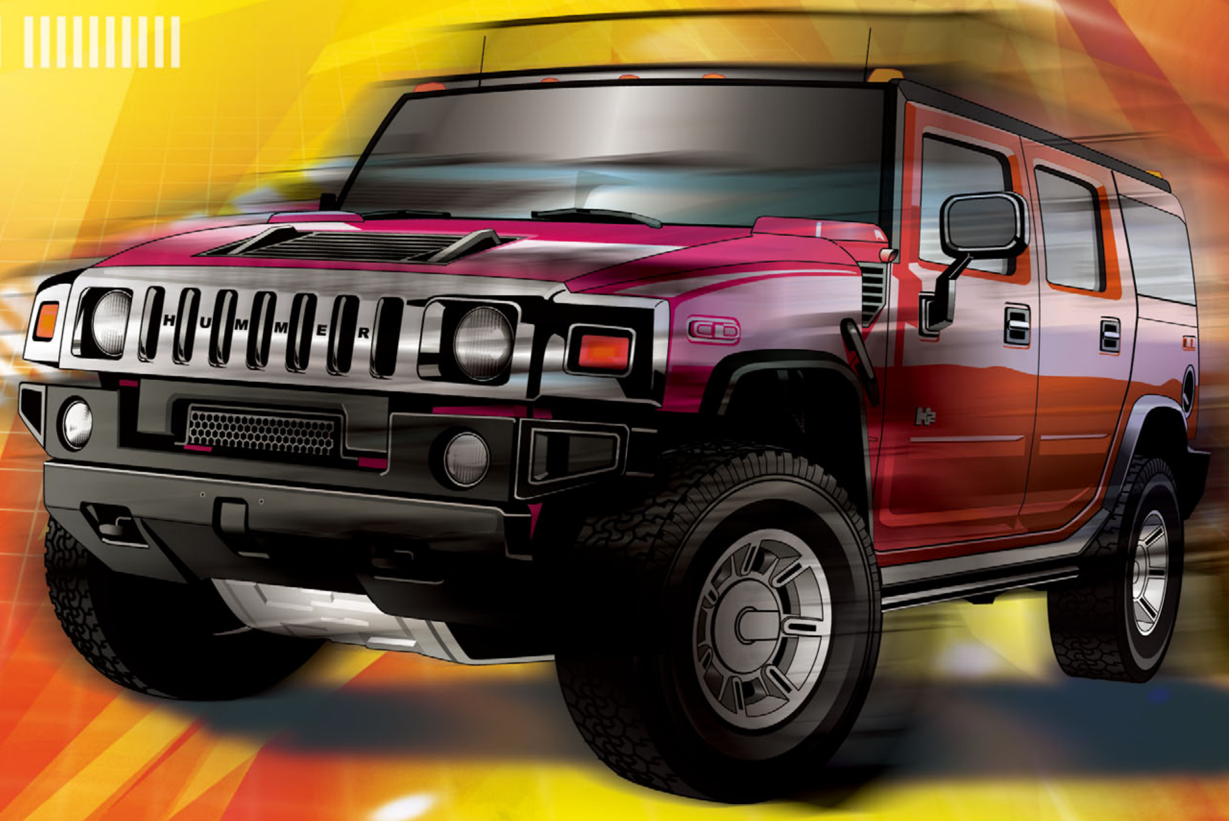
China Cyber Port (International) Company Limited
神州奧美網絡(國際)有限公司*

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

Annul Report
2009



* For identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. He Chenguang *(Chairman)*
Mr. Xiao Haiping
Mr. Zhang Peng *(Chief Executive Officer)*
Ms. Weng Pinger (Appointed on 22 April 2008)

Independent Non-Executive Directors
Mr. Yip Tai Him
Dr. Liu Jie (Resigned on 16 October 2008)
Ms. Weng Pinger (Resigned on 22 April 2008)
Ms. Cao Huifang (Appointed on 16 May 2008)
Ms. Liu Hong (Appointed on 16 October 2008)

COMPANY SECRETARY

Ms. Chan Mei Yee, *CPA*

QUALIFIED ACCOUNTANT

Ms. Chan Mei Yee, *CPA*

COMPLIANCE OFFICER

Mr. Zhang Peng

AUDIT COMMITTEE

Mr. Yip Tai Him
Dr. Liu Jie (Resigned on 16 October 2008)
Ms. Weng Pinger (Resigned on 22 April 2008)
Ms. Cao Huifang (Appointed on 16 May 2008)
Ms. Liu Hong (Appointed on 16 October 2008)

