

# China.com Inc.

(Incorporated in the Cayman Islands with limited liability)  
GEM Stock : 8006

## First Quarterly Report 2012



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

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

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

## CHAIRMAN'S STATEMENT

Below are the financial and business highlights for China.com Inc. and its subsidiaries (collectively the "Group") for the three months ended 31 March 2012:

- The Group's revenue for the quarter was HK\$33.1 million, up 5% compared with the same period last year, but down by 5% when compared to the previous quarter.
- Gross profit from the quarter was HK\$17.3 million, up 14% compared with the same period last year, but down by 13% when compared to the previous quarter.
- General and Administrative expenses for this quarter was HK\$19.3 million, up 83% compared with the same period last year, the increase was mainly due to the incurring of non-recurring legal and professional fees relating to the proposed plans of reorganization. The aim of this plan is to enable the company to emerge from the adverse impact of CDC Corporation, the controlling shareholder of the Company (the "Controlling Shareholder") filing of voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Case") and to quickly re-install the company's long term health, which are for the best interests of the shareholders.
- Loss attributable to owners of the Company amounted to HK\$6.4 million, compared to a profit attributable to owners of the Company of HK\$1.8 million for the same period last year.
- Loss per share (LPS) was HK cents 5.98, compared to earnings per share (EPS) of HK cents 1.71 in the same period last year.
- Financial position remains strong, with an aggregate amount of HK\$331.4 million of bank balances and available-for-sale investments as of 31 March 2012.

Portal revenue has slightly increased when compared with the same period last year. New notable clients include Standard Chartered Bank, Citibank and Anxin Flooring. However, this quarter was a difficult time for Portal, due to the widespread of news in China in relation to the Controlling Shareholder's Chapter 11 Case. Portal's revenue has decreased by 7% when compared to last quarter, as many brand clients became concerned with the Chapter 11 Case and pulled their advertising support. This halted the robust growth momentum built up over 2011. Since 11 October 2011, 60 employees have left Portal, out of a total of 200 employees. Many of them were key members of their respective departments and channels and left due to the uncertainty over China.com Inc's future.

In spite of the current market sentiment, TTG has managed to performed in-line with what was achieved in same period of last year. The revenue from the management of the ASEAN Tourism Forum (ATF) 2012 in Manado, Indonesia has enhanced the performance of the Group. TTG Publishing team also contributed to the success in this quarter by completing several special projects.

As previously disclosed, in October 2011, the Controlling Shareholder (in which the Company is also a shareholder) has filed its voluntary Chapter 11 petition with the United States Bankruptcy Court (the "Bankruptcy Court") following the entry of a judgment in favour of Evolution by the Supreme Court of the State of New York, in order to prevent the disorderly disposition of the Controlling Shareholder's assets, to facilitate restructuring and to repay Evolution. Subsequently, a Chief Restructuring Officer (the "CRO") was appointed by the Bankruptcy Court to manage the restructuring of the Controlling Shareholder's assets and operations during the pendency of the bankruptcy proceeding. With a view to minimizing the continuing adverse impact of the Controlling Shareholder's Chapter 11 Case, the Company has filed a proposed plan of reorganization ("China.com Plan") that aims to make available for use by the Controlling Shareholder cash proceeds to repay its creditors in its Chapter 11 Case and allows the Controlling Shareholder to emerge from bankruptcy as a reorganized entity on 1 March 2012. Procedurally, China.com Plan and other plan as submitted by other interested party are subject to the Disclosure Statement Hearing and Confirmation Hearing before the Bankruptcy Court as well as the voting and approval of the shareholders of the Controlling Shareholder.

As previously disclosed, on 6 February, 2012, the CRO filed a motion seeking authority to sell the Controlling Shareholder's indirect interest in its subsidiary, CDC Software Corporation (the "Sale") which was subsequently approved by the Bankruptcy Court. The Sale was completed on 11 April 2012. In the meantime, the Controlling Shareholder reached and executed a settlement agreement with Evolution (the "Settlement Agreement") on 13 March 2012 and filed with the Bankruptcy Court a motion seeking the court approval of the Settlement Agreement (the "Evolution Settlement Motion"). The Evolution Settlement Motion was heard and approved by the Bankruptcy Court on 10 April 2012. On 12 April 2012, the Controlling Shareholder used portion of the cash proceeds from the Sale to settle and repay Evolution in full pursuant to the terms of the Settlement Agreement.

