinued operation attributable to owners of the Company	**–**	(130)
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**6,910**	2,800

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

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 the Company's shares over the reporting period.

From discontinued operation

The Company does not have discontinued operation in 2011 and therefore no earnings per share for discontinued operation for the year ended 31 December 2011 is presented. Basic loss per share for discontinued operation for the year ended 31 December 2010 is HK cents 0.12, based on the loss for the year from discontinued operation of HK$130,000 and the denominators detailed above for basic earnings per share.

The calculation of diluted (loss) 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 the Company's shares over the reporting period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Total HK$'000
COST						
At 1 January 2010	6,956	1,132	12,189	52,810	500	73,587
Exchange realignments	71	13	27	356	1	468
Additions	94	61	136	1,003	–	1,294
Disposals	(136)	–	–	(1,062)	(483)	(1,681)
At 31 December 2010	6,985	1,206	12,352	53,107	18	73,668
Exchange realignments	311	34	364	1,366	–	2,075
Additions	27	18	52	1,518	–	1,615
Disposals upon deregistration of subsidiaries	(170)	(255)	(4,256)	(3,100)	–	(7,781)
Disposals	–	–	–	(2,172)	–	(2,172)
At 31 December 2011	7,153	1,003	8,512	50,719	18	67,405
ACCUMULATED DEPRECIATION						
At 1 January 2010	6,533	1,064	11,996	51,158	497	71,248
Exchange realignments	67	12	24	350	1	454
Provided during the year	394	28	56	1,389	–	1,867
Eliminated on disposals	(136)	–	–	(1,054)	(483)	(1,673)
At 31 December 2010	6,858	1,104	12,076	51,843	15	71,896
Exchange realignments	127	53	346	1,197	–	1,723
Provided during the year	432	20	71	1,111	–	1,634
Eliminated upon deregistration of subsidiaries	(170)	(255)	(4,256)	(3,100)	–	(7,781)
Eliminated on disposals	–	–	–	(2,172)	–	(2,172)
Reclassification	(130)	–	79	51	–	–
At 31 December 2011	7,117	922	8,316	48,930	15	65,300
CARRYING VALUES						
At 31 December 2011	36	81	196	1,789	3	2,105
At 31 December 2010	127	102	276	1,264	3	1,772

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the shorter of the term of the lease, or 33 $^{1}/_{3}$ % – 50%
Furniture and fixtures	20%
Office equipment	20%
Computer equipment and software	33 $^{1}/_{3}$%
Motor vehicles	20%

16. GOODWILL

The Group

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2010, 31 December 2010 and 31 December 2011	520,281
IMPAIRMENT	
At 1 January 2010	(519,831)
Impairment loss recognised for the year of 2010	(450)
At 31 December 2010 and 31 December 2011	(520,281)
CARRYING VALUE	
At 31 December 2010 and 31 December 2011	–

17. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to the following two individual cash generated units. The carrying amount of goodwill allocated to this segment as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Internet portal and included in assets	**–**	–
Travel media and included in reserves	**31,193**	31,193
	31,193	31,193

Internet portal

During the year ended 31 December 2010, the management has reassessed the goodwill impairment for this CGU and considered that the recoverable amount was less than the carrying amount of the CGU. The recoverable amount of this CGU was determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by management covering a one-year period, and a discount rate of 21%. Cash flows beyond the one-year period were extrapolated using growth rates of 5% to 25% over the projected period of five years. These growth rates were 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 was the budgeted gross margins, which were determined based on the CGU's past performance and management's expectations for the market development. As a result, the goodwill of internet portal amounting to HK$450,000 was fully impaired.

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% (2010:21%). Cash flows beyond the one-year period are extrapolated using growth rates of 6% to 8% (2010:4% to 8%) 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.