REMUNERATION COMMITTEE

Mr. Yip Tai Him
Dr. Liu Jie (Resigned on 16 October 2008)
Ms. Weng Pinger (Resigned on 22 April 2008)
Ms. Cao Huifang (Appointed on 16 May 2008)
Ms. Liu Hong (Appointed on 16 October 2008)

AUTHORISED REPRESENTATIVES

Mr. Zhang Peng
Ms. Chan Mei Yee, *CPA*

AUDITORS

RSM Nelson Wheeler
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road, Hong Kong

REGISTERED OFFICE

P.O. Box 309GT
Ugland House
South Church Street
Grand Cayman
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 2115-2116 21/F
China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.ccpi.com.hk

GEM STOCK CODE

8206

Financial Highlights

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2005 HK$'000
Turnover					
Continuing operations	**389,463**	23,644	20,207	–	–
Discontinued operation	**–**	–	1,057	2,958	4,570
	389,463	23,644	21,264	2,958	4,570
Loss before taxation	**(1,095,958)**	(31,875)	(21,907)	(8,433)	(3,270)
Taxation	**134,494**	–	(1,115)	1,115	–
Loss attributable to equity holders	**(820,455)**	(31,875)	(23,022)	(7,318)	(3,270)
Basic loss per share (HK cents)	**(102.26)**	(4.19)	(3.67)	(1.73)	(0.82)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total assets	**129,566**	991,707	939,851	160,762	12,459
Total liabilities	**(297,837)**	(362,324)	(368,857)	(74,727)	(369)
Net (liabilities)/assets	**(168,271)**	629,383	570,994	86,035	12,090
Net (liabilities)/assets per share (HK cents)	**(20.97)**	78.45	84.52	16.75	3.02

Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Cyber Port (International) Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2009.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK$389,463,000 for the year ended 31 March 2009, representing an increase of approximately 1,547% as compared to approximately HK$23,644,000 for the year ended 31 March 2008. The turnover for the year ended 31 March 2009 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$820,455,000 for the year ended 31 March 2009 as compared to approximately HK$31,875,000 for the year ended 31 March 2008. The net loss for the year was mainly attributable to the impairment for goodwill and intangible assets during the year. Considering the recent development of the business in the newly acquired subsidiary, China Cyber Port Co., Ltd. ("CCP") and the macroeconomic environment, the Board has determined to impair the goodwill and intangible assets by approximately HK$354,610,000 and HK$579,340,000 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 year ended 31 March 2009, the revenue derived from the operation of the e-Sports Platform was approximately HK$145,471,000. No revenue was derived from the operation of the e-Sports Platform for the year ended 31 March 2008.

Operation of the online game SA

For the year ended 31 March 2009, the revenue derived from the operation of the online game SA was approximately HK$221,265,000. No revenue was derived from the operation of the online game SA for the year ended 31 March 2008.

Distribution and selling of computer games in the PRC

For the year ended 31 March 2009, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK$22,727,000 as compared to approximately HK$23,644,000 for the year ended 31 March 2008. The revenue derived from this source is relatively stable.

Chairman's Statement

MATERIAL ACQUISITION

On 1 November 2007, Favor 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 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.

He Chenguang
Chairman

Hong Kong, 22 June 2009

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a turnover of approximately HK$389,463,000 (2008: HK$23,644,000) for the year ended 31 March 2009, representing an increase of approximately 1,547% as compared with 2007/08. Approximately 37.4%, 56.8% and 5.8% of turnover for the year ended 31 March 2009 (2008: 0%, 0% and 100%) 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 year ended 31 March 2009 amounted to approximately HK$97,049,000 as compared to a loss of approximately HK$6,045,000 for the year ended 31 March 2008. The improvement in results was mainly attributable to the revised business focus.

Selling and distribution, administrative and other operating expenses for the year ended 31 March 2009 was approximately HK$1,170,653,000 as compared to approximately HK$50,167,000 for the year ended 31 March 2008. 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$820,455,000 for the year ended 31 March 2009 as compared to approximately HK$31,875,000 for the year ended 31 March 2008. The increase in net loss was mainly attributable to the impairment for goodwill and intangible assets of approximately HK$354,610,000 and HK$579,340,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2009, the Group had outstanding promissory notes at a nominal value of approximately HK$238.7 million (as at 31 March 2008: HK$400.0 million) with a discounted value of approximately HK$232.9 million (as at 31 March 2008: HK$360.0 million). The promissory notes were originally unsecured, interest bearing at 2% per annum, and with maturity date on 10 February 2010. In order to support the operation of the Group, CCI agreed to vary the terms of promissory notes on 30 March 2009, such that the maturity date has been changed to 10 August 2010 (“New Maturity Date”) and remain unsecured and interest bearing at 2% per annum. In addition, upon New Maturity Date, the Group has the right to postpone (“Maturity Postponement Right”) the maturity date to 30 June 2011 (“Extended Maturity Date”) if the latest published financial information of the Group indicating that the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the promissory notes, the Group did not have any other committed borrowing facilities as at 31 March 2009 (as at 31 March 2008: HK$Nil).

