



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 2008



* 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 2008 was approximately HK\$354,688,000.
- Net loss attributable to equity holders was approximately HK\$355,858,000 for the six months ended 30 September 2008.
- Loss per share for the six months ended 30 September 2008 was approximately HK44.36 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2008.

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 2008.

FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$354,688,000 for the six months ended 30 September 2008, representing an increase of approximately 3,043% as compared to approximately HK\$11,284,000 for the six months ended 30 September 2007. The turnover for the six months ended 30 September 2008 was attributable to (i) the operation of the e-Sports Platform; (ii) operation of the online game “Sudden Attack” (突袭OL) (“SA”) in the PRC; and (iii) distribution and selling of computer games in the PRC.

The Group made a net loss attributable to equity holders of approximately HK\$355,858,000 for the six months ended 30 September 2008 as compared to a profit of approximately HK\$19,136,000 for the six months ended 30 September 2007. The net loss for the period was mainly attributable to the impairment for goodwill and intangible assets during the period. Considering the recent development of the business in the newly acquired subsidiary, China Cyber Port Company Limited (“CCP”) and the macroeconomic environment, the Board has determined to impair the goodwill and intangible assets by approximately HK\$170,000,000 and HK\$ 275,434,000 respectively.

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 years, the Group has made strategic move to entering into the booming animation and game industry in the PRC and successfully completed four 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.

Operation of the e-Sports Platform

For the six months ended 30 September 2008, the revenue derived from the operation of the e-Sports Platform was approximately HK\$125,150,000. No revenue was derived from the operation of the e-Sports Platform for the same period last year.

Operation of the online game SA

For the six months ended 30 September 2008, the revenue derived from the operation of the online game SA was approximately HK\$211,017,000. No revenue was derived from the operation of the online game SA for the same period last year.

Distribution and selling of computer games in the PRC

For the six months ended 30 September 2008, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$18,521,000. No revenue was derived from the distribution and selling of computer games in the PRC for the same period last year.

MATERIAL ACQUISITION

On 1 November 2007, Favour Grow Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement (“S&P Agreement”) with China Communication Investment Limited (“CCI”) for the acquisition of a 75% equity interest in China Cyber Port Company Limited (“CCP”), at a consideration based on the difference between the valuation of 75% equity interest in CCP and the adjusted benefits accruing to the Group under the Sudden Attack Agreement and the e-Sports Platform Agreement. Pursuant to the Sudden Attack Agreement and the e-Sports Platform Agreement entered into by the Group on 20 October 2006 and 28 May 2007 respectively, the Group acquired from CCI (i) the right to receive the 40% of the net revenue derived from operating “Sudden Attack” in the PRC and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform in the PRC, respectively. Under the S&P Agreement, the Group and CCI agreed to cancel these two agreements and to cancel the HK\$80 million promissory notes held by CCI in settlement of the shortfall.

The completion of the acquisition took place on 1 April 2008 and CCP became an indirect 75%-owned subsidiary of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$354,688,000 (2007: HK\$11,284,000) for the six months ended 30 September 2008, representing an increase of approximately 3,043% as compared with 2007/08. Approximately 35.3%, 59.5% and 5.2% of turnover for the six months ended 30 September 2008 (2007: 0%, 0% and 0%) were attributable to the operation of the e-Sports Platform, operation of the online game "Sudden Attack" (突袭OL) ("SA") in the PRC and distribution and selling of computer games in the PRC.

The Group's gross profit for the six months ended 30 September 2008 amounted to approximately HK\$181,129,000 as compared to a gross profit of approximately HK\$1,270,000 for the six months ended 30 September 2007. The improvement in results was mainly attributable to the revised business focus.

Selling and distribution, administrative and other operating expenses for the six months ended 30 September 2008 was approximately HK\$661,302,000 as compared to approximately HK\$11,051,000 for the corresponding period in 2007. The increase of the expenses was mainly attributable to latest acquisition of subsidiary, CCP.