Given the fact that the debts to Evolution has been paid off in full, the Board believes that the principal reason stated by the Controlling Shareholder for its voluntary filing for Chapter 11 bankruptcy, which was to manage the orderly appeal or satisfaction of the judgment in favor of Evolution, has been satisfied. The Board also believes that it is in the Company's best interests for the bankruptcy case of the Controlling Shareholder to be dismissed at the earliest possible opportunity.

Based on these, the Company filed a motion with the Bankruptcy Court requesting dismissal of the Controlling Shareholder's Chapter 11 Case (the "Motion to Dismiss") on 16 April 2012, with the hope to remove the uncertainty surrounding the Company resulting from, and the adverse impact that has been caused by, the Controlling Shareholder's Chapter 11 Case and allow the Company to resume normal business and operations as soon as possible. After the hearing on 26 April 2012, the Bankruptcy Court denied the Motion to Dismiss. On 3 May 2012, the Company has filed an appeal of the Judge's order denying the Motion to Dismiss (the "Appeal") with the United States District Court for the Northern District of Georgia, Atlanta Division. In connection therewith, the Company is also seeking an expedited appeal and, if necessary, a limited stay of the plan confirmation process in the Chapter 11 bankruptcy proceedings.

As we continue to pursue the Appeal and China.com Plan in the US, we expect to incur significant legal expenses over the next one or two quarters. However, as mentioned above, the Board sincerely believes that the actions are in the best interest of the Company, and hopes that the matter could be resolved satisfactorily as soon as possible. That should help our share price, which had been at depressed levels since the beginning of the Chapter 11 Case, return to a fair market value.

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

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

Hong Kong, 9 May 2012

## UNAUDITED CONSOLIDATED QUARTERLY RESULTS

The board of directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months ended 31 March 2012 (the "Quarterly Period"), together with the comparative unaudited figures for the corresponding period in 2011.

|  | Notes | (Unaudited)                    |                  |
|--|-------|--------------------------------|------------------|
|  |       | Three months ended<br>31 March |                  |
|  |       | 2012<br>HK\$'000               | 2011<br>HK\$'000 |
| Revenue  | 2     | 33,062                         | 31,444           |
| Cost of sales  |       | (15,794)                       | (16,242)         |
| Gross profit   |       | 17,268                         | 15,202           |
| Other income   |       | 2,203                          | 2,332            |
| Selling and distribution expenses                        |       | (6,004)                        | (5,061)          |
| Administrative expenses                                  |       | (19,266)                       | (10,552)         |
| Impairment losses reversed                               |       | 161                            | 646              |
| Other expenses   |       | –                              | (61)             |
| (Loss) profit before tax                                 |       | (5,638)                        | 2,506            |
| Income tax expense                                       | 3     | (615)                          | (661)            |
| <b>(Loss) profit for the period</b>                      |       | <b>(6,253)</b>                 | <b>1,845</b>     |
| <b>Other comprehensive income</b>                        |       |                                |                  |
| Exchange differences arising on translation              |       | 1,280                          | 2,373            |
| Fair value gain (loss) on available-for-sale investments |       | 8,949                          | (1,875)          |
| Other comprehensive income for the period                |       | 10,229                         | 498              |
| <b>Total comprehensive income for the period</b>         |       | <b>3,976</b>                   | <b>2,343</b>     |

|       |   | (Unaudited)        |              |
|-------|---|--------------------|--------------|
|       |   | Three months ended |              |
|       |   | 31 March           |              |
|       |   | 2012               | 2011         |
| Notes |   | HK\$'000           | HK\$'000     |
|       | (Loss) profit attributable to:                  |                    |              |
|       | Owners of the Company                           | (6,408)            | 1,829        |
|       | Non-controlling interests                       | 155                | 16           |
|       |   | <u>(6,253)</u>     | <u>1,845</u> |
|       | <br>Total comprehensive income attributable to: |                    |              |
|       | Owners of the Company                           | 3,821              | 2,327        |
|       | Non-controlling interests                       | 155                | 16           |
|       |   | <u>3,976</u>       | <u>2,343</u> |
|       | <br><b>(Loss) earnings per share</b>            |                    |              |
|       | Basic and diluted (cents per share)             | <u>(5.98)</u>      | <u>1.71</u>  |
|       |   | 4                  |              |

Notes:

1. **BASIS OF PREPARATION**

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

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

The unaudited consolidated results of the Group have been prepared under historical cost convention, except for certain financial instruments, which are measured at fair value. The principal accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2011 except as described below.

