



China Cyber Port (International) Company Limited

神州奧美網絡(國際)有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8206)



Interim Report 2007

*For identification purpose only



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This report, for which the directors (the “Directors”) of China Cyber Port (International) Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 not 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.



HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2007 was approximately HK\$11,284,000.
- Net profit attributable to shareholders was approximately HK\$16,628,000 for the six months ended 30 September 2007.
- Earnings per share for the six months ended 30 September 2007 was approximately HK2.31 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2007.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007.

FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$11,284,000 for the six months ended 30 September 2007, representing an increase of approximately 8.4% as compared to approximately HK\$10,411,000 for the six months ended 30 September 2006. The turnover for the six months ended 30 September 2007 was attributable to the licensing income from the licensed rights of certain PC games.

The Group made a net profit attributable to shareholders of approximately HK\$16,628,000 for the six months ended 30 September 2007 as compared to a loss of approximately HK\$5,928,000 for the six months ended 30 September 2006. The improvement in interim results was mainly attributable to the revised business focus.



BUSINESS REVIEW

The competition among financial information providers in Hong Kong has always been fierce due to the small size market and the market has already become saturated. In view of this, the Board has been actively seeking other opportunities to broaden the revenue base of the Group. During the past year, the Group has made strategic move to entering into the booming animation and game industry in the PRC and successfully completed three substantial acquisitions. Such strategic moves signal the Group stepping out from the financial information provision services in Hong Kong and focusing its resources on investment and business in the animation and game industry in the PRC.

Licensing income from the license of the Licensed Rights

The Group receives the Annual Payment (as defined in the Company's circular dated 15 March 2006) under the CCP Agreement (as defined in the Company's circular dated 15 March 2006) for a period of ten years and the Annual Payment will be adjusted annually by a compound rate of 10%. For the six months ended 30 September 2007, the revenue derived from the license of the Licensed Rights was approximately HK\$11,284,000 as compared to approximately HK\$9,615,000 for the six months ended 30 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and Profitability

The Group recorded a turnover of approximately HK\$11,284,000 (2006: HK\$10,411,000) for the six months ended 30 September 2007, representing an increase of approximately 8.4% as compared with 2006/07. The turnover for the six months ended 30 September 2007 (2006: 92.4% of turnover) was attributable to licensing income for the license of the Licensed Rights.

The Group's gross loss for the six months ended 30 September 2007 amounted to approximately HK\$1,238,000 as compared to a gross profit of approximately HK\$2,869,000 for the six months ended 30 September 2006. The gross loss of the Group for the six months ended 30 September 2007 was mainly attributable to amortisation charge for the intangible assets acquired in August 2007.

Selling, administrative and other operating expenses for the six months ended 30 September 2007 was approximately HK\$11,051,000 as compared to approximately HK\$9,135,000 for the corresponding period in 2006. The increase of the expenses was mainly attributable to the increase in professional fees in relation to acquisitions of the intangible assets.



Net Profit Attributable to Shareholders

The Group made a net profit attributable to shareholders of approximately HK\$16,628,000 for the six months ended 30 September 2007 as compared to a net loss of approximately HK\$5,928,000 for the six months ended 30 September 2006. The net profit for the period was mainly attributable to the revenue from the acquisition of the right to receive benefits from exploitation of online games in the PRC.

Liquidity and Financial Resources

As at 30 September 2007, the Group had outstanding promissory notes at a nominal value of approximately HK\$394 million (as at 31 March 2007: HK\$425 million) with a discounted value of approximately HK\$351.6 million (as at 31 March 2007: HK\$366.3 million). The promissory note is interest bearing at 2% per annum and matures on 10 February 2010. Other than the promissory notes, the Group did not have any other committed borrowing facilities as at 30 September 2007 (as at 31 March 2007: HK\$Nil).