18. INVESTMENT IN SUBSIDIARIES

	The Company 2011 HK$'000	The Company 2010 HK$'000
Unlisted shares/equity investments, at cost	**65,480**	65,480

Name of subsidiary	Place of incorporation/ registration and operations	Particulars of issued and paid up capital 2011	Particulars of issued and paid up capital 2010	Proportion ownership interest held by the Company Directly 2011 %	Directly 2010 %	Indirectly 2011 %	Indirectly 2010 %	Principal activities
China.com Corp. Limited	Hong Kong	**100 ordinary shares of HK$10 each**	100 ordinary shares of HK$10 each	**100**	100	**–**	–	Operation of a portal site provision of content and internet adverting services
TTG Asia Media Pte. Ltd	Singapore	**100,000 ordinary shares of SGD1 each**	100,000 ordinary shares of SGD1 each	**–**	–	**100**	100	Provision of advertising and event organising services and magazine publication
Beijing China.com Technology Services Co. Ltd (note a)	PRC	**Registered capital of RMB 20,000,000**	Registered capital of RMB 20,000,000	**–**	–	**100**	100	Operation of a portal site provision of content and internet adverting services
Chinadotcom Communications Technology Development (Beijing) Limited (note b)	PRC	**Registered capital of USD 850,000**	Registered capital of USD 850,000	**–**	–	**100**	100	Operation of a portal site provision of content and internet adverting services

None of the subsidiaries had issued any debt securities at the end of the year.

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.

19. AVAILABLE-FOR-SALE INVESTMENTS

	Notes	Group and Company 2011 HK$'000	2010 HK$'000
Listed investments:			
– Equity securities listed outside Hong Kong	a	**312**	6,858
Unlisted securities:			
– Equity interest in private equity funds	b	**80,101**	87,886
Total		**80,413**	94,744
Analysed for reporting purposes as:			
– Non-current assets		**80,413**	94,744

Notes:

(a) The Group holds approximately a 0.7% (2010: 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. CDC Corporation filed a voluntary petition under Chapter 11 of the US Bankruptcy Code and was delisted from Nasdaq Stock Market LLC on 8 November 2011. The share of CDC Corporation can be traded in over-the-counter thereafter.

The Group's equity interest in CDC Corporation is stated at fair value, which is determined by reference to quoted market bid price. Due to decrease (2010: decrease) in quoted market price, the fair value loss of HK$6,546,000 (2010: fair value loss of HK$6,214,000) has been recognised in other comprehensive income.

As at 31 December 2011, the directors of the Company take into consideration of the prolonged and significant decline in the quoted market price of the shares of CDC Corporation, an impairment loss of approximately HK$ 6,136,000 was reclassified from investment revaluation reserve to profit and loss. No such impairment loss was identified for the year ended 31 December 2010.

On 1 March 2012, the Company in the capacity of a shareholder of CDC Corporation, has submitted a plan of reorganisation of CDC Corporation to United States Bankruptcy Court ("Reorganisation plan") which is subject to change and certain approvals including approval of the United States Bankruptcy Court and the shareholders of the CDC Corporation. The directors of the Company considers the Reorganisation plan to be in the interest of the shareholders and the Company as a whole as it would minimize the continuing impact of CDC Corporation's Chapter 11 bankruptcy proceeding case on the business and operations of the Company and disruptions on the Company's ability to continue to implement its business strategies and growth initiatives. The hearing for approval of the disclosure statement in connection with the Reorganisation plan is currently scheduled for 26 April 2012.

Subsequent to year ended, the quoted market price of CDC Corporation has increased from US$0.16 per share as at 31 December 2011 to US$4.85 per share as at 22 March 2012 in the over-the-counter market.

19. AVAILABLE-FOR-SALE INVESTMENTS – CONTINUED

Notes: – Continued

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

	Group and Company	
	2011	2010
	HK$'000	HK$'000
New Horizon Capital, L.P. ("New Horizon")	**73,239**	80,668
Greycroft Partners, L.P. ("Greycroft")	**6,862**	7,218
	80,101	87,886

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$3,946,800,000, including the general partner's commitment of HK$46,800,000. 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. At 31 December 2011, the Group had cumulatively contributed HK$96,355,000 (2010: HK$93,631,000) in total, of which HK$17,793,000 (2010: HK$12,963,000) cumulatively was distributed to the Group as return of capital as of 31 December 2011. The remaining commitment is HK$12,845,000 (2010: HK$15,569,000). 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. At 31 December 2011, the Group had cumulatively contributed HK$7,800,000 (2010: HK$7,800,000).