Net loss attributable to equity holders

The Group made a net loss attributable to equity holders of approximately HK\$355,858,000 for the six months ended 30 September 2008 as compared to a net profit of approximately HK\$19,136,000 for the six months ended 30 September 2007. The net loss for the period was mainly attributable to the impairment for goodwill and intangible assets of approximately HK\$170,000,000 and HK\$275,434,000.

Liquidity and financial resources

As at 30 September 2008, the Group had outstanding promissory notes at a nominal value of approximately HK\$257.9 million (as at 31 March 2008: HK\$394.0 million) with a discounted value of approximately HK\$241.4 million (as at 31 March 2008: HK\$360.0 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 2008 (as at 31 March 2008: HK\$Nil).

As at 30 September 2008, the Group had net current assets of approximately HK\$47,506,000 (as at 31 March 2008: approximately HK\$109,408,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$24,750,000 (as at 31 March 2008: approximately HK\$35,809,000), account receivables of approximately HK\$69,866,000 (as at 31 March 2008: approximately HK\$75,536,000), inventories of approximately HK\$33,503,000 (as at 31 March 2008: HK\$Nil), due from a related company of HK\$60,723,000 (as at 31 March 2008: HK\$Nil), due from other related companies of HK\$17,117,000 (as at 31 March 2008: HK\$Nil) and deposits and prepayments of approximately HK\$20,395,000 (as at 31 March 2008: HK\$369,000). The Group's current liabilities included accrued expenses of approximately HK\$135,457,000 (as at 31 March 2008: approximately HK\$2,305,000) and due to a shareholder of approximately HK\$43,391,000 (as at 31 March 2008: HK\$Nil).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 58.0% as at 30 September 2008 as compared to 36.5% as at 31 March 2008.

At present, the Group generally finances its operations and investment activities with internally generated cash flows.

Capital structure

There was no movement in the capital structure during the six months ended 30 September 2008.

Charge on assets

The Group did not have any charge on its assets as at 30 September 2008 and 31 March 2008.

Staff costs

As at 30 September 2008, the Group had 230 employees (2007: 2). The staff costs for the six months ended 30 September 2008 was approximately HK\$11,394,000 (2007: HK\$393,000). 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 2008, 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 and Renminbi. 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 2008 and 31 March 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2008

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2008 (Unaudited) HK\$	2007 (Unaudited) HK\$ (Restated)	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$ (Restated)
Revenue	5	115,846,178	5,665,000	354,687,673	11,284,167
Cost of sales		(87,843,971)	(7,422,135)	(173,559,043)	(10,014,270)
Gross profit/(loss)		28,002,207	(1,757,135)	181,128,630	1,269,897
Revenue from exploitation of online games in the PRC		-	41,309,256	-	41,309,256
Other income	6	31,215	1,033,448	2,309,449	1,281,193
Selling and distribution expenses		(58,492,996)	-	(194,773,239)	-
Administrative expenses		(6,388,841)	(2,069,990)	(14,091,941)	(3,593,944)
Other operating expenses		(449,346,983)	(3,723,902)	(452,436,983)	(7,457,526)
Operating (loss)/profit	7	(486,195,398)	34,791,677	(477,864,084)	32,808,876
Finance costs	8	(2,894,079)	(4,520,817)	(8,465,649)	(12,385,654)
Share of loss of an associate		-	(1,141,350)	-	(1,287,184)
(Loss)/profit before taxation		(489,089,477)	29,129,510	(486,329,733)	19,136,038
Taxation	9	78,409,202	-	75,246,710	-
(Loss)/profit for the period		(410,680,275)	29,129,510	(411,083,023)	19,136,038
Attributable to:					
Equity holders of the Company		(352,183,110)	29,129,510	(355,857,591)	19,136,038
Minority interests		(58,497,165)	-	(55,225,432)	-
		(410,680,275)	29,129,510	(411,083,023)	19,136,038
(Loss)/earnings per share - basic	10	(HK43.90 cents)	HK3.84 cents	(HK44.36 cents)	HK2.66 cents
(Loss)/earnings per share - diluted	10	N/A	HK3.82 cents	N/A	HK2.65 cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Note	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$ (Restated)
Non-current assets			
Fixed assets	12	42,900,607	869,537
Goodwill	13	184,610,358	–
Intangible assets	14	414,227,660	353,428,309
Available-for-sale financial assets	15	–	525,696,000
Deferred tax assets	16	43,639,236	–
		685,377,861	879,993,846
Current assets			
Inventories		33,502,776	–
Account receivables	17	69,865,545	75,535,500
Deposits, prepayments and other receivables		20,395,144	369,388
Due from a related company	18	60,722,909	–
Due from other related companies	18	17,117,180	–
Cash and bank balances		24,750,022	35,808,612
		226,353,576	111,713,500
Current liabilities			
Accrued expenses, receipts in advance and other payables		135,456,623	2,305,298
Due to a shareholder		43,391,164	–
		178,847,787	2,305,298
Net current assets			
		47,505,789	109,408,202
Total assets less current liabilities			
		732,883,650	989,402,048
Non-current liabilities			
Promissory notes	19	241,384,151	360,018,872
Deferred tax liabilities	16	108,774,351	–
Net assets			
		382,725,148	629,383,176
Financed by			
Share capital	21	8,022,868	8,022,868
Reserves		276,300,283	621,360,308
Equity attributable to equity holders of the Company		284,323,151	629,383,176
Minority interests		98,401,997	–
Total equity			
		382,725,148	629,383,176