As at 30 September 2007, the Group had net current assets of approximately HK\$101,774,000 (as at 31 March 2007: approximately HK\$29,644,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$47,222,000 (as at 31 March 2007: approximately HK\$22,985,000), accounts receivable of approximately HK\$58,151,000 (as at 31 March 2007: approximately HK\$5,557,000), other receivables of approximately HK\$1,050,000 (as at 31 March 2007: HK\$Nil) and deposits and prepayments of approximately HK\$406,000 (as at 31 March 2007: approximately HK\$1,628,000). The Group's current liabilities included accrued expenses of approximately HK\$5,048,000 (as at 31 March 2007: approximately HK\$2,532,000) and receipts in advance and other payables of approximately HK\$6,000 (as at 31 March 2007: approximately HK\$14,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 29.7% as at 30 September 2007 as compared to 39.2% as at 31 March 2007.

At present, the Group generally finances its operations and investment activities with internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

Capital Structure

During the period, 126,700,000 new ordinary shares were issued and allotted by the Company, among which 105,000,000 new ordinary shares were issued as the consideration for the acquisition for the right to receive the distributable profit from the e-Sports platform in the PRC in August 2007, 20,000,000 new ordinary shares were issued and allotted by subscription in June 2007 and 1,700,000 new ordinary shares were issued upon the exercise of share options.



Charge on Assets

The Group did not have any charge on its assets as at 30 September 2007 and 31 March 2007.

Staff Costs

As at 30 September 2007, the Group had 2 employees (2006: 11). The staff costs for the six months ended 30 September 2007 was approximately HK\$391,000 (2006: approximately HK\$914,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material Investment or Capital Assets

As at 30 September 2007, the Group did not have any plan for material investments or capital assets. Nevertheless, the Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Foreign Currency Risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars. The Group does not expect significant exposure to foreign exchange fluctuations.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30 September 2007 and 31 March 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and for the six months ended 30 September 2007

	Notes	Three months ended 30 September		Six months ended 30 September	
		2007 (Unaudited) HK\$	2006 (Unaudited) HK\$	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Turnover	3	5,665,000	5,216,844	11,284,167	10,411,138
Cost of sales		<u>(8,676,154)</u>	<u>(3,771,300)</u>	<u>(12,522,308)</u>	<u>(7,541,790)</u>
Gross (loss)/profit		(3,011,154)	1,445,544	(1,238,141)	2,869,348
Revenue from exploitation of online games in the PRC		41,309,256	–	41,309,256	–
Other revenue	4	1,033,448	558,838	1,281,193	1,714,673
Administrative expenses		(2,069,990)	(3,241,488)	(3,593,944)	(5,773,781)
Other operating expenses		<u>(3,723,902)</u>	<u>(2,615,659)</u>	<u>(7,457,526)</u>	<u>(3,361,540)</u>
Operating profit/(loss)	5	33,537,658	(3,852,765)	30,300,838	(4,551,300)
Finance costs	6	(4,520,817)	–	(12,385,654)	(880,261)
Share of loss of an associated company		<u>(1,141,350)</u>	<u>(167,715)</u>	<u>(1,287,184)</u>	<u>(496,846)</u>
Profit/(loss) before taxation		27,875,491	(4,020,480)	16,628,000	(5,928,407)
Taxation	7	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) attributable to shareholders		<u>27,875,491</u>	<u>(4,020,480)</u>	<u>16,628,000</u>	<u>(5,928,407)</u>
Earnings/(loss) per share – basic	8	<u>HK3.67 cents</u>	<u>(HK0.64 cent)</u>	<u>HK2.31 cents</u>	<u>(HK0.99 cent)</u>
Earnings/(loss) per share – diluted	8	<u>HK3.66 cents</u>	<u>N/A</u>	<u>HK2.30 cents</u>	<u>N/A</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2007