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.

20. ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	HK$'000	HK$'000
Accounts Receivable	**23,103**	18,449
Less: Allowance for bad and doubtful debts	**(3,509)**	(2,446)
	19,594	16,003

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 accounts receivable 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:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**17,805**	14,617
91-120 days	**1,182**	583
121-180 days	**468**	591
Over 180 days	**139**	212
	19,594	16,003

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 76% (2010: 80%) of the accounts receivable that are neither past due nor impaired have the best credit quality under the credit system of the Group.

Accounts receivable that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Accounts receivable that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, the management estimated that the carrying amounts could be fully recovered. The average age of these accounts receivable by invoice date is 93 days (2010: 101 days).

20. ACCOUNTS RECEIVABLE – CONTINUED

Ageing of accounts receivable which are past due but not impaired

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**2,965**	1,799
91 – 120 days	**1,181**	583
121 – 180 days	**468**	591
Over 180 days	**139**	212
	4,753	3,185

Movement in the allowance for bad and doubtful debts

	Group	
	2011	2010
	HK$'000	HK$'000
Balance at beginning of the year	**(2,446)**	(14,509)
Impairment loss on accounts receivable	**(1,034)**	(512)
Amounts written off as uncollectible	**–**	13,156
Exchange realignment	**(29)**	(581)
Balance at end of the year	**(3,509)**	(2,446)

An impairment loss of HK$1,034,000 has been provided for the year ended 31 December 2011 (2010: HK$512,000) since the Group does not consider the amount will be collectible.

21. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Listed securities:		
–Equity securities listed in US	**–**	438

During the year ended 31 December 2011, the Group disposed the held-for-trading investments and recognised a loss of HK$191,000 (2010: HK$33,000) for the listed securities in the consolidated statement of comprehensive income.

22. BALANCES WITH SUBSIDIARIES, FELLOW SUBSIDIARIES AND ULTIMATE HOLDING COMPANY

The amounts due from subsidiaries, fellow subsidiaries and ultimate holding company are unsecured, interest-free and repayable within one year. The amounts due to subsidiaries and fellow subsidiaries are unsecured, interest-free and repayable on demand.

23. BANK BALANCES AND CASH

Bank balances and cash of the Group and the Company comprise cash held by the Group and the Company and short-term bank deposits with original maturity of less than 3 months. As at 31 December 2011, bank balances and cash of the Group amounting to HK$124,624,000 and HK$18,901,000 were denominated in Renminbi and Singapore dollars, functional currency of the relevant group entities, respectively (2010: HK$131,054,000 and HK$55,860,000 respectively).

24. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised as at 1 January 2010, 31 December 2010 and 31 December 2011	250,000,000	2,500
Issued and fully paid:		
As at 1 January 2010, 31 December 2010 and 31 December 2011	107,173,642	1,072

25. SHARE PREMIUM AND RESERVES

The Company

	Share premium HK$'000	Capital reserve HK$'000	Investment revaluation reserve HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	39,337	118,963	6,624	11,690	60,787	112,936	350,337
Profit for the year	–	–	–	–	–	5,678	5,678
Other comprehensive income for the year	–	–	(6,214)	–	–	–	(6,214)
Total comprehensive income for the year	–	–	(6,214)	–	–	5,678	(536)
Recognition of equity-settled share-based payments	–	–	–	–	968	–	968
Dividends *(note 13)*	–	(94,313)	–	–	–	(64,304)	(158,617)
At 31 December 2010	39,337	24,650	410	11,690	61,755	54,310	192,152
Loss for the year	–	–	–	–	–	(3,001)	(3,001)
Other comprehensive income for the year	–	–	(410)	–	–	–	(410)
Total comprehensive expenses for the year	–	–	(410)	–	–	(3,001)	(3,411)
Recognition of equity-settled share-based payments	–	–	–	–	657	–	657
At 31 December 2011	39,337	24,650	–	11,690	62,412	51,309	189,398

26. DEFERRED TAXATION

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. At 31 December 2011, 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$1,575,000 (2010: HK$1,799,000) 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$69,131,000 (2010: HK$94,225,000) and in Hong Kong of HK$192,480,000 (2010: HK$181,487,000) 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 tax losses arising in the PRC will expire from 2012 to 2016 (2012: HK$22,063,000; 2013: HK$17,642,000; 2014: HK$5,588,000; 2015: HK$14,296,000; 2016: HK$9,542,000) while those arising in Hong Kong will carry forward indefinitely.