The HKICPA has issued a number of new and revised HKFRSs. For those which are effective for accounting periods beginning on 1 January 2012, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods. For those which are not yet effective and have not been early adopted by the Group, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. **REVENUE**

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

3. **INCOME TAX EXPENSE**

Hong Kong profits tax is calculated at 16.5% for the Quarterly Period and corresponding period in 2011. No provision for Hong Kong profits tax has been made as the Group had no significant assessable profits in Hong Kong for the Quarterly Period and the corresponding period in 2011.

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

4. **(LOSS) EARNINGS PER SHARE**

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

|  | Three months ended<br>31 March |              |
|--|--------------------------------|--------------|
|  | 2012                           | 2011         |
|  | HK\$’000                       | HK\$’000     |
| (Loss) earnings  |                                |              |
| (Loss) profit for the period attributable to owners of the Company | <u>(6,408)</u>                 | <u>1,829</u> |



Three months ended  
31 March

2012  
'000

2011  
'000

Number of shares

Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share

**107,174**

**107,174**

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 Company's shares over the reporting period.

5. MOVEMENT OF RESERVES

|  | Share premium<br>HK\$'000<br>(note a) | Capital reserve<br>HK\$'000<br>(note a) | Goodwill reserve<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Reserve funds<br>HK\$'000<br>(note b) | Translation reserve<br>HK\$'000 | Share options reserve<br>HK\$'000 | Retained profits<br>HK\$'000 | SubTotal<br>HK\$'000 | Attributable to non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------------------|---|------------------------------|--|--|---------------------------------------|---------------------------------|-----------------------------------|------------------------------|----------------------|---|-------------------|
| At 1 January 2011                                  | 39,337                                | 24,650                                  | (31,193)                     | 410  | 11,690                                 | 24,123                                | 47,047                          | 61,755                            | 130,760                      | 308,579              | 160   | 308,739           |
| Profit for the period                              | -                                     | -                                       | -                            | -  | -                                      | -                                     | -                               | -                                 | 1,829                        | 1,829                | 16  | 1,845             |
| Other comprehensive income for the period          | -                                     | -                                       | -                            | (1,875)                                    | -                                      | -                                     | 2,373                           | -                                 | -                            | 498                  | -   | 498               |
| Total comprehensive income for the period          | -                                     | -                                       | -                            | (1,875)                                    | -                                      | -                                     | 2,373                           | -                                 | 1,829                        | 2,327                | 16  | 2,343             |
| Recognition of equity-settled share based payments | -                                     | -                                       | -                            | -  | -                                      | -                                     | -                               | 258                               | -                            | 258                  | -   | 258               |
| At 31 March 2011                                   | <b>39,337</b>                         | <b>24,650</b>                           | <b>(31,193)</b>              | <b>(1,465)</b>                             | <b>11,690</b>                          | <b>24,123</b>                         | <b>49,420</b>                   | <b>62,013</b>                     | <b>132,589</b>               | <b>311,164</b>       | <b>176</b>  | <b>311,340</b>    |
| At 1 January 2012                                  | 39,337                                | 24,650                                  | (31,193)                     | -  | 11,690                                 | 19,025                                | 44,285                          | 62,412                            | 142,258                      | 312,464              | 1,721   | 314,185           |
| Loss for the period                                | -                                     | -                                       | -                            | -  | -                                      | -                                     | -                               | -                                 | (6,408)                      | (6,408)              | 155   | (6,253)           |
| Other comprehensive income for the period          | -                                     | -                                       | -                            | 8,949                                      | -                                      | -                                     | 1,280                           | -                                 | -                            | 10,229               | -   | 10,229            |
| Total comprehensive income for the period          | -                                     | -                                       | -                            | 8,949                                      | -                                      | -                                     | 1,280                           | -                                 | (6,408)                      | 3,821                | 155   | 3,976             |
| Recognition of equity-settled share based payments | -                                     | -                                       | -                            | -  | -                                      | -                                     | -                               | 24                                | -                            | 24                   | -   | 24                |
| At 31 March 2012                                   | <b>39,337</b>                         | <b>24,650</b>                           | <b>(31,193)</b>              | <b>8,949</b>                               | <b>11,690</b>                          | <b>19,025</b>                         | <b>45,565</b>                   | <b>62,436</b>                     | <b>135,850</b>               | <b>316,309</b>       | <b>1,876</b>  | <b>318,185</b>    |