	Notes	30 September 2007 (Unaudited) HK\$	31 March 2007 (Restated) HK\$
Non-current assets			
Fixed assets	10	1,054,912	115,975
Intangible assets	11	393,893,077	134,615,385
Investments in an associated company	12(a)	–	3,422,218
Available-for-sale financial assets	13	699,506,726	769,506,726
		<u>1,094,454,715</u>	<u>907,660,304</u>
Current assets			
Accounts receivable	14	58,150,662	5,557,239
Other receivables		1,049,980	–
Deposits and prepayments		405,940	1,628,123
Loan receivable from an associated company	12(b)	–	2,019,966
Cash and bank balances		47,221,923	22,985,258
		<u>106,828,505</u>	<u>32,190,586</u>
Current liabilities			
Accrued expenses		5,047,945	2,532,338
Receipts in advance and other payables		6,147	13,887
		<u>5,054,092</u>	<u>2,546,225</u>
Net current assets		<u>101,774,413</u>	<u>29,644,361</u>
Total assets less current liabilities		<u>1,196,229,128</u>	<u>937,304,665</u>
Non-current liabilities			
Promissory notes	15	351,571,269	366,310,615
Net assets		<u>844,657,859</u>	<u>570,994,050</u>
Financed by			
Share capital	16	8,022,868	6,755,868
Reserves		836,634,991	564,238,182
Total equity		<u>844,657,859</u>	<u>570,994,050</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Net cash used in operating activities	(8,364,227)	(6,850,721)
Net cash (used in)/generated from investing activities	(286,272,007)	1,020,827
Net cash generated from financing activities	318,872,899	75,782,982
Increase in cash and cash equivalents	24,236,665	69,953,088
Cash and cash equivalents at beginning of the period	22,985,258	2,850,589
Cash and cash equivalents at end of the period	<u>47,221,923</u>	<u>72,803,677</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>47,221,923</u>	<u>72,803,677</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Share capital (Unaudited)	Share premium (Unaudited)	Merger reserve (Unaudited)	Capital surplus (Unaudited)	Asset revaluation reserve (Unaudited)	Exchange revaluation reserve (Unaudited)	Convertible bond reserve (Unaudited)	Share-based compensation reserve (Unaudited)	Accumulated losses (Unaudited)	Total (Unaudited)
Notes	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Balance as at 1 April 2006										
As previously stated	5,135,520	48,201,945	8,320,333	1,498,659	46,314,614	141,282	348,441	317,241	(23,185,479)	87,092,556
Prior year adjustment	17(a)	-	-	-	-	-	-	-	(1,057,692)	(1,057,692)
As restated	5,135,520	48,201,945	8,320,333	1,498,659	46,314,614	141,282	348,441	317,241	(24,243,171)	86,034,864
Loss for the period	-	-	-	-	-	-	-	-	(5,928,407)	(5,928,407)
Conversion of convertible bonds	119,048	4,963,509	-	-	-	-	(348,441)	-	-	4,734,116
Issue of shares	972,300	144,872,700	-	-	-	-	-	-	-	145,845,000
Share issue expenses	-	(3,077,340)	-	-	-	-	-	-	-	(3,077,340)
Share option scheme										
- grant of share options	-	-	-	-	-	-	-	3,562,200	-	3,562,200
- exercise of share options	124,000	4,071,763	-	-	-	-	-	(1,268,963)	-	2,926,800
Balance as at										
30 September 2006 (restated)	<u>6,350,868</u>	<u>199,032,577</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>46,314,614</u>	<u>141,282</u>	<u>-</u>	<u>2,610,478</u>	<u>(30,171,578)</u>	<u>234,097,233</u>
Balance as at 1 April 2007										
As previously stated	6,755,868	335,312,901	8,320,333	1,498,659	261,065,759	291,384	-	5,014,085	(6,848,651)	611,410,338
Prior year adjustment	17(b)	-	-	-	-	-	-	-	(40,416,288)	(40,416,288)
As restated	6,755,868	335,312,901	8,320,333	1,498,659	261,065,759	291,384	-	5,014,085	(47,264,939)	570,994,050
Profit for the period	-	-	-	-	-	-	-	-	16,628,000	16,628,000
Issue of shares	1,250,000	342,550,000	-	-	-	-	-	-	-	343,800,000
Disposal of an associated company	-	-	-	(1,498,659)	-	(322,625)	-	-	-	(1,821,284)
Currency translation differences										
- associated company	-	-	-	-	-	31,241	-	-	-	31,241
Revaluation deficits on intangible assets and available-for-sale financial assets	-	-	-	-	(88,000,000)	-	-	-	-	(88,000,000)
Share option scheme										
- grant of share options	-	-	-	-	-	-	-	1,902,953	-	1,902,953
- exercise of share options	17,000	1,559,782	-	-	-	-	-	(453,883)	-	1,122,899
- forfeiture of share options granted	-	-	-	-	-	-	-	(1,242,863)	1,242,863	-
Balance as at 30 September 2007	<u>8,022,868</u>	<u>679,422,683</u>	<u>8,320,333</u>	<u>-</u>	<u>173,065,759</u>	<u>-</u>	<u>-</u>	<u>5,220,292</u>	<u>(29,394,076)</u>	<u>844,657,859</u>