27. ACCOUNTS PAYABLE

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

	Group	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**8,220**	6,589
91-120 days	**52**	90
121-180 days	**17**	110
Over 180 days	**339**	725
	8,628	7,514

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.

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	Group	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Held-for-trading investments	**–**	438
Loans and receivables (including bank balances and cash)	**283,808**	264,676
Available-for-sale investments	**80,413**	94,744
Financial liabilities		
Liabilities measured at amortised cost	**25,699**	21,207

	Company	
	2011	2010
	HK$'000	HK$'000
Financial assets		
Held-for-trading investments	**–**	438
Loans and receivables (including bank balances and cash)	**93,077**	66,562
Available-for-sale investments	**80,413**	94,744
Financial liabilities		
Liabilities measured at amortised cost	**48,500**	34,000

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.

28. 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

The Group's business transaction, assets and liabilities are denominated in HK$, US$, SGD and RMB and the functional currencies of the Group's principal operating entities are HK$, SGD and RMB. Hence, the group's exposure to foreign currency risk arises from sales denominated in US$.

Since HK$ is pegged to US$, there is no significant exposure expected on US$ transactions and balances whilst the currency peg remains in place.

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 and Singapore dollars for those subsidiaries with Renminbi and Singapore dollars as functional currencies. The carrying amount of PRC subsidiaries and Singapore subsidiary's Hong Kong dollars denominated monetary assets representing loans receivable within the Group and monetary liabilities representing loans payable within the Group at 31 December 2011 was HK$33,921,000 and HK$18,228,000 (2010: HK$64,380,000 and HK$27,128,000) respectively.

The sensitivity analysis below has been determined based on the exposure to a 5% (2010: 5%) increase and decrease in Hong Kong dollars against Renminbi and Singapore dollars. 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 and Singapore subsidiary' 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 and Singapore dollars, the post-tax profit for the year ended 31 December 2011 would be increased by HK$653,000 (2010: post-tax profit increased by HK$1,555,000). For a 5% weakening of the Hong Kong dollars against Renminbi and Singapore dollars, there would be an equal and opposite impact on the profit or loss.

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

Interest rate risk

The Group's fair value interest rate risk relates primarily to interest rate of short-term bank deposits which carry interest ranging from 2.60% to 3.10% per annum (2010: 2.25% to 2.75%). Management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

28. 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. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Index and other industry indicators, as well as the Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

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 2011 would increase/decrease by Nil (2010: post-tax profit would decrease/increase by HK$22,000). 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 2011 would increase/decrease by HK$16,000 (2010: HK$343,000) as a result of the increase/decrease in fair value of listed available-for-sales investments.

(ii) Credit risk

As at 31 December 2011, 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 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 21% (2010: 27%) 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.

28. 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
2011						
Accounts payable	**8,628**	**–**	**–**	**–**	**8,628**	**8,628**
Other payables and accrued liabilities	**16,959**	**–**	**–**	**–**	**16,959**	**16,959**
Amounts due to fellow subsidiaries	**112**	**–**	**–**	**–**	**112**	**112**
	25,699	**–**	**–**	**–**	**25,699**	**25,699**
2010						
Accounts payable	7,514	–	–	–	7,514	7,514
Other payables and accrued liabilities	13,351	–	–	–	13,351	13,351
Amounts due to fellow subsidiaries	342	–	–	–	342	342
	21,207	–	–	–	21,207	21,207

28. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT – CONTINUED

(c) Fair value of financial instruments

The fair value of financial assets such as available-for-sales investment as described in note 19(a) and held-for-trading investment with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices. 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.