As at 31 March 2009, the Group had net current assets of approximately HK$16,646,000 (as at 31 March 2008: approximately HK$109,408,000). The Group’s current assets consisted of cash and cash equivalents of approximately HK$18,184,000 (as at 31 March 2008: approximately HK$35,809,000), trade receivables of approximately HK$13,219,000 (as at 31 March 2008: approximately HK$75,535,000), Inventories of approximately HK$479,000 (as at 31 March 2008: HK$Nil), due from a related company of HK$2,720,000 (as at 31 March 2008: HK$Nil), due from a substantial shareholder of HK$22,642,000 (as at 31 March 2008: HK$Nil) and prepayments, deposits and other receivables of approximately HK$2,893,000 (as at 31 March 2008: HK$369,000). The Group’s current liabilities included trade payables of approximately HK$9,395,000 (as at 31 March 2008: HK$Nil), accruals and other payables of approximately HK$12,074,000 (as at 31 March 2008: HK$2,305,000) and receipts in advance of approximately HK$22,022,000 (as at 31 March 2008: HK$Nil).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 2.30 as at 31 March 2009 as compared to 0.37 as at 31 March 2008.

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

Management Discussion and Analysis

CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2009.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 31 March 2009 and 31 March 2008.

STAFF COSTS

As at 31 March 2009, the Group had 57 employees (2008: 3). The staff costs for the year ended 31 March 2009 was approximately HK$15,314,000 (2008: HK$879,000). 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 31 March 2009, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities 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 31 March 2009 and 31 March 2008.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 48, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Currently, he is the chairman of the board of directors of China Communication Co., Ltd. ("CCC"), a nationwide telecom operator and Internet network operator in the PRC.

Mr. Xiao Haiping, aged 57, joined the Group in January 2006. He is responsible for the Group's overall business development in China. Mr. Xiao holds a professional tertiary qualification from Hunan Normal University, China, majoring in Chinese language. Prior to joining the Group in January 2006, he had over 20 years' of experience in the banking sector of China and extensive experience in various aspects such as strategic investment, project assessment, corporate governance, risk assessment and risk controls, and has in-depth knowledge in merchant banking and capital management.

Mr. Zhang Peng, aged 45, joined the Group and was elected as the Managing Director of the Group in June 2006. In March 2008, he was redesignated as the Chief Executive Officer of the Group. He is responsible for formulating the Group's strategy of overall business development. Mr. Zhang holds a Master degree of Business Administration from the Graduate School of Management of Rutgers, the State University of New Jersey, U.S.A.. Prior to joining the Group in June 2006, he had over 20 years' of experience in Chinese state-owned commercial banks and international corporate and investment banks.

Ms. Weng Pinger, aged 65, joined the Group in May 2007 as the Independent Non-Executive Director and was redesignated as Executive Director in April 2008. She is responsible for the Group's overall management. Ms. Weng holds a Bachelor degree of Accounting and Finance from Economics of Beijing Commercial College (now is known as Beijing Technology and Business University). Prior to joining the Group in May 2007, she had over 30 years' of corporate financial management experience and extensive experience in various aspects such as corporate governance, strategic investment and general management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 38, was appointed as an Independent Non-Executive Director since October 2002. Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants. He is currently an executive director of GCL-Poly Energy Holdings Limited, Golife Concepts Holdings Limited, iOne Holdings Limited, UURG Corporation Limited, Vinco Financial Group Limited and Wing Lee Holdings Limited.

Ms. Cao Huifang, aged 59, was appointed as an Independent Non-Executive Director since May 2008. Ms. Cao has over 30 years' of experience in engineering technology and corporate management. She is the vice-president of Shanghai International Airport Co., Ltd. and president of Shanghai Pudong International Airport Aviation Fuels Limited (上海浦東國際機場航空油料有限公司).

Ms. Liu Hong, aged 47, was appointed as an Independent Non-Executive Director since October 2008. Ms. Liu has over 20 years' of management experience in telecommunication industry in China. Currently, Ms. Liu works in China Telecom.

Independent Non-Executive Director, Dr. Liu Jie resigned on 16 October 2008 and Ms. Weng Pinger redesignated as Executive Director on 22 April 2008.

SENIOR MANAGEMENT

Ms. Chan Mei Yee, aged 30, joined the Group in September 2005, is the financial controller, qualified accountant and company secretary of the Group. She is responsible for financial planning and reporting and general administration of the Group. Ms. Chan holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University and a Master of Laws in International Economic Law from The Chinese University of Hong Kong. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group in September 2005, she worked in an international accounting firm.