*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 periods as there was no such profit after tax from FIEs in either periods.

## **6. DIVIDENDS**

The directors do not recommend the payment of an interim dividend for the Quarterly Period (the corresponding period in 2011: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue and gross profit*

Revenue for the Quarterly Period was HK\$33,062,000 representing a HK\$1,618,000, or 5%, increase compared to the corresponding period in 2011. The net increase was primarily attributable to (1) an increase in revenue from travel media segment of HK\$298,000; and (2) an increase in revenue from internet portal segment of HK\$1,320,000.

Gross profit margin maintained at a relatively stable level of 52% for the Quarterly Period, compared to 48% in the same period last year.

#### *Other income*

Other income decreased by 6% to HK\$2,203,000 for the Quarterly Period, compared to HK\$2,332,000 for the corresponding period in 2011. The decrease was primarily due to (1) a HK\$1,865,000 decrease in investment income from available-for-sale investments; (2) a HK\$1,264,000 increase in other non-operating income; and (3) a HK\$472,000 increase in interest income.

#### *Selling and distribution expenses*

Selling and distribution expenses increased by 19% to HK\$6,004,000 for the Quarterly Period, compared to HK\$5,061,000 for the corresponding period in 2011.

#### *Administrative expenses*

Administrative expenses increased by 83% to HK\$19,266,000 for the Quarterly Period, compared to HK\$10,552,000 for the corresponding period in 2011. The increase was mainly attributable to (1) an increase in legal and professional fee amounting to HK\$6,500,000 incurred in connection with the proposed restructuring plan for the Controlling Shareholder's Chapter 11 Case; and (2) a HK\$2,214,000 increase in other administrative expenses. Administrative expenses include share option expenses in the Quarterly Period amounting to HK\$24,000 (2011: HK\$258,000) recognised in accordance with HKFRS 2.

#### *Impairment losses reversed*

Recovery of impairment loss of HK\$161,000 (2010: HK\$646,000) has been recognised for the Quarterly Period.

#### *Other expenses*

Other expenses decreased by HK\$61,000 to HK\$Nil for the Quarterly Period.

### *Income tax*

The Group recorded an income tax expense of HK\$615,000 for the Quarterly Period, compared to HK\$661,000 for the corresponding period in 2011. Income tax expense for the Quarterly Period represents a provision for income tax.

### *Non-controlling interests*

Profit shared by non-controlling interests was HK\$155,000 for the Quarterly Period, compared to HK\$16,000 for the corresponding period in 2011. 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 March 2012 (2011: 90%).

### *(Loss) profit for the period attributable to owners of the Company*

Loss for the period attributable to owners of the Company was HK\$6,408,000 for the Quarterly Period, compared to a profit of HK\$1,829,000 for the corresponding period in 2011.

## **Business Review**

### *Internet Portal*

Portal revenue for the first quarter was HK\$10,404,000 up 15% from the corresponding period in 2011. New notable clients include Standard Chartered Bank, Citibank and Anxin Flooring. However, this quarter was a difficult time for Portal, due to the widespread of news in China in relation to the filing of voluntary petition under Chapter 11 of the United States Bankruptcy Code (the "Chapter 11 Case") by CDC Corporation, the controlling shareholder of the Company (the "Controlling Shareholder"). Portal's revenue has decreased by 7% when compared to last quarter, as many brand clients became concerned with the Chapter 11 Case and pulled their advertising support. This halted the robust growth momentum built up over 2011. Since 11 October 2011, 60 employees have left Portal, out of a total of 200 employees. Many of them were key members of their respective departments and channels and left due to the uncertainty over China.com Inc's future.