Except that the private equity funds are stated at cost less impairment as detailed in note 19(b), management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values.

Based on the lowest level input that is significant to the fair value measurement in its entirely, the fair value hierarchy has the following levels:

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).

At 31 December 2011 and 2010, the held-for-trading investments and the available-for-sale investment as described in note 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.

(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 2011 and 2010. The Group's overall strategy remains unchanged from the prior years.

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

29. 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).

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

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 2011, the number of shares issuable under the Pre-IPO Scheme, the Post-IPO Scheme and the 2002 Scheme was nil, nil and 8,209,105 (31 December 2010: nil, 4,698 and 8,022,344), respectively, which represented approximately 7.66% (31 December 2010: 7.49%) 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.

The offer of a grant of share options under the Schemes must be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. For the 2002 Scheme, the offer of a grant of share options must be accepted with 7 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors. However, for the Schemes, each of the grantees of the options is not allowed to exercise in aggregate in excess of 25%, 50% and 75% of shares comprised in the options granted within the first, second and third years from one year after the date of grant of options, respectively. No Pre-IPO or Post-IPO share options can be exercised prior to 9 March 2001. All option shares must be exercised within 10 years from the date of grant of options.

For the 2002 Scheme, there is no general requirement on the minimum period for which option must be held before an option can be exercised. All option shares must be exercised within 10 years from the date of grant of options.

The exercise price for the Pre-IPO Scheme is determined by the final Hong Kong dollar price per share at which the shares are subscribed pursuant to the placing of 640,000,000 shares by the Company to professional and institutional investors and other persons made on the terms of the prospectus issued by the Company on 28 February 2000 (HK$1.88 per share).

The exercise price of the Post-IPO Scheme and the 2002 Scheme share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's shares on the Stock Exchange on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the grant of the share options; and (iii) the nominal value of the share.

The share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

The Pre-IPO Scheme and the Post-IPO Scheme had expired in 2010 and 2011 respectively. At 31 December 2011, the remaining life of the 2002 Scheme is four months (2010: one year and four months).

(i) *Pre-IPO Scheme*

Year ended 31 December 2011

All the share options of the Pre-IPO Scheme had expired in 2010.

Year ended 31 December 2010

			Number of share options			
Name or category of participant	**Date of grant of share options (note a)**	**Exercise price of share options (note b) HK$**	**At 1 January 2010**	**Forfeited/ lapsed during the year**	**Cancelled during the year**	**At 31 December 2010**
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	7,500	(7,500)	–	–
			282,500	(282,500)	–	–
Number of share options exercisable at the end of the year			282,500			–
Weighted average exercise price			75.20	75.20	–	–

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(ii) Post-IPO Scheme

Year ended 31 December 2011

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 2011	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011
Employees						
In aggregate	24 November 2000 and 10 April 2001	20.720 and 11.440	3,146	–	(3,146)	–
Other Eligible Persons						
In aggregate	28 February 2002	13.880	1,552	–	(1,552)	–
			4,698	–	(4,698)	–
Number of share options exercisable at the end of the year			4,698			–
Weighted average exercise price			15.35	–	15.35	–

Year ended 31 December 2010

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 2010	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2010
Employees						
In aggregate	24 November 2000 and 10 April 2001	20.720 and 11.440	19,510	–	(16,364)	3,146
Other Eligible Persons						
In aggregate	28 February 2002	13.880	1,552	–	–	1,552
			21,062	–	(16,364)	4,698
Number of share options exercisable at the end of the year			21,062			4,698
Weighted average exercise price			15.92	–	16.08	15.35