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

1 GENERAL

The Company was incorporated in the Cayman Islands on 23 May 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 November 2002.

The principal activity of the Company is investment holding. The Group is principally engaged in (i) the licensing of computer games in the PRC; (ii) the investment in the operation of the online game “Sudden Attack” in the PRC; and (iii) the investment in the online platform for computer and online game tournaments.

The registered office of the Company is located at P.O. Box 309GT, Uglund House, South Church Street, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong is located at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

2 BASIS OF PRESENTATION

The unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

This condensed consolidated financial information should be read in conjunction with the 2007 annual financial statements. The accounting policies and methods of computation adopted are consistent with those followed in preparation of the Group’s annual financial statements for the year ended 31 March 2007. This condensed consolidated results for the three months and six months ended 30 September 2007 are unaudited but have been reviewed by the Company’s audit committee.

During the period, the Group adopted the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), that affect the Group and are adopted for the first time for the current period’s financial statements.

HKAS 1 (Amendment)	<i>(Note a)</i>	Presentation of Financial Statements – Capital disclosures
HKFRS 7	<i>(Note a)</i>	Financial Instruments – Disclosures
HK(IFRIC) - Int 8	<i>(Note b)</i>	Scope of HKFRS 2
HK(IFRIC) - Int 9	<i>(Note c)</i>	Restatement of embedded derivatives
HK(IFRIC) - Int 10	<i>(Note c)</i>	Interim Financial Reporting and Impairment
HK(IFRIC) - Int 11	<i>(Note d)</i>	HKFRS 2 – Group and Treasury Share Transactions



- Note a:* effective for annual periods beginning on or after 1 January 2007
- Note b:* effective for annual periods beginning on or after 1 May 2006
- Note c:* effective for annual periods beginning on or after 1 November 2006
- Note d:* effective for annual periods beginning on or after 1 March 2007

The adoption of these HKFRSs did not result in substantial changes to the accounting policies and the methods of computation used in the condensed consolidated financial information. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

As at the date of this report, the following standards and interpretations were in issue but not yet effective:

HKFRS 8	<i>(Note a)</i>	Operating segments
HKAS 23 (revised)	<i>(Note a)</i>	Borrowing costs
HK(IFRIC) - Int 12	<i>(Note b)</i>	Service Concession Arrangements
HK(IFRIC) - Int 13	<i>(Note c)</i>	Customer Loyalty Programme
HK(IFRIC) - Int 14	<i>(Note b)</i>	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

- Note a:* effective for annual periods beginning on or after 1 January 2009
- Note b:* effective for annual periods beginning on or after 1 January 2008
- Note c:* effective for annual periods beginning on or after 1 July 2008

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its result of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

The condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

3 SEGMENT INFORMATION

The Group is principally engaged in (i) the licensing of computer games in the PRC; (ii) the investment in the operation of the online game “Sudden Attack” in the PRC; and (iii) the investment in the online platform for computer and online game tournaments. In accordance with the Groups operating activities, the primary segment reporting is by business segments.