Corporate Governance Report

INTRODUCTION

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is expected to comply with the code provisions of the CCGP. The Company believes that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. The Group has adopted practices which met and complied with the code provisions of the CCGP throughout the year ended 31 March 2009.

In the opinion of the Directors, the Company has met the code provisions set out in the CCGP.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exactly than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2009. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

THE BOARD

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters. Daily operations and administration are delegated to the senior management team.

As at the date of this report, the Board comprises seven Directors in which four are Executive Directors; three are Independent Non-Executive Directors. The Directors as at the date of this report are as follows:

– Mr. He Chenguang *(Chairman and Executive Director)*
– Mr. Xiao Haiping *(Executive Director)*
– Mr. Zhang Peng *(Chief Executive Officer and Executive Director)*
– 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)*

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separate from that of the Chief Executive Officer.

According to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. All Directors appointed to fill a causal vacancy shall be subject to election by the Shareholders at the first general meeting after their appointment.

The Independent Non-Executive Directors are appointed for a specific term. Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong have been appointed for a term of one year subject to retirement by rotation in accordance with the Articles.

THE BOARD (CONTINUED)

The Company has received the annual independence confirmation from each of Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong (all being Independent Non-Executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria.

To assist the execution of its responsibilities, two Board committees, namely Audit Committee and Remuneration Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All Independent Non-Executive Directors play a significant role in these committees to ensure the independence and objectivity.

AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are Independent Non-Executive Directors and is chaired by Mr. Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

– Discuss the work with the external auditors of the Company;
– Meet with external auditors of the Company, when they consider necessary;
– Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;
– Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
– Review the independence of the external auditors annually;
– Ensures that cooperation is provided by management to the external auditors; and
– Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

For the year ended 31 March 2009, the Audit Committee held four meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

– Annual report for the year ended 31 March 2008;
– Quarterly reports for the first quarter and third quarter of 2008/09; and
– Interim report for the first six months of 2008/09.

REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, the Board established a Remuneration Committee comprising three Independent Non-Executive Directors. The Remuneration Committee meets at least once a year.

The functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors.

This committee comprises of three members, all of whom are Independent Non-Executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him.

Corporate Governance Report

NOMINATION OF DIRECTORS

Up to the date of this report, the Board has not yet established a Nomination Committee. The appointment of any new director is therefore unanimously considered and approved by the Board. The Board considers that the new directors are expected to equip with expertise in making positive contributions to the Group and to provide timely and sufficient attention to the affairs of the Group.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

At the Board meeting held on 22 April 2008, 16 May 2008 and 16 October 2008, the Board approved the redesignation of Ms. Weng Pinger as Executive Director, appointment of Ms. Cao Huifang and Ms. Liu Hong as Independent Non-Executive Directors. The Board considers that they possess relevant expertise and knowledge in the field of capital markets with valuable experience in strategic business planning and management and believes that they have abilities in making valuable contributions to the Group. Ms. Weng Pinger, Mr. Yip Tai Him and Ms. Liu Hong will retire at the forthcoming annual general meeting and the re-election of Ms. Weng Pinger as Executive Director and Mr. Yip Tai Him and Ms. Liu Hong as Independent Non-Executive Directors are to be proposed at the forthcoming annual general meeting.

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2009 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	**Nomination Committee** Note 1	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. He Chenguang	14/14	3/3	N/A	N/A
Mr. Xiao Haiping	13/14	3/3	N/A	N/A
Mr. Zhang Peng	14/14	3/3	N/A	N/A
Ms. Weng Pinger	13/14	2/3	N/A	N/A
Independent Non-Executive Directors				
Mr. Yip Tai Him	14/14	3/3	4/4	4/4
Dr. Liu Jie (Resigned on 16 October 2008)	7/7	2/2	2/2	2/2
Ms. Cao Huifang (Appointed on 16 May 2008)	12/12	1/1	4/4	2/2
Ms. Liu Hong (Appointed on 16 October 2008)	6/6	0/0	2/2	1/1

Note 1 Among the Board meetings held during the year, 3 meeting was in relation to the nomination of Directors.