### *Travel Media*

TTG revenue for the first quarter was HK\$22,658,000, up 1% from the corresponding period in 2011. In spite of the current market sentiment, TTG has managed to performed in-line with what was achieved in same period of last year. The revenue from the management of the ASEAN Tourism Forum (ATF) 2012 in Manado, Indonesia has enhanced the performance of the Group. TTG Publishing team also contributed to the success in this quarter by completing several special projects.

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

As at 31 March 2012, 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/<br>Holding capacity      | Approximate percentage of interests |
|--------------------------|------------------|-----------------------------|---|-------------------------------------|
| Ch'ien Kuo Fung, Raymond | 142,900          | 200,000                     | Personal/beneficiary                          | 0.32%                               |
| Cheng Loi                | –                | 37,875                      | Corporate<br>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<br>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<br>or spouse<br>Note (2) | 6.58%                               |

\* *resigned as director of the Company on 18 January 2012*

*Notes:*

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

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

| Name of Directors        | Date of Grant     | Exercise period                           | Exercise price<br>HK\$ | Number of<br>share options<br>outstanding as at<br>31 March 2012 |
|--------------------------|-------------------|---|------------------------|--|
| Ch'ien Kuo Fung, Raymond | 5 June 2003       | 5 June 2004 to<br>4 June 2013             | 25.040                 | 100,000  |
|                          | 10 October 2005   | 10 October 2006 to<br>9 October 2015      | 25.200                 | 100,000  |
| Cheng Loi                | 26 March 2008     | 26 March 2009 to<br>25 March 2018         | 11.000                 | 37,875   |
| Wang Cheung Yue          | 5 June 2003       | 5 June 2004 to<br>4 June 2013             | 25.040                 | 50,000   |
|                          | 15 September 2005 | 15 September 2006 to<br>14 September 2015 | 22.400                 | 100,000  |
| Wong Kwong Chi           | 3 January 2006    | 3 January 2007 to<br>2 January 2016       | 21.040                 | 137,500  |
|                          | 11 May 2010       | 11 May 2010 to<br>10 May 2021             | 4.124                  | 500,000  |

| Name of Directors   | Date of Grant   | Exercise period                      | Exercise price<br>HK\$ | Number of<br>share options<br>outstanding as at<br>31 March 2012 |
|---------------------|-----------------|--------------------------------------|------------------------|--|
| Yip Hak Yung, Peter | 5 June 2003     | 5 June 2004 to<br>4 June 2013        | 25.040                 | 100,000  |
|                     | 10 October 2005 | 10 October 2006 to<br>9 October 2015 | 25.200                 | 100,000  |
|                     | 3 January 2006  | 3 January 2007 to<br>2 January 2016  | 21.040                 | 225,000  |
|                     | 14 August 2006  | 14 August 2007 to<br>13 August 2016  | 17.800                 | 5,983,912  |
|                     | 19 August 2008  | 19 August 2009 to<br>18 August 2018  | 5.436                  | 540,160  |

### Associated Corporation

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

| Name of Directors        | Number of<br>shares | Number of<br>underlying shares | Nature of<br>interests/Holding<br>capacity    | Approximate<br>percentage of<br>interests |
|--------------------------|---------------------|--------------------------------|---|---|
| Ch'ien Kuo Fung, Raymond | 321,012             | 82,312                         | Personal/beneficiary                          | 1.14%                                     |
| Cheng Loi                | 311                 | 33,096                         | Corporate<br>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<br>children or spouse<br>Note (2) | 24.24%                                    |