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	For the six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Net cash used in operating activities	(77,113,923)	(8,364,227)
Net cash generated from/(used in) investing activities	76,643,960	(286,272,007)
Net cash (used in)/generated from financing activities	<u>(10,000,000)</u>	<u>318,872,899</u>
Net (decrease)/increase in cash and cash equivalents	(10,469,963)	24,236,665
Effect of foreign exchange rate changes	(588,627)	–
Cash and cash equivalents at beginning of the period	<u>35,808,612</u>	<u>22,985,258</u>
Cash and cash equivalents at end of the period	<u>24,750,022</u>	<u>47,221,923</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>24,750,022</u>	<u>47,221,923</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

		Attributable to the Company's equity holders									
		Share capital	Share premium	Merger reserve	Capital surplus	Asset revaluation reserve	Foreign currency translation reserve	Share-based compensation reserve	Accumulated losses	Minority interests	Total equity
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(unaudited)	(unaudited)
Note		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	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	(47,264,939)	-	570,994,050
	Retrospective restatement	2	-	-	-	(46,314,614)	-	-	5,016,076	-	(41,298,538)
	As restated	6,755,868	335,312,901	8,320,333	1,498,659	214,751,145	291,384	5,014,085	(42,248,863)	-	529,695,512
	Profit for the period	-	-	-	-	-	-	-	19,136,038	-	19,136,038
	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										
	- an associate	-	-	-	-	-	31,241	-	-	-	31,241
	Revaluation deficits on intangible assets and available-for-sale financial assets	-	-	-	-	(70,000,000)	-	-	-	-	(70,000,000)
	Share option scheme										
	- share based payment	-	-	-	-	-	-	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	8,022,868	679,422,683	8,320,333	-	144,751,145	-	5,220,292	(21,869,962)	-	823,867,359
	Balance as at 1 April 2008										
	As previously stated	8,022,868	679,422,683	8,320,333	-	28,314,614	-	4,457,584	(79,781,537)	-	648,756,545
	Retrospective restatement	2	-	-	-	(28,314,614)	-	-	8,941,245	-	(19,373,369)
	As restated	8,022,868	679,422,683	8,320,333	-	-	-	4,457,584	(70,840,292)	-	629,383,176
	Acquisition of a subsidiary	-	-	-	-	-	-	-	-	150,446,350	150,446,350
	Loss for the period	-	-	-	-	-	-	-	(355,857,591)	(55,225,432)	(411,083,023)
	Currency translation differences	-	-	-	-	-	10,255,994	-	-	3,181,079	13,437,073
	Share option scheme										
	- share based payment	-	-	-	-	-	-	541,572	-	-	541,572
	- forfeiture of share options granted	-	-	-	-	-	-	(1,582,008)	1,582,008	-	-
	Balance as at 30 September 2008	8,022,868	679,422,683	8,320,333	-	-	10,255,994	3,417,148	(425,115,875)	98,401,997	382,725,148

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) operation of the e-Sports Platform; (ii) operation of the online game "Sudden Attack"(突袭OL) ("SA") in the PRC; and (iii) distributing and selling computer games in the PRC.