Corporate Governance Report

AUDITORS' REMUNERATION

The Company has appointed RSM Nelson Wheeler as the auditors of the Group (the "Auditors") since June 2008. The Audit Committee is responsible for considering the appointment of the external auditors, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. For the year ended 31 March 2009, the Auditors received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:–

	For the year ended 31 March	
	2009	2008
	HK$	HK$
Statutory audit	**650,000**	250,000
Non-audit services	**400,000**	200,000
	1,050,000	450,000

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Directors have prepared the financial statements on the assumption that the Group will continue as a going concern by taking into consideration of the measures taken (as set out in note 2 of the financial statement) to maintain sufficient working capital to finance the operations of the Group. The Directors are not aware of any other material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The responsibilities of the external auditors with respect to their financial reporting are set out in the Independent Auditor's Report on pages 25 to 26 of this report.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has formulated the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and its subsidiary companies for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 30 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contributions to results by principal activities for the year is set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 March 2009 and the state of affairs of the Group and the Company are set out in the financial statements on pages 27 to 70.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2009 (2008: HK$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 29 and note 37 to the financial statements respectively.

FIXED ASSETS

Details of movements in fixed assets of the Group and the Company during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2009, the Company's had no distributable reserves (2008: HK$585,490,634).

PRE-EMPTIVE RIGHTS

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

FINANCIAL INFORMATION SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 3.

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 year ended 31 March 2009.

SHARE OPTION SCHEMES

Prior to the listing of the Company's shares on the GEM, the Board was authorized to grant options to certain directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 2.5% of the shares of the Company in issue as at 31 March 2009, under the terms of the pre-IPO share option scheme on 28 October 2002 (the "Pre-IPO Share Options Scheme") and the price payable for each share on exercise of such options granted is HK$0.21, representing 70% of the offer price per share of the Company to the public.

The purpose of the Pre-IPO Share Option Scheme is to recognise the contribution of certain directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to the business and growth of the Group.

Save for the options which have been granted under the Pre-IPO Share Option Scheme (see below) on or before 28 October 2002, no further options may be offered, accepted or granted thereunder after 28 October 2002.

The options granted under the Pre-IPO Share Option Scheme were granted to the relevant grantees subject to the receipt by the Company of the sum of HK$1.00 by way of consideration for the grant thereof to such grantee.

On 14 November 2005, all pre-IPO share options have been lapsed.

On 28 October 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") by a resolution of the sole shareholder of the Company. The Share Option Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. The Share Option Scheme was further amended by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006 and summary of the Share Option Scheme is as follows:

(a) Purpose and Participants of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to substantial shareholders, full-time or part-time employees, executive or officers, directors, non-executive directors (including independent non-executive directors) of the Group and any suppliers, independent contractors, consultants, agents and/or advisers, any entity in which any member of the Group holds any equity interest who, in the absolute determination of the Directors, will contribute or have contributed to the Group (the "Eligible Participant").

(b) Maximum number of shares

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the Share Option Scheme was refreshed by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006 pursuant to which the directors were allowed to grant further options under the Share Option Scheme carrying the right to subscribe for a maximum of 62,668,676 shares, being 10% of the shares in issue as at the date of the aforesaid resolution.

SHARE OPTION SCHEMES (CONTINUED)

(b) Maximum number of shares (Continued)

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

(iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of the annual report, options to subscribe for a total of 5,300,000 option shares were still outstanding under the Share Option Scheme which represents approximately 0.66% of the issued ordinary shares of the Company.

(c) Maximum number of options to any one individual

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates, as defined in the GEM Listing Rules, abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time.

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

SHARE OPTION SCHEMES (CONTINUED)

(e) Granting options to connected persons

Any grant of options to a director, chief executive or management shareholder or substantial shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any independent non-executive director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of shares of the Company issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the shares of the Company at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

(f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

SHARE OPTION SCHEMES (CONTINUED)

(f) Time of exercise of option (Continued)

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2009 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: As at 1 April 2008	Options granted during the year	Options exercised during the year [2]	Options lapsed during the year [1]	Options cancelled during the year	As at 31 March 2009
Director									
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
In aggregate	14 January 2009	14 July 2009 to 13 July 2010	0.820	–	1,200,000	–	–	–	1,200,000
				10,600,000	3,700,000	–	(6,000,000)	–	8,300,000

SHARE OPTION SCHEMES (CONTINUED)

(f) Time of exercise of option (Continued)

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

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors

He Chenguang	
Xiao Haiping	
Zhang Peng	
Weng Pinger	(Re-designated on 22 April 2008)

Independent Non-Executive Directors

Yip Tai Him	
Liu Jie	(Resigned on 16 October 2008)
Weng Pinger	(Re-designated as Executive Director on 22 April 2008)
Cao Huifang	(Appointed on 16 May 2008)
Liu Hong	(Appointed on 16 October 2008)

In accordance with Article 95 of the Articles, Ms. Liu Hong, being Independent Non-Executive Director appointed by the Board to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Accordingly, she shall retire at the forthcoming AGM and, being eligible, they offer themselves for re-election at the AGM.