\* resigned as director of the Company on 18 January 2012

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

| Name of Directors        | Date of Grant   | Exercise period                       | Exercise price<br>Note (5)<br>US\$ | Number of share<br>options/stock<br>appreciation rights/<br>restricted shares<br>outstanding as<br>at 31 March 2012 |
|--------------------------|-----------------|---------------------------------------|------------------------------------|---|
|                          |                 |                                       |                                    | Note (5)  |
| Ch'ien Kuo Fung, Raymond | 4 August 2010   | 4 November 2010 to<br>3 August 2017   | –<br>Note (4)                      | 33,282<br>Note (4)  |
|                          | 3 January 2011  | 3 January 2011 to<br>2 January 2018   | 3.500                              | 30,000<br>Note (1)  |
|                          | 3 March 2011    | 3 September 2011 to<br>3 March 2012   | –<br>Note (4)                      | 19,030<br>Note (4)  |
| Cheng Loi                | 29 October 2008 | 29 October 2009 to<br>28 October 2015 | 3.810                              | 18,333<br>Note (1)  |
|                          | 23 April 2009   | 23 April 2009 to<br>22 April 2016     | 3.600                              | 600<br>Note(1)  |
|                          | 4 May 2009      | 4 May 2009 to<br>3 May 2016           | 3.600                              | 11,666<br>Note(1)   |
|                          | 4 August 2010   | 4 November 2010 to<br>3 August 2017   | –<br>Note (4)                      | 2,497<br>Note (4)   |
| Wang Cheung Yue          | 4 August 2010   | 4 November 2010 to<br>3 August 2017   | –<br>Note (4)                      | 16,641<br>Note (4)  |
|                          | 3 January 2011  | 3 January 2011 to<br>2 January 2018   | 3.500                              | 15,000<br>Note(1)   |
|                          | 3 March 2011    | 3 September 2011 to<br>3 March 2012   | –<br>Note (4)                      | 13,273<br>Note (4)  |



| Name of Directors   | Date of Grant     | Exercise period                           | Exercise price<br>Note (5)<br>US\$ | Number of share<br>options/stock<br>appreciation rights/<br>restricted shares<br>outstanding as<br>at 31 March 2012<br>Note (5) |
|---------------------|-------------------|---|------------------------------------|---|
| Wong Kwong Chi      | 24 August 2005    | 24 August 2005 to<br>23 August 2015       | 9.690                              | 36,664  |
|                     | 15 September 2005 | 15 September 2005 to<br>14 September 2015 | 8.982                              | 33,332  |
|                     | 18 December 2006  | 18 March 2007 to<br>17 December 2016      | 25.560                             | 8,333<br>Note(1)  |
|                     | 8 November 2007   | 8 February 2008 to<br>6 November 2014     | 19.080                             | 8,333<br>Note(1)  |
|                     | 18 September 2008 | 18 September 2008 to<br>17 September 2015 | 6.510                              | 30,000<br>Note(1)   |
|                     | 2 September 2009  | 2 December 2009 to<br>1 September 2016    | 2.490                              | 41,666  |
| Yip Hak Yung, Peter | 26 November 2008  | 26 February 2009 to<br>25 November 2015   | 2.610                              | 1,978,332   |
|                     | 3 March 2011      | 3 September 2011 to<br>3 March 2012       | –<br>Note (4)                      | 454,205<br>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 one-for-three reverse split of the Class A common shares in CDC Corporation effective on 23 August 2010.

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

| Name of Directors        | Number of shares | Number of Underlying shares | Nature of interests/<br>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<br>US\$ | Number of share options outstanding as at 31 March 2012 |
|--------------------------|------------------|---|------------------------|---|
| 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/<br>Holding capacity | Approximate percentage of interests |
|--------------------------|------------------|-----------------------------|--|-------------------------------------|
| Ch'ien Kuo Fung, Raymond | –                | 100,000                     | Personal/beneficiary                     | 0.33%                               |
| Cheng Loi                | –                | 45,000                      | Corporate Note (2)                       | 0.15%                               |
| Wang Cheung Yue          | –                | 120,000                     | Personal/beneficiary                     | 0.40%                               |
| Wong Kwong Chi           | –                | 50,000                      | Personal/beneficiary                     | 0.17%                               |