(a) Business segments

The following table presents revenue and operating results for the Group’s business segments for the six months period ended 30 September 2007 and 30 September 2006:

	Licensing income		Financial information		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Turnover	11,284,167	9,615,385	–	766,581	–	29,172	11,284,167	10,411,138
Segment results	(1,238,141)	2,115,385	–	724,791	–	29,172	(1,238,141)	2,869,348
Revenue from exploitation of online games in the PRC							41,309,256	–
Other revenue							1,281,193	1,714,673
Unallocated costs							(11,051,470)	(9,135,321)
Operating profit/(loss)							30,300,838	(4,551,300)
Finance costs							(12,385,654)	(880,261)
Share of loss of an associated company							(1,287,184)	(496,846)
Profit/(loss) before taxation							16,628,000	(5,928,407)
Taxation							–	–
Profit/(loss) attributable to shareholders							16,628,000	(5,928,407)

There are no significant sales or other transactions between the business segments. The licensing income is receivable from the licensee, net of all taxes. For the period ended 30 September 2006, others comprise production of finance books.

(b) Geographical segments

The following table presents revenue and operating results for the Groups geographical segments for the six months ended 30 September 2007 and 30 September 2006:

	Hong Kong		PRC		Total	
	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Turnover	–	795,753	11,284,167	9,615,385	11,284,167	10,411,138
Segment results	–	753,963	(1,238,141)	2,115,385	(1,238,141)	2,869,348
Revenue from exploitation of online games in the PRC					41,309,256	–
Other revenue					1,281,193	1,714,673
Unallocated costs					(11,051,470)	(9,135,321)
Operating profit/(loss)					30,300,838	(4,551,300)
Finance costs					(12,385,654)	(880,261)
Share of loss of an associated company					(1,287,184)	(496,846)
Profit/(loss) before taxation					16,628,000	(5,928,407)
Taxation					–	–
Profit/(loss) attributable to shareholders					16,628,000	(5,928,407)

4 OTHER REVENUE

	Three months ended 30 September		Six months ended 30 September	
	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$	2007 (Unaudited) HK\$	2006 (Unaudited) HK\$
Exchange gains	–	–	19,964	–
Gain on disposal of an associated company	655,010	–	655,010	–
Gain on elimination of promissory notes	–	–	–	693,818
Interest income	378,138	558,810	605,919	1,020,827
Sundry income	300	28	300	28
	1,033,448	558,838	1,281,193	1,714,673

5 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following items:

	Three months ended 30 September		Six months ended 30 September	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
	HK\$	HK\$	HK\$	HK\$
Amortisation of intangible assets (Note 11)	8,676,154	3,750,000	12,522,308	7,500,000
Auditors' remuneration	112,500	30,000	225,000	60,000
Depreciation (Note 10)	91,715	86,027	173,774	174,765
Rental charges under operating leases for land and buildings	267,594	196,728	484,008	373,770
Employee benefits expenses (including directors' remuneration)	1,608,622	2,473,305	2,787,084	5,081,657

6 FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
	HK\$	HK\$	HK\$	HK\$
Interest charge on promissory notes wholly repayable within five years	4,520,817	-	12,385,654	871,671
Interest charge on convertible bonds wholly repayable within five years	-	-	-	8,590
	<u>4,520,817</u>	<u>-</u>	<u>12,385,654</u>	<u>880,261</u>

7 TAXATION

The Group business operations are in Hong Kong and subject to Hong Kong profits tax at the rate of 17.5%. No provision for Hong Kong profits tax has been made, as the Group has an estimated loss for the three months (2006: HK\$Nil) and six months (2006: HK\$Nil) ended 30 September 2007.