In accordance with Article 112 of the Articles, one-third of the Directors shall retire from office by rotation. Accordingly, Ms. Weng Pinger and Mr. Yip Tai Him shall retire at the AGM and, being eligible, offer themselves for re-election at the AGM.

The terms of office of Independent Non-Executive Directors should be subject to retirement by rotation in accordance with the Articles.

The Company has received written confirmations from each of the Independent Non-Executive Directors for their independence. The Company has assessed their independence and concluded that all Independent Non-Executive Directors are independent within the definition of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company. The employment of each Executive Director under his service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2009 or any time during the year ended 31 March 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 8.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 March 2009, 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 corporation (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:

	Number of shares held					Number of underlying shares		
Name of Director	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
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 31 March 2009.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2009, 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:

	Number of shares held					Number of underlying shares		
Name of shareholder	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
China Communication Co., Ltd. ("CCC") (Note 1)	–	220,542,000	–	–	220,542,000	–	220,542,000	27.49%
China Communication Investment Ltd. ("CCI")	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) CCC is deemed to be a substantial shareholder as CCI is a wholly owned subsidiary of CCC.

(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 31 March 2009, 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.

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	34%
– five largest suppliers	57%
Sales	
– the largest customer	11%
– five largest customers	32%

Save for (i) Mr. He, being an executive Director who was interested in 66% of the equity interest in HTD (one of the major customers of the Company); and (ii) CCC, being a shareholder of the Company interested in more than 5% of the Company's issued share capital through its shareholding in CCI and interested in the entire equity interest of BTT (one of the major customers of the Company) and HTD (one of the major customers of the Company) (with details of the relevant transactions disclosed in the section headed "Details of the continuing connected transactions" below), none of the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

CONTINUING CONNECTED TRANSACTIONS

Relationship between the Group and each of the relevant connected persons

Beijing Tiandironghe Technology Company Limited ("BTT"), a company established under the laws of the PRC, is an indirect wholly-owned subsidiary of CCC, a substantial shareholder of the Company. By virtue of being an associate to CCC, BTT is considered to be a connected person to the Company.

CCC, a company established under the laws of the PRC. By virtue of its interest in 25% equity interest in CCP (as defined below) as well as its interests as to approximately 27.49% of the entire issued share capital of CCI, its wholly-owned subsidiary, which is holding 220,542,000 shares of the Company, CCC is considered to be a connected person to the Company.

China Cyber Port Co., Ltd. ("CCP"), a company established under the laws of the PRC, a non-wholly-owned subsidiary of the Company, with its entire issued equity interest owned by the Company and CCC as to 75% and 25% respectively.

Heilongjiang Tiandi Digital Technology Company Limited ("HTD"), a company established under the laws of the PRC, At the time of entering into the HTD Web Advertising Agreement (as defined below) and the HTD Naming-Right Sponsorship Agreement (as defined below), as Mr. He Chenguang ("Mr. He"), the chairman and an executive Director, and Mr. Bao Yueqing ("Mr. Bao"), a director of CCP, were the substantial shareholders of HTD holding its equity interest as to 66% and 32.5% respectively, HTD is regarded as a connected person to the Company. In or about October 2008, Mr. He, Mr. Bao and other shareholders of HTD have respectively transferred all their shareholdings in HTD to CCC and CCC has become the legal and beneficial owner of the entire equity interest in HTD on 13 October 2008. By virtue of being an associate to CCC, HTD shall remain to be a connected person to the Company

Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2009 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 1 December 2006, CCC and CCP entered into the server hosting agreement (as supplemented by the Supplemental Service Agreements) (the "Server Hosting Agreement"), pursuant to which CCP would (i) place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to CCP ("Service Hosting Service") and (ii) provide dedicated 100M-bankwidth broadband leased line to CCP for CCP's website running and CCC will also allow CCP to run its operations and provide its paid services via the online platform operated by CCC ("Dedicated Leased Lines Service"), in consideration of which CCC would charge CCP a one-off payment of RMB1,000 per rack and a monthly hosting fee of RMB8,800 per rack for the Service Hosting Service and a one-off payment of RMB2,000 per leased line and a monthly rental fee of RMB215,600 per leased line for the Dedicated Leased Lines Service;

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

2. On 1 December 2006, CCC and CCP entered into the office internet connection agreement (as supplemented by the Supplemental Service Agreements) (the "Office Internet Connection Agreement"), pursuant to which CCC would provide a dedicated 100M-bandwidth broadband leased line to CCP for CCP's own office use, in consideration of which CCC would charge CCP a monthly fee of RMB45,000 based on CCP's actual usage of 20M-bandwidth (subject to any new charging standard announced by the government);

