

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: 78 OF 2009

IN THE MATTER OF THE COMPANIES LAW (2007 REVISION)



AND

IN THE MATTER OF CHINA.COM INC.

PETITION



To: The Grand Court

THE HUMBLE PETITION of the above named China.com Inc. shows as follows:

1. Your Petitioner, the above-named company (the "Company"), is an exempted company limited by shares and incorporated in the Cayman Islands on 15 October 1999 under the Companies Law (the "Companies Law") as revised. The Company is registered under number CR-93370.
2. The registered office of the Company is situate at the offices of Maples Corporate Services Limited, P.O. Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands.
3. The objects for which the Company is established are unrestricted and include, without limitation, to carry on the business of an investment company.

4. The Company was incorporated on 15 October 1999 under the name "HONGKONG.COM CORPORATION", with an original authorised share capital of 50,000 US Dollars (US\$50,000) divided into 50,000 shares of US\$1.00 each. On 22 February 2000, the authorised share capital of the Company was changed to 1,000,000,000 Hong Kong Dollars (HK\$1,000,000,000) divided into 10,000,000,000 shares of HK\$0.01 each. On 27 April 2005, the Company changed its name to China.com Inc. On 27 June 2008, every 40 issued and unissued shares of HK\$0.10 each in the authorised share capital of the Company were consolidated into one share of HK\$4.00 par value.

5. The Restated Articles of Association of the Company (the "Articles") provide *inter alia* as follows:

" 63. (b) The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Law."

6. The Articles define "the Law" as follows:

"the Companies Law" or "the Law" shall mean the Companies Law (1998 Revision), Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor."

7. The shares of the Company are held as to around 79% by CDC Corporation (directly and indirectly) and the remaining shares are held by other shareholders. The balance sheet of the audited financial statements of the Company as at 31 December 2007 shows that the Company has shareholder equity of US\$208,437,179; this comprises issued and paid-up share capital of US\$56,168,461, share premium of US\$130,783,205, deficit from revaluation of

assets of US\$1,325,128, capital redemption reserve of US\$14,102, share options reserve of US\$6,729,872 and retained profits of US\$16,066,667. The Company is proposing the reduction of its share capital because the shares of the Company have been trading at below their par value most of the time since 16 October 2008. The Companies Law (2007 Revision) generally prohibits the Company from issuing any shares at below par value unless certain requirements are complied with. Therefore, it will be very difficult for the Company to raise new capital by issuing new shares unless the par value of the shares is reduced. Although the Company does not have any immediate plans to raise new capital, the reduction of share capital will give the Company more flexibility in raising capital in the future.

8. The capital reduction will result in a surplus of HK\$427,207,229.19 (or approximately US\$54,770,157.59) being transferred into a distributable reserve account. The Company does not have any immediate plan to distribute the additional surplus resulting from the capital reduction, but the capital reduction will give the Company more flexibility in distributing dividends to its shareholders in future.
9. By a Special Resolution passed at an extraordinary general meeting of the Company held on 16 January 2009 in accordance with article 63(b) of the Articles and section 14 of the Companies Law, it was resolved, inter alia, as follows:

“that the par value of each existing share be reduced from HK\$4.00 per share to HK\$0.01 per share;”

10. A poll was called for the shareholder vote and an independent scrutineer conducted the poll. Some 96.4983% of the votes cast in the poll were for the proposed capital reduction and 3.5017% of the votes cast were against the proposed capital reduction.

11. The proposed reduction of issued share capital described at paragraph 9 of this Petition does not involve either the diminution of any liability in respect of any unpaid capital, nor the immediate payment of any paid-up capital to shareholders.
12. Further, the proposed reduction of issued share capital described at paragraph 9 of this Petition will not prejudice the interests of the creditors of the Company as the Company has sufficient cash resources in excess of the amount due to its creditors as is evidenced by the Company's financial statements. The Company's audited balance sheet as at 31 December 2007 shows cash in hand and in bank of US\$61,845,128, which exceeds the total liabilities of US\$155,128 for that same period.
13. The form of minute proposed to be registered is as follows:


“The par value of each share of China.com Inc. was, by virtue of a Special Resolution and with the sanction of an Order of the Grand Court of the Cayman Islands dated [] 2009, reduced from HK\$4.00 each to HK\$0.01. As a result of the aforesaid reduction, the authorised share capital of the Company was reduced from HK\$1,000,000,000 divided into 250,000,000 shares of par value HK\$4.00 each to HK\$2,500,000 divided into 250,000,000 shares of par value HK\$0.01 each and the issued share capital of the Company was reduced from HK\$428,277,924 divided into 107,069,481 shares of par value HK\$4.00 each to HK\$1,070,694.81 divided into 107,069,481 shares of par value HK\$0.01 each. At the date of registration of this Minute, all of the shares in the issued share capital of the Company are fully paid up.”

14. Your Petitioner, the Company, therefore humbly prays as follows:

- (1) That the reduction of the capital of the Company proposed to be effected by the Special Resolution set forth in paragraph 8 of this Petition be confirmed and that the abovementioned Minute be approved by the Court;

- (2) That to this end, all necessary directions and enquiries be made and given;
or
- (3) That such other Order be made in the premises as the Court shall consider appropriate.

AND your petitioner will ever pray.



Appleby
Attorneys-at-law for the Petitioner

Note: It is not intended to serve this Petition on any person.

This Petition having been presented to the Court on 18 February, 2009, will be heard by the Grand Court of the Cayman Islands on a date to be determined.

Date:

Time: (or as soon thereafter as the Petitioner can be heard)

THIS PETITION was filed by Appleby, Attorneys-at-Law for the Petitioner, whose address for service is Clifton House, 75 Fort Street, PO Box 190, KY1-1104, George Town, Grand Cayman, Cayman Islands. (REF: CMcN/18114.001)