There is no significant unprovided deferred taxation for the three months (2006: HK\$Nil) and six months (2006: HK\$Nil) ended 30 September 2007.

8 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share for the three months and six months ended 30 September 2007 is based on the unaudited consolidated profit attributable to shareholders of HK\$27,875,491 (2006: a loss of HK\$4,020,480) and HK\$16,628,000 (2006: a loss of HK\$5,928,407) respectively and the weighted average number of 759,194,370 (2006: 629,865,022) and 720,023,373 (2006: 597,073,417) ordinary shares in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings per share for the three months and six months ended 30 September 2007 is calculated based on the adjusted weighted average number of 761,773,497 and 722,668,456 ordinary shares which is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares in respect of share options. The calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. No diluted loss per share for the three months and six months ended 30 September 2006 has been presented as any exercise of the Company's share options would have had an anti-dilutive effect on the loss per share.

9 DIVIDENDS

No dividends have been paid or declared by the Company for the three months (2006: HK\$Nil) and six months (2006: HK\$Nil) ended 30 September 2007.

10 FIXED ASSETS

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Audited) HK\$
Net book amount, beginning of the period/year	115,975	452,388
Additions	1,138,642	11,300
Depreciation charge	(173,774)	(341,029)
Disposals	(25,931)	(6,684)
	<u>1,054,912</u>	<u>115,975</u>
Net book amount, end of the period/year		

11 INTANGIBLE ASSETS

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Audited) HK\$
Net book amount, beginning of the period/year	134,615,385	150,000,000
Additions	289,800,000	—
Revaluation deficits	(18,000,000)	—
Amortisation	<u>(12,522,308)</u>	<u>(15,384,615)</u>
Net book amount, end of the period/year	<u>393,893,077</u>	<u>134,615,385</u>

12 INVESTMENTS IN AN ASSOCIATED COMPANY

(a) Interests in an associated company

This represented the Group's share of net assets of the unlisted associated company. Details of the Group's associated company were as follows:

Name	Percentage of equity interest	Principal activities	Place of operation
神州速達導航 通信資訊 (北京)有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

The associated company was disposed of at a gain of HK\$655,010 on 30 September 2007.

(b) Loan receivable from an associated company

The loan receivable was unsecured and bore interest at the rate of 5% per annum. The loan principal was repaid on 10 May 2007.

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Audited) HK\$
Right to receive benefits from exploration of online game in the PRC, at fair value	<u>699,506,726</u>	<u>769,506,726</u>

The fair value of the Group's available-for-sale financial assets as at 30 September 2007 and 31 March 2007 has been arrived at on the basis of a valuation carried out on 30 September 2006 by the independent valuer, Grant Sherman Appraisal Limited. The valuation was determined based on discounted cash flows from exploration of online game over the license period.

14 ACCOUNTS RECEIVABLE

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Restated) HK\$
From a shareholder	41,309,256	–
From a related company	<u>16,841,406</u>	<u>5,557,239</u>
	<u>58,150,662</u>	<u>5,557,239</u>

The carrying amounts of the Group's accounts receivable are denominated in the Chinese Yuan Renminbi.

The balances at 30 September 2007 were all aged less than one year (31 March 2007: less than 30 days).

15 PROMISSORY NOTE

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Audited) HK\$
At beginning of the period/year	368,738,355	69,733,626
Issued during the period/year	—	359,755,581
Interest charged	12,385,654	9,854,444
Repaid during the period/year	<u>(25,000,000)</u>	<u>(70,605,296)</u>
	356,124,009	368,738,355
Less: Accrued interest classified under current liabilities	<u>(4,552,740)</u>	<u>(2,427,740)</u>
At end of the period/year	<u>351,571,269</u>	<u>366,310,615</u>

At 30 September 2007, the promissory notes were unsecured and carried an interest rate of 2% per annum. The promissory notes will mature on 10 February 2010.