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. RETROSPECTIVE RESTATEMENTS

During the financial year ended 31 March 2006, the Group has entered into an agreement to acquire the intangible assets ("Intangible Assets") in respect of computer games licensed rights. The transaction (the "Transaction") was completed on 1 April 2007 and the Group recorded it in accordance with the accounting policy as set out in the notes to the audited financial statements of the Group for the year ended 31 March 2006 related to intangible assets (the "Accounting Policy"). The Accounting Policy requires that intangible assets to be stated at cost less accumulated amortization and impairment losses, whilst in an exchange of a non-monetary asset or assets, or a combination of monetary and non-monetary assets, the cost of the intangible asset to be measured at its fair value at the time of exchange. The difference in fair values of the intangible asset and the asset given up is to be included in the asset revaluation reserve in equity.

The Group's consideration of the Transaction consisted of cash, new shares allotted and promissory note payable. The Group initially recognised the Intangible Assets at HK\$150,000,000 which was the fair value given by independent valuer, and recognised the considerations at their respective fair values totaling HK\$103.6 million. The difference of the above two fair values was credited to asset revaluation reserve.

The board of directors has recently reconsidered the above accounting treatment and found that it would be more appropriate for the Group to recognise the Intangible Assets at its cost of acquisition (i.e. the fair value of consideration of HK\$103.6 million) and no asset revaluation reserve to be created.

The Group has restated the relevant accounting balances retrospectively, as a result, the carrying amount of the relevant intangible assets would be reduced by approximately HK\$41.3 million and HK\$19.3 million as at 1 April 2007 and 31 March 2008 respectively. Any formerly recognised asset revaluation reserve is to be removed. The cumulative reduction in amortisation of Intangible Assets up to 31 March 2008 is approximately HK\$8.9 million. For the unaudited income statement of the Group for the three months and six months ended September 2007, the reduction in amortisation of Intangible Assets is approximately HK\$2.5 million and HK\$1.3 million respectively.

The effect to the Group's net assets as at 31 March 2008, the unaudited income statement for the three months and six months period ended 30 September 2007 and the earnings per share for the same period are illustrated as follows:

	At 31 March 2008 (as previously reported) HK\$	Adjustments HK\$	At 31 March 2008 (As restated) HK\$
Non-current assets			
Intangible assets	372,801,678	(19,373,369)	353,428,309
Other assets	<u>526,565,537</u>		<u>526,565,537</u>
	<u>899,367,215</u>		<u>879,993,846</u>
Current assets	111,713,500		111,713,500
Current liabilities	(2,305,298)		(2,305,298)
Non-current liabilities	<u>(360,018,872)</u>		<u>(360,018,872)</u>
NET ASSETS	<u>648,756,545</u>		<u>629,383,176</u>
Capital and reserves			
Share capital	8,022,868		8,022,868
Asset revaluation reserve	28,314,614	(28,314,614)	–
Accumulated losses	(79,781,537)	8,941,245	(70,840,292)
Other reserves	<u>692,200,600</u>		<u>692,200,600</u>
TOTAL EQUITY	<u>648,756,545</u>		<u>629,383,176</u>