*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*

| <b>Name of Directors</b> | <b>Date of Grant</b> | <b>Exercise period</b>  | <b>Exercise price<br/>US\$</b> | <b>Number of<br/>share options<br/>outstanding as<br/>at 31 March 2012</b> |
|--------------------------|----------------------|---|--------------------------------|--|
| Ch'ien Kuo Fung, Raymond | 21 April 2008        | Date of<br>commencement of<br>initial public offering to<br>21 April 2015 | 2.570                          | 100,000  |
| Cheng Loi                | 21 April 2008        | Date of<br>commencement of<br>initial public offering to<br>21 April 2015 | 2.570                          | 45,000   |
| Wang Cheung Yue          | 21 April 2008        | Date of<br>commencement of<br>initial public offering to<br>21 April 2015 | 2.570                          | 120,000  |
| Wong Kwong Chi           | 21 April 2008        | Date of<br>commencement of<br>initial public offering to<br>21 April 2015 | 2.570                          | 50,000   |

*Long positions in Class A ordinary shares and the underlying shares of equity of derivatives in CDC Software Corporation (“CDC Software”)(Note (4))*

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

\* resigned as director of the Company on 18 January 2012

*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<br>US\$ | Number of share options outstanding as at 31 March 2012 |
|--------------------------|-------------------|---------------------------------------|------------------------|---|
| 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<br>Note (2)                                       |
| Wong Kwong Chi           | 11 September 2009 | 11 December 2009 to 10 September 2016 | 8.450                  | 34,000  |
| Yip Hak Yung, Peter      | 11 September 2009 | 11 December 2009 to 10 September 2016 | 8.450                  | 299,084   |
|                          | 1 March 2010      | 1 June 2010 to 28 February 2017       | 10.150                 | 250,000   |

*Note:*

- (1) 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.
- (3) 81,119 Class A ordinary shares were held by the spouse of Mr. Yip. 549,084 options were granted to Asia Pacific On-Line Limited, a company 50% owned by the spouse of Mr. Yip and 50% owned by a trust established for the benefit of the spouse and children of Mr. Yip.
- (4) Reference is made to the announcement dated 12 April 2012 that as approved by the United States Bankruptcy Court, the controlling shareholder CDC Corporation's indirect shareholdings in CDC Software were sold and the buyer completed the purchase pursuant to the terms of the share purchase agreement executed between the parties on 11 April 2012.

Save as disclosed above, as at 31 March 2012, 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 March 2012, the following companies (not being a Director or chief executive of the Company) who have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

| <b>Name</b>                       | <b>Number of shares</b> | <b>Number of underlying shares</b> | <b>Percentage of issued share capital</b> |
|-----------------------------------|-------------------------|------------------------------------|---|
| CDC Corporation                   | 79,492,700              | –                                  | 74.17%                                    |
| China M Interactive (BVI) Limited | 79,045,700              | –                                  | 73.75%                                    |
| Asia Pacific On-Line Limited      | 525,160                 | 6,524,072                          | 6.58%                                     |

China M Interactive (BVI) Limited is a wholly owned subsidiary of chinadotcom Mobile Interactive Corporation. chinadotcom Mobile Interactive Corporation is a wholly owned subsidiary of CDC Corporation, the ultimate holding company of the Company.

Asia Pacific On-Line Limited is 50% owned by the spouse of Mr. Yip Hak Yung, Peter (“Mr. Yip”) and 50% owned by a trust established for the benefit of the spouse and children of Mr. Yip.

Save as disclosed above, as at 31 March 2012, none of the directors are aware of any other persons who has an interest or short position in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is interested in 10% or more of the normal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 31 March 2012.

#### **COMPETING INTERESTS**

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

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

#### **SECURITIES TRANSACTIONS BY DIRECTORS**

During the three months ended 31 March 2012, 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 three months ended 31 March 2012.

#### **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 three months ended 31 March 2012 with the Code.

## AUDIT COMMITTEE

The Company established an audit committee on 25th February 2000 with written terms of reference which are of no less exacting terms than those set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the GEM Listing Rules. At present, the audit committee comprises three independent non-executive directors namely, Mr. Anson Wang (Committee Chairman), Mr. Wang Cheung Yue and Professor Li On-kwok, Victor. 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 first quarterly results and has provided advice and comments thereon before passing the same for approval by the Board of the Company.

## DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months ended 31 March 2012.

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

Hong Kong, 9 May 2012

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