The fair value of the notes is calculated by discounting the expected future cash flows at the rate of 7.08% per annum, the directors consider that the carrying amount of promissory notes approximates to its fair value.

16 SHARE CAPITAL

	30 September 2007 (Unaudited)		31 March 2007 (Audited)	
	Number of Shares	Nominal value HK\$	Number of Shares	Nominal value HK\$
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>802,286,761</u>	<u>8,022,868</u>	<u>675,586,761</u>	<u>6,755,868</u>

17 PRIOR YEAR ADJUSTMENTS

- (a) In February 2006, the Group entered into an agreement to acquire the intangible assets in respect of the licensed rights subject to the approval by the independent shareholders. The transaction was approved in the extraordinary general meeting on 31 March 2006 and the agreement then became effective on 1 April 2006. Thus, the licensing income and the related amortization charge of HK\$4,807,692 and HK\$3,750,000 recognised in the first quarter of the calendar year 2006 were reversed respectively and the accumulated loss as at 1 April 2006 was increased by HK\$1,057,692 accordingly.

- (b) In October 2006, the Group entered into an agreement to acquire the available-for-sale financial asset in respect of the right to receive net revenue from operation of an online game Sudden Attack (突襲OL) in the PRC for the period from 1 January 2007 to 10 August 2009. On 30 June 2007, due to the delay in issuance of necessary approval by the regulatory authorities in the PRC for the official launch of the open beta version of Sudden Attack, a supplemental agreement was signed to postpone the right to receive revenue from operation of Sudden Attack for the period between 1 January 2007 and 10 August 2009 for 6 months to between 1 July 2007 and 10 February 2010. Revenue from exploitation of online game of HK\$40,416,288 recognised in the first quarter of the calendar year 2007 was reversed and the accumulated loss as at 1 April 2007 was increased by that amount accordingly.

18 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the group had the following material transactions with related parties during the period:

	Three months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Licensing income from a related company	5,665,000	4,807,692	11,284,167	9,615,385
Revenue from exploitation of online games in the PRC from a shareholder	41,309,256	–	41,309,256	–
Interest income from an associated company	–	–	9,250	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	30 September 2007 (Unaudited) HK\$	31 March 2007 (Restated) HK\$
Accounts receivable from a shareholder	41,309,256	–
Accounts receivable from a related company	16,841,406	5,557,239
Promissory notes payable to a shareholder	351,571,269	366,310,615
Interest accrued on promissory notes payable to a shareholder	4,552,740	2,427,740
	<u> </u>	<u> </u>

The Directors are of the opinion that the above transactions were conducted at arm's length in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

19 POST BALANCE SHEET EVENTS

On 1 November 2007, Favor Grow Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (as defined in the Company's announcement dated 6 November 2007) with a substantial shareholder of the Company, China Communication Investment Ltd., for the acquisition of 75% of the equity interest in China Cyber Port Co., Ltd..

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executives in Shares and Underlying Shares and Debentures

As at 30 September 2007, the interests and short positions of the Directors and the chief executives of the Company in the shares and 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 (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held				Total interests in shares	Share Option Scheme	Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests					
Xiao Haiping	1,000,000	-	-	-	1,000,000	1,000,000	2,000,000	0.25%	
Zhang Jialin	-	-	-	-	-	2,000,000	2,000,000	0.25%	

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2007.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 September 2007, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held				Total interests in shares	Number of underlying shares		Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme	Aggregate interests	
China Communication Co., Ltd. (Note 1)	-	220,542,000	-	-	220,542,000	-	220,542,000	27.49%
China Communication Investment Ltd.	220,542,000	-	-	-	220,542,000	-	220,542,000	27.49%
Mi Hui Ying (Note 2)	-	74,979,195	-	-	74,979,195	-	74,979,195	9.35%
Superhero Limited (Note 2)	74,979,195	-	-	-	74,979,195	-	74,979,195	9.35%
Ge Wen Bin (Note 3)	-	54,001,144	-	-	54,001,144	-	54,001,144	6.73%
Supreme System Investments Limited	54,001,144	-	-	-	54,001,144	-	54,001,144	6.73%
Chan Wong Kam Fung, Cecilia	51,500,798	-	-	-	51,500,798	-	51,500,798	6.42%