	For the three months ended 30 September 2007 (as previously reported) HK\$	Adjustments HK\$	For the three months ended 30 September 2007 (as restated) HK\$	For the six months ended 30 September 2007 (as previously reported) HK\$	Adjustments HK\$	For the six months ended 30 September 2007 (as restated) HK\$
Revenue	5,665,000		5,665,000	11,284,167		11,284,167
Cost of sales	<u>(8,676,154)</u>	1,254,019	<u>(7,422,135)</u>	<u>(12,522,308)</u>	2,508,038	<u>(10,014,270)</u>
Gross (loss)/profit	(3,011,154)		(1,757,135)	(1,238,141)		1,269,897
Revenue from exploitation of online games in the PRC	41,309,256		41,309,256	41,309,256		41,309,256
Other income	1,033,448		1,033,448	1,281,193		1,281,193
Selling and distribution expenses	-		-	-		-
Administrative expenses	(2,069,990)		(2,069,990)	(3,593,944)		(3,593,944)
Other operating expenses	<u>(3,723,902)</u>		<u>(3,723,902)</u>	<u>(7,457,526)</u>		<u>(7,457,526)</u>
Operating profit	33,537,658		34,791,677	30,300,838		32,808,876
Finance costs	(4,520,817)		(4,520,817)	(12,385,654)		(12,385,654)
Share of loss of an associate	<u>(1,141,350)</u>		<u>(1,141,350)</u>	<u>(1,287,184)</u>		<u>(1,287,184)</u>
Profit before taxation	27,875,491		29,129,510	16,628,000		19,136,038
Taxation	<u>-</u>		<u>-</u>	<u>-</u>		<u>-</u>
Profit for the period	<u>27,875,491</u>		<u>29,129,510</u>	<u>16,628,000</u>		<u>19,136,038</u>
Earnings per share – basic	<u>HK3.67 cents</u>		<u>HK3.84 cents</u>	<u>HK2.31 cents</u>		<u>HK2.66 cents</u>
Earnings per share – diluted	<u>HK3.66 cents</u>		<u>HK3.82 cents</u>	<u>HK2.30 cents</u>		<u>HK2.65 cents</u>

3. BASIS OF PREPARATION

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 April 2008. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The application of these new HKFRSs will not have material impact on the financial statements of the Group. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in preparing the condensed consolidated interim financial information are consistent with those followed in the annual report of the Group for the year ended 31 March 2008 in addition to the followings:

(a) Business combination and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statement.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses of goodwill are recognised in the consolidated income statement and are not subsequently reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(b) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation of intangible assets is charged to profit or loss on a straight line basis over their estimated useful lives as follow:

Online game software platform	10 years
Online game license rights – Sudden Attack	23 months
e-Sports platform portal	6 years
Computer game distribution rights	6 years
Trademarks	5 years
Distribution network	6 years

(c) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset is recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes);
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

(d) Revenue recognition – prepaid game cards, sales of peripheral products and advertising

The Group sells prepaid game cards to distributors and online game players. With the prepaid game cards, online game players can credit their online game accounts with game points which can be used for consumption, purchasing virtual products and premium features of certain online games hosted by the Group. The game users can also credit their online user accounts directly. Such income received is deferred and recorded as deferred income under current liabilities and would be recognised as revenue upon the actual usage of the game points. Revenue recognised in respect of operating the online games is net of discounts, business tax, internet payment and settlement service fee, and other related taxes and charges.

Revenue from trading of peripheral products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Advertising income is recognised when the related service is rendered.

5. SEGMENT INFORMATION

Primary reporting format – business segments

At 30 September 2008, the Group is organised into three main business segments including: (i) operation of the e-Sports Platform; (ii) operation of the online game “Sudden Attack”(突袭OL) (“SA”) in the PRC; and (iii) distributing and selling computer games in the PRC.

The following table represents revenue and segment results for the Group’s business segments for the six months ended 30 September 2008 and 30 September 2007:

	Discontinued operation		Continuing operations									
	Licensing income		Operating of the e-Sports Platform				Operating of the online game SA		Distribution and selling of computer games in the PRC		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Revenue	-	11,284,167	125,150,306	-	211,016,654	-	18,520,713	-	354,687,673	11,284,167		
Segment results	-	1,269,897	(3,723,396)	-	(171,658,487)	-	(111,183,929)	-	(286,565,812)	1,269,897		

There are no significant sales or other transactions between the business segments.

6. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Exchange gains	19,609	-	2,294,116	19,964
Gain on disposal of an associate	-	655,010	-	655,010
Interest income	11,606	378,138	15,333	605,919
Sundry income	-	300	-	300
	31,215	1,033,448	2,309,449	1,281,193

7. OPERATING (LOSS)/PROFIT

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

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$ (Restated)	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$ (Restated)
Amortisation of intangible assets (Note 14)	52,538,823	7,422,135	105,077,645	10,014,270
Depreciation (Note 12)	2,587,662	91,715	5,172,578	173,774
Rental charges under operating leases for land and buildings	10,891,369	267,594	20,858,660	484,008
Employee benefits expenses (excluding directors' remuneration)	3,224,427	186,622	11,394,059	393,084
Directors' remuneration				
– As directors	72,000	72,000	132,000	120,000
– For management	1,422,000	1,422,000	2,788,000	2,394,000
Bad debt expense on the amount due from a related company, China Communication Company Limited (“CCC”)	3,913,426	–	3,913,426	–
Impairment on goodwill (Note 13)	170,000,000	–	170,000,000	–
Impairment on intangible assets (Note 14)	275,433,557	–	275,433,557	–

8. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
Interest charge on promissory notes wholly repayable within five years	2,894,079	4,520,817	8,465,649	12,385,654

9. TAXATION

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong for the three months (2007: HK\$Nil) and six months ended 30 September 2008 (2007: HK\$Nil). Taxation on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, base on existing legislation, interpretations and practices in respect thereof.

	For the three months ended 30 September		For the six months ended 30 September	
	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$	2008 (Unaudited) HK\$	2007 (Unaudited) HK\$
	Current – Elsewhere			
Charge for the period	-	-	12,188,361	-
Deferred	<u>(78,409,202)</u>	-	<u>(87,435,071)</u>	-
	<u>(78,409,202)</u>	-	<u>(75,246,710)</u>	-

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share for the three months and six months ended 30 September 2008 is based on the unaudited consolidated loss attributable to shareholders of HK\$352,183,110 (2007: (restated) a profit of HK\$29,129,510) and HK\$355,857,591 (2007: (restated) a profit of HK\$19,136,038) respectively and the weighted average number of 802,286,761 (2007: 759,194,370) and 802,286,761 (2007: 720,023,373) ordinary shares in issue during the period.

(b) Diluted (loss)/earnings per share

The effects of all potential ordinary shares are anti-dilutive for the three months and six months ended 30 September 2008.

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the three months and six months ended 30 September 2007 attributable to equity holders of the Company of HK\$29,129,510 (restated) and HK\$19,136,038 (restated) and the weighted average number of ordinary shares of 761,773,497 and 722,668,456, being the weighted average number of ordinary shares of 759,194,370 and 720,023,373 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 2,579,127 and 2,645,083 assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

11. DIVIDENDS

No dividends have been paid or declared by the Company for the three months (2007: HK\$Nil) and six months (2007: HK\$Nil) ended 30 September 2008.

12. FIXED ASSETS

	For the six months ended 30 September 2008 (Unaudited) HK\$	For the year ended 31 March 2008 (Audited) HK\$
Net carrying amount, beginning of the period/year	869,537	115,975
Acquisition of a subsidiary	45,936,735	–
Additions	236,654	1,148,142
Depreciation	(5,172,578)	(368,650)
Exchange differences	1,030,259	(25,930)
	<u>42,900,607</u>	<u>869,537</u>
Net carrying amount, end of the period/year		

13. GOODWILL

	HK\$
Addition during the period	354,610,358
Impairment	<u>(170,000,000)</u>
As at 30 September 2008	<u>184,610,358</u>

Goodwill arise from the acquisition of a subsidiary in accordance with the Group's accounting policy is approximately HK\$354.6 million. Considering the recent development of the business in China Cyber Port Company Limited ("CCP") and the macroeconomic environment, the board of directors has determined to impair the goodwill by HK\$170 million.