3. On 15 December 2006, CCC and CCP entered into the customers service hotline rental agreement (as supplemented by the Supplemental Service Agreements) (the "Customers Service Hotline Rental Agreement"), pursuant to which CCC shall provide a designated national customer service hotline number 95130001 to CCP, in consideration of which CCC would charge CCP (i) an annual fee of RMB100,000; (ii) RMB7,000 per month for each sub-line under the national hotline; (iii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to bulk use discounted rates); and (iv) a calling charge of RMB0.30 per minute for all outgoing calls. The calling charge rate was subject to any new charging standard announced by the government;

4. On 12 December 2006, CCC and CCP entered into the internet payment and settlement service agreement (as supplemented by the Supplemental Service Agreements) (the "Internet Payment and Settlement Service Agreement"). CCC was currently operating an electronic wallet service named "Shentong Card". CCP would charge its customers via "Shentong Card". CCC would generate monthly reports and pay the sales revenue through "Shentong Card" to CCP (net of CCC's service charge). CCC would charge CCP a service charge at the rate of 25% of the payments made by CCP's customers through "Shentong Card" to compensate CCC for the sales tax and the handling charge;

5. The supplemental agreements entered into between CCC and CCP (the "Supplemental Service Agreements") to supplement the terms of the Server Hosting Agreement, the Customer Service Hotline Rental Agreement, the Office Internet Connection Agreement, and the Internet Payment and Settlement Service Agreement (collectively the "Service Agreements") pursuant to Rule 20.35(1) of the GEM Listing Rules, to the effect that, inter alia, (i) the initial term of the Service Agreements should not be extend beyond 31 March 2010; (ii) the total annual consideration payable by CCP under the Service Agreements should be subject to a yearly cap set by the parties; and (iii) CCC and CCP should allow the Company's auditors sufficient access to their records for the purpose of ascertaining (a) whether the transactions have been entered into in accordance with the pricing policies and the terms set out in the Service Agreements; and (b) whether the annual cap has been exceeded;

6. On 29 September 2007, HTD and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Web Advertising Agreement"), pursuant to which HTD agreed to place and CCP agreed to arrange the web advertisements of HTD be published on the "Sudden Attack" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to HTD to handle technical issues arising out of the publication of the advertisements. It was agreed that the agreed amount of advertising fees to be incurred by CCP during the term of the HTD Web Advertising Agreement shall be not more than RMB138,000,000 (equivalent to approximately HK$156,818,182) of which the advertising fee should not be more than RMB40,000,000 (equivalent to approximately HK$45,454,545), RMB65,000,000 (equivalent to approximately HK$73,863,636) and RMB33,000,000 (equivalent to approximately HK$37,500,000) for the three years ended 31 March 2010 respectively;

7. On 29 September 2007, BTT and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "BTT Web Advertising Agreement"), pursuant to which BTT agreed to place and CCP agreed to arrange the web advertisements of BTT be published on the "e-Sports" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to BTT to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by BTT during the term of the BTT Web Advertising Agreement should be not more than RMB85,000,000 (equivalent to approximately HK$96,590,909) of which the advertising fee should not be more than RMB20,000,000 (equivalent to approximately HK$22,727,273), RMB40,000,000 (equivalent to approximately HK$45,454,545) and RMB25,000,000 (equivalent to approximately HK$28,409,091) for the three years ended 31 March 2010 respectively. A non-refundable deposit of RMB10,000,000 (equivalent to approximately HK$11,363,636) had been paid by BTT on 29 September 2007 and should be used to settle all or part of the final instalment of the advertising fees payable by BTT by the end of the term.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

8. On 1 March 2008, HTD and CCP entered into the naming-right sponsorship agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Naming-Right Sponsorship Agreement"), pursuant to which HTD agreed to acquire and CCP agreed to grant the naming rights of certain computer and online game tournaments to be organised by CCP during the period commencing from 1 March 2008 to 1 March 2010. It was also agreed that HTD should be allowed to participate in not less than ten promotion events to be organised by CCP for each year during the term of the HTD Naming-Right Sponsorship Agreement. Premier advertising space should also be reserved for HTD during the promotion events. In addition, pursuant to the HTD Naming-Right Sponsorship Agreement, an amount of RMB18,000,000 (equivalent to approximately HK$20,454,545) should be paid by HTD to the Group, however, pursuant to subsequent agreement by the parties, an amount of RMB6,000,000 (equivalent to approximately HK$6,818,182) has been paid by HTD to the Group on 25 March 2008. Pursuant to the supplemental agreement, during the term of the HTD Naming-Right Sponsorship Agreement, the naming right fees should be satisfied in the manner of not more than RMB1,000,000 (equivalent to approximately HK$1,136,364), RMB12,000,000 (equivalent to approximately HK$13,636,364) and RMB10,000,000 (equivalent to approximately HK$11,363,636) respectively for the three years ended 31 March 2010 respectively in accordance with number and size of the promotion events held during the term of the HTD Naming-Right Sponsorship Agreement. The exact deduction amount for each promotion event should be agreed between HTD and CCP.