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme

Year ended 31 December 2011

			Number of share options				
Name or category of participant	Date of grant of share options (note a)	Exercise price of share options (note b) HK$	At 1 January 2011	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2011
Directors							
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 (note c)	–	–	–	5,983,912
	19 August 2008	5.436	540,160 (note d)	–	–	–	540,160
Wang Cheung Yue	5 June 2003	25.040	50,000	–	–	–	50,000
	15 September 2005	22.400	100,000	–	–	–	100,000
Cheng Loi	26 March 2008	11.000	37,500 (note e)	–	–	–	37,500
	26 March 2008	11.000	375	–	–	–	375
Wong Kwong Chi	3 January 2006	21.040	137,500	–	–	–	137,500
	11 May 2010	4.124	500,000 (note g)	–	–	–	500,000
Employees							
In aggregate	24 February 2003	6.840	807	–	–	–	807
	29 May 2003	28.640	1,614	–	–	–	1,614
	7 September 2004	20.400	1,291	–	–	–	1,291
	15 September 2005	22.400	15,000	–	–	–	15,000
	3 January 2006	21.040	6,250	–	–	–	6,250
	2 October 2007	17.160	2,500	–	–	–	2,500
	5 July 2010	4.330	390,000 (note h)	–	–	–	390,000
Other Eligible Persons							
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	137,500	–	–	–	137,500
	25 August 2006	18.000	125,000 (note f)	–	–	–	125,000
			8,806,909	–	–	(87,500)	8,719,409
Number of share options exercisable at the end of the year			8,022,344				8,209,105
Weighted average exercise price			16.37	–	–	24.49	16.29

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Year ended 31 December 2010

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 2010	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	At 31 December 2010
Directors							
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 (note c)	–	–	–	5,983,912
	19 August 2008	5.436	540,160 (note d)	–	–	–	540,160
Wang Cheung Yue	5 June 2003	25.040	50,000	–	–	–	50,000
	15 September 2005	22.400	100,000	–	–	–	100,000
Cheng Loi	26 March 2008	11.000	37,500 (note e)	–	–	–	37,500
	26 March 2008	11.000	375	–	–	–	375
Wong Kwong Chi (note i)	3 January 2006	21.040	137,500	–	–	–	137,500
	11 May 2010	4.124	–	500,000 (note g)	–	–	500,000
Employees							
In aggregate	24 February 2003	6.840	807	–	–	–	807
	29 May 2003	28.640	1,614	–	–	–	1,614
	7 September 2004	20.400	1,291	–	–	–	1,291
	15 September 2005	22.400	15,000	–	–	–	15,000
	3 January 2006	21.040	6,250	–	–	–	6,250
	2 October 2007	17.160	10,000	–	–	(7,500)	2,500
	5 July 2010	4.330	–	400,000 (note h)	–	(10,000)	390,000
Other Eligible Persons							
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	137,500	–	–	–	137,500
	25 August 2006	18.000	125,000 (note f)	–	–	–	125,000
			7,924,409	900,000	–	(17,500)	8,806,909
Number of share options exercisable at the end of the year			4,500,488				8,022,344
Weighted average exercise price			17.73	4.22	–	9.83	16.37

29. 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) 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

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.

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Equity-settled share option scheme of the Company – Continued

(iii) 2002 Scheme – Continued

Notes: – Continued

(d) The vesting Schedule of 540,160 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

(e) 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

(f) The 125,000 options shall vest in each installment by 10,417 options, every three months starting from 25 August 2006, over a period of three years.

(g) The vesting schedule of 500,000 options is as follows:

- 41,666 options shall vest on 5 June 2010
- 41,666 options shall vest on 5 September 2010
- 41,666 options shall vest on 5 December 2010
- 41,666 options shall vest on 5 March 2011
- 41,667 options shall vest on 5 June 2011
- 41,667 options shall vest on 5 September 2011
- 41,667 options shall vest on 5 December 2011
- 41,667 options shall vest on 5 March 2012
- 41,667 options shall vest on 5 June 2012
- 41,667 options shall vest on 5 September 2012
- 41,667 options shall vest on 5 December 2012
- 41,667 options shall vest on 5 March 2013

(h) The vesting schedule of 390,000 options (2010: 400,000 options) is as follows:

- 97,500 options (2010: 100,000 options) shall vest on 5 July 2011
- 97,500 options (2010: 100,000 options) shall vest on 5 July 2012
- 97,500 options (2010: 100,000 options) shall vest on 5 July 2013
- 97,500 options (2010: 100,000 options) shall vest on 5 July 2014

(i) Appointed as director during the year ended 31 December 2010.