14. INTANGIBLE ASSETS

	For the six months ended 30 September 2008 (Unaudited) HK\$	For the year ended 31 March 2008 (Audited) HK\$ (Restated)
Net carrying amount, beginning of the period/year	353,428,309	93,316,847
Disposal as consideration for acquisition of a subsidiary	(353,428,309)	–
Acquisition of a subsidiary	778,546,315	–
Additions	–	289,800,000
Amortisation	(105,077,645)	(29,688,538)
Impairment	(275,433,557)	–
Exchange differences	16,192,547	–
	<u>414,227,660</u>	<u>353,428,309</u>
Net carrying amount, end of the period/year		

Considering the recent development of the business in CCP and the macroeconomic environment, the board of directors has determined to impair the intangible assets by approximately HK\$275 million.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
Right to receive benefits from exploration of online game in the PRC, at fair value	—	525,696,000
	<u>—</u>	<u>525,696,000</u>

16. DEFERRED TAX ASSETS / (LIABILITIES)

Deferred tax assets mainly represent the tax effect of deductible temporary difference in a subsidiary acquired during the period. Deferred tax liabilities mainly represent the tax effect of taxable temporary difference arising from the revaluation of intangible assets during the acquisition of the same subsidiary.

17. ACCOUNT RECEIVABLES

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
From a shareholder	—	44,400,000
From other related companies	31,597,937	31,135,500
From third parties	38,267,608	—
	<u>69,865,545</u>	<u>75,535,500</u>

The aging analysis of account receivables, based on the revenue recognition date and net of allowance, is as follows:

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
0 – 90 days	3,992,734	6,715,500
91 – 180 days	47,326,801	6,105,000
181 – 365 days	18,546,010	12,210,000
Over 365 days	—	50,505,000
	<u>69,865,545</u>	<u>75,535,500</u>

18. DUE FROM A RELATED COMPANY/OTHER RELATED COMPANIES

The amounts due from a related company, China Communication Company Ltd (“CCC”) and other related companies are unsecured, interest free and has no specific repayment terms.

19. PROMISSORY NOTE

	For the six months ended 30 September 2008 (Unaudited) HK\$	For the year ended 31 March 2008 (Audited) HK\$
At beginning of the period/year	361,988,872	368,738,355
Interest charged	8,465,649	22,287,943
Cancellation for acquisition of subsidiary	(73,174,899)	–
Settled during the period/year	(51,310,000)	(29,037,426)
	245,969,622	361,988,872
Less: Accrued interest classified under current liabilities	(4,585,471)	(1,970,000)
At end of the period/year	241,384,151	360,018,872

At 30 September 2008, the promissory notes were held by a shareholder, unsecured and carried an interest rate of 2% per annum. The promissory notes will mature on 10 February 2010.

20. ACQUISITION OF A SUBSIDIARY

On 1 November 2007, Favour Grow Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement (“S&P Agreement”) with China Communication Investment Limited (“CCI”) for the acquisition of a 75% equity interest in China Cyber Port Company Limited (“CCP”), at a consideration based on the difference between the valuation of 75% equity interest in CCP and the adjusted benefits accruing to the Group under the Sudden Attack Agreement and the e-Sports Platform Agreement. Pursuant to the Sudden Attack Agreement and the e-Sports Platform Agreement entered into by the Group on 20 October 2006 and 28 May 2007 respectively, the Group acquired from CCI (i) the right to receive the 40% of the net revenue derived from operating “Sudden Attack” (突袭OL) (“SA”) in the PRC and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform in the PRC, respectively. Under the S&P Agreement, the Group and CCI agreed to cancel these two agreements and to cancel the HK\$80 million promissory notes held by CCI in settlement of the shortfall.

The completion of the acquisition took place on 1 April 2008 and CCP became an indirect 75%-owned subsidiary of the Company.

The fair value of the identifiable assets and liabilities of CCP acquired as at date of acquisition, the consideration paid by the Group, and the resultant goodwill are as follows:

Share of net assets acquired:

	HK\$
Fixed assets	45,936,735
Intangible assets	778,546,315
Deferred tax assets	58,370,524
Cash and bank balances	76,880,613
Other current assets	164,643,367
Current liabilities	(313,877,464)
Deferred tax liabilities	<u>(208,714,688)</u>
Fair value of net asset	601,785,402
Less: Minority interests	<u>(150,446,350)</u>
	451,339,052
Goodwill	<u>354,610,358</u>
	<u>805,949,410</u>
Satisfied by:	
Intangible assets	353,428,309
Available-for-sale financial assets	525,696,000
Promissory notes cancellation	<u>(73,174,899)</u>
	<u>805,949,410</u>

CCP contributed approximately HK\$355 million to the Group's revenue for the six months period ended 30 September 2008 and increased the Group's loss before taxation by approximately HK\$468 million during the same period.