Notes:

- (1) China Communication Co., Ltd. is deemed to be a substantial shareholder as China Communication Investment Ltd. is a wholly owned subsidiary of China Communication Co., Ltd.
- (2) Ms. Mi Hui Ying is deemed to be a substantial shareholder by virtue of her 100% beneficial interest in Superhero Limited.
- (3) Mr. Ge Wen Bin is deemed to be a substantial shareholder by virtue of his 100% beneficial interest in Supreme System Investments Limited.

Save as disclosed above, as at 30 September 2007, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Share Option Schemes

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Share Option Scheme") conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the Company's annual report of year 2007.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 2007 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2007	Number of share options				As at 30 September 2007
					Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
Directors									
Xiao Haiping	3 April 2006	3 October 2006 to 2 April 2009	1.090	2,000,000	-	(1,000,000)	-	-	1,000,000
Zhang Jialin	3 April 2006	3 October 2006 to 2 April 2009	1.090	2,000,000	-	-	-	-	2,000,000
Yip Tai Him	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	-	(400,000)	-	-	-
Other Eligible Participants									
In aggregate	17 March 2004	17 March 2005 to 16 March 2014	0.047	300,000	-	(300,000)	-	-	-
In aggregate	28 June 2006	28 December 2006 to 27 June 2009	1.740	800,000	-	-	-	-	800,000
In aggregate	13 July 2006	13 January 2007 to 12 July 2008	1.920	500,000	-	-	-	-	500,000



Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2007	Number of share options				As at 30 September 2007
					Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
Other Eligible Participants									
In aggregate	17 August 2006	16 August 2007 to 16 August 2008	1.920	1,000,000	-	-	-	-	1,000,000
In aggregate	4 December 2006	4 June 2007 to 3 December 2009	3.992	1,000,000	-	-	(1,000,000)	-	-
In aggregate	15 December 2006	15 June 2007 to 14 December 2007	2.816	3,000,000	-	-	-	-	3,000,000
In aggregate	28 February 2007	28 August 2007 to 27 February 2008	4.000	200,000	-	-	-	-	200,000
In aggregate	30 July 2007	30 January 2008 to 29 July 2010	2.800	-	800,000	-	-	-	800,000
In aggregate	17 August 2007	17 February 2008 to 16 August 2008	2.800	-	1,500,000	-	-	-	1,500,000
				11,200,000	2,300,000	(1,700,000)	(1,000,000)	-	10,800,000

Notes:

(1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its subsidiary companies, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.

During the period, 1,000,000 share options have lapsed upon termination of relationship with an Eligible Participant.

(2) The weighted average share price at the date of exercise is HK\$2.86 per share.

Competing Interests

None of the Directors of the Company had any interest in a business which competes or may compete with the businesses of the Group.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the six months ended 30 September 2007.



Audit Committee

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. During this quarter, it comprises three Independent Non-Executive Directors, namely Mr. Yip Tai Him, Dr. Liu Jie and Ms. Weng Pinger. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited quarterly report for the six months ended 30 September 2007.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2007.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2007.

By order of the Board
China Cyber Port (International) Company Limited
He Chenguang
Chairman

As at the date of this report, the Board comprises:

Mr. He Chenguang (*Executive Director and Chairman*)
Mr. Xiao Haiping (*Executive Director*)
Mr. Zhang Peng (*Executive Director and Managing Director*)
Ms. Zhang Jialin (*Executive Director*)
Mr. Yip Tai Him (*Independent Non-Executive Director*)
Dr. Liu Jie (*Independent Non-Executive Director*)
Ms. Weng Pinger (*Independent Non-Executive Director*)

Hong Kong, 8 November 2007