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

Details of specific categorized options are as follows:

Pre-IPO Scheme

Date of grant	Exercise Period	Exercise Price HK$
9 March 2000	9 March 2001 to 8 March 2010	75.200

Post-IPO Scheme

Date of grant	Exercise Period	Exercise Price 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

Date of grant	Exercise Period	Exercise Price 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 c	17.800
25 August 2006	As detailed in note f	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 d	5.436
11 May 2010	As detailed in note g	4.124
5 July 2010	As detailed in note h	4.330

No share option was exercised during the year ended 31 December 2011 and 2010. As at 31 December 2011, the Company had in aggregate 8,719,409 (2010: 8,811,607) share options outstanding under the three schemes, which represented approximately 8.14% (2010: 8.22%) 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 8,719,409 (2010: 8,811,607) additional ordinary shares of the Company and additional share capital of approximately HK$87,194 (2010: HK$88,116) and share premium of approximately HK$141,927,000 (2010: HK$108,951,000) (before issue expenses).

29. SHARE-BASED PAYMENT TRANSACTIONS – CONTINUED

2002 Scheme – Continued

During the year ended 31 December 2010, options were granted on 11 May 2010 and 5 July 2010. The estimated fair values of the options granted on these dates are HK$2.49 and HK$2.63 respectively. During the year ended 31 December 2011, no option was granted.

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

	11-May-10	**5-Jul-10**
Weighted average share price	HK$4.030	HK$4.260
Exercise price	HK$4.124	HK$4.330
Expected volatility	76.06%	76.02%
Expected life	5 years	5 years
Risk-free rate	1.81%	1.55%
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 a total expense of HK$657,000 for the year ended 31 December 2011 (2010: HK$968,000) in relation to share options granted by the Company.

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

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 10% (2010: 8%) 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.

30. OPERATING LEASES

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:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**5,146**	4,726
In the second to the fifth year inclusive	**3,943**	1,539
	9,089	6,265

Operating leases relate to office premises and office equipment with lease terms of between 1 month to 5 years (2010: 1 month to 5 years).

31. COMMITMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Commitment in respect of investments in private equity fund		
– Existing private equity fund (note 19(b))	**12,845**	15,569
– New private equity fund (note)	**31,200**	–
	44,045	15,569

Note:

The Company subscribed US$4 million private equity fund and the subscription was accepted by the general partner of the fund on 31 August 2011. The timing of capital contribution of the Investment is generally on an "as needed" basis. As at 31 December 2011, no capital contribution has yet been made to the investment. The Company invested in the fund as limited partner and intended to be held for long term investment purpose.

32. RETIREMENT BENEFITS PLANS

Retirement benefits are also paid by an overseas subsidiary to its employees who, at their own discretion, contribute to certain retirement benefits plans managed by relevant government authorities. The retirement benefits paid by the overseas subsidiary are based on a certain percentage of its employees' basic salaries in accordance with the relevant regulations and are charged to profit or loss as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement benefits to its employees.

33. RELATED PARTY TRANSACTIONS

The Group entered into the following transactions with related parties:

	2011	2010
	HK$'000	HK$'000
Consultancy fee paid to a related company	**–**	211

In addition to the above transactions, during the years ended 31 December 2011 and 2010, 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 (2010: HK$Nil) and at an annual license fee of US$1 (equivalent to HK$8) (2010: HK$8), respectively.

During the years ended 31 December 2011 and 2010, CDC Corporation and CDC Software Corporation granted CDC Share Options, SARs, RSAs 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 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 22.

33. RELATED PARTY TRANSACTIONS – CONTINUED

Compensation of key management personnel

The remuneration of key management consisting of directors and two employees (2010: directors and two employees) during the year was as follows:

	2011 HK$'000	2010 HK$'000
Short-term benefits	**5,166**	4,448
Share-based payments	**497**	850
	5,663	5,298

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. SUBSEQUENT EVENTS

Except as disclosed in note 19, there is no material subsequent events undertaken by the Company or by the Group after 31 December 2011.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2012.