21. SHARE CAPITAL

	As at 30 September 2008 (Unaudited)		As at 31 March 2008 (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>802,286,761</u>	<u>8,022,868</u>

22. CAPITAL COMMITMENTS

The Group's capital commitments at the balance sheet date are as follows:

	As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
Fixed assets		
Contracted but not provided for	<u>6,761,158</u>	<u>—</u>

23. 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:

	For the three months ended 30 September		For the six months ended 30 September	
	2008	2007	2008	2007
	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$	(Unaudited) HK\$
Licensing income from a related company	-	5,665,000	-	11,284,167
Revenue from exploitation of online games in the PRC from a shareholder	-	41,309,256	-	41,309,256
Advertising income received from CCC	1,387,349	-	3,860,510	-
Advertising and sponsor income received from other related companies	33,100,876	-	73,873,651	-
Interest income from an associated company	-	-	-	9,250
Online game revenue received on behalf by CCC	59,620,823	-	179,257,163	-
Internet payment and settlement service fee paid to CCC	(11,280,095)	-	(27,290,763)	-
e-Sports platform and online game revenue received through CCC	48,340,728	-	151,966,400	-
Service fee paid to CCC				
- Customer service hotline rental	(2,218,836)	-	(4,782,015)	-
- Dedicated leased lines	(27,027,128)	-	(74,131,957)	-
- Server hosting service	(1,951,385)	-	(4,411,040)	-
- Office internet connection	(158,687)	-	(317,373)	-
Rental fee paid to CCC	(693,990)	-	(1,149,992)	-
			As at 30 September 2008 (Unaudited) HK\$	As at 31 March 2008 (Audited) HK\$
Receipts in advance from other related companies			13,599,277	-

OTHER INFORMATION

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

As at 30 September 2008, 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	Number of underlying shares Share Option Scheme	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%

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 2008.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 September 2008, 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 Divisions 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	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other 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	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 2008, 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 Divisions 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 2008.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 2008 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					As at 30 September 2008
				As at 1 April 2008	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	1,000,000	-	-	-	-	1,000,000
Other Eligible Participants									
In aggregate	3 April 2006	3 October 2006 to 2 April 2009	1.090	2,000,000	-	-	-	-	2,000,000
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)	-	-
In aggregate	17 August 2006	16 August 2007 to 16 August 2008	1.920	1,000,000	-	-	(1,000,000)	-	-
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)	-	-
In aggregate	4 January 2008	5 July 2008 to 4 January 2009	2.816	3,000,000	-	-	-	-	3,000,000
In aggregate	14 August 2008	14 August 2009 to 13 August 2010	0.970	-	1,000,000	-	-	-	1,000,000
In aggregate	15 August 2008	15 August 2009 to 14 August 2010	1.300	-	1,500,000	-	-	-	1,500,000
				<u>10,600,000</u>	<u>2,500,000</u>	<u>-</u>	<u>(3,000,000)</u>	<u>-</u>	<u>10,100,000</u>

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.
- (2) No share options were exercised during the period.

Directors' Right to Acquire Shares

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 2008.

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. Cao Huifang. Dr. Liu Jie resigned as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 16 October 2008. Ms. Liu Hong was appointed as Independent Non-Executive Director, Member of Audit Committee and Member of Remuneration Committee with effect from 16 October 2008. 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 interim report for the six months ended 30 September 2008.

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 2008.

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 2008.

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 Chief Executive Officer*)

Ms. Weng Pinger (*Executive Director*)

Mr. Yip Tai Him (*Independent Non-Executive Director*)

Ms. Cao Huifang (*Independent Non-Executive Director*)

Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 11 November 2008