9. On 19 March 2008, CCC and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "CCC Web Advertising Agreement"), pursuant to which CCC agreed to place and CCP agreed to arrange the web advertisements of CCC be published on the "e-Sports" online game platform operated by CCP for approximately three years commencing from 20 March 2008 to 31 March 2011. 24-hour technical support services should also be provided by CCP to CCC to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by CCP during the term of the CCC Web Advertising Agreement has been revised to not more than RMB95,000,000 (equivalent to approximately HK$107,954,545) of which the advertising fee should not be more than RMB25,000,000 (equivalent to approximately HK$28,409,091), RMB30,000,000 (equivalent to approximately HK$34,090,909) and RMB40,000,000 (equivalent to approximately HK$45,454,545) for the three years ended 31 March 2011 respectively.

10. On 1 June 2008, CCC and CCP entered into the tenancy agreement (the "CCC Tenancy Agreement"). No.172, Dexingmennei Road, Xicheng District Beijing, PRC with a total gross floor area of approximately 120 sq. metres, where should be used by CCP as the venue for members' gatherings and the computer and online game tournaments to be organised by CCP from time to time. The annual rental payable by CCP should be RMB2,460,000 (equivalent to approximately HK$2,795,455), inclusive of all the utilities charges. A deposit of RMB615,000 (equivalent to approximately HK$698,864), being three months rental payment, should be payable by CCP as deposit upon signing of the CCC Tenancy Agreement. The rents were payable quarterly in advance which should be satisfied in cash by the internal resources of the Group. The annual rental was determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market and were no less favourable than terms available from independent third parties; and

11. The supplemental agreements (collectively the "Supplemental Advertising Agreements") entered into between CCP and each of BTT, CCC and HTD to supplement the terms of the BTT Advertising Agreement, the CCC Advertising Agreement, the HTD Advertising Agreement and the HTD Naming-Right Sponsorship Agreement pursuant to Rule 20.35(1) of the GEM Listing Rules, to the effect that, inter alia, (i) the initial term of the Service Agreements should not be extend beyond 31 March 2011; (ii) the total annual consideration payable by CCP under the Service Agreements should be subject to a yearly cap set by the parties.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

The aforesaid the above agreements have been reviewed by Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the above agreements were entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have confirmed that the above agreements (a) has been approved by the Board, and (b) has been entered into in accordance with the terms of the relevant agreements governing the transactions.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float, representing more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

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.

OTHER MATTERS

(a) The company secretary and the qualified accountant of the Company is Ms. Chan Mei Yee, CPA.

(b) The compliance officer of the Company is Mr. Zhang Peng appointed pursuant to Rule 5.19 of the GEM Listing Rules.

AUDITORS

The financial statements have been audited by RSM Nelson Wheeler who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

He Chenguang
Chairman

Hong Kong, 22 June 2009

Independent Auditor's Report

RSM! Nelson Wheeler
中瑞岳華（香港）會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
CHINA CYBER PORT (INTERNATIONAL) COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Cyber Port (International) Company Limited ("the Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 70, which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss of approximately HK$820,455,000 attributable to equity holders of the Company and operating cash outflow of approximately HK$56,015,000 for the year ended 31 March 2009, and as at 31 March 2009 the Group had net liabilities of approximately HK$168,271,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis, the validity of which depends upon whether the Group can successfully implement measures as set out in note 2(e) to note 2(g) of the financial statements in order to have sufficient working capital to finance the operations of the Group. The financial statements do not include any adjustments that would result from the failure of carrying out such measures. We consider that the material uncertainty has been adequately disclosed in the financial statements.

RSM Nelson Wheeler
Certified Public Accountants

Hong Kong, 22 June 2009

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Turnover	8	**389,463**	23,644
Cost of sales		**(292,414)**	(29,689)
Gross profit/(loss)		**97,049**	(6,045)
Income from exploitation of an online game		**–**	41,309
Other income	9	**3,023**	6,603
Selling and distribution expenses		**(167,123)**	–
Administrative expenses		**(24,675)**	(21,107)
Other operating expenses	12	**(978,855)**	(29,060)
Loss from operations		**(1,070,581)**	(8,300)
Finance costs	10	**(25,377)**	(22,288)
Share of loss of an associate		**–**	(1,287)
Loss before tax		**(1,095,958)**	(31,875)
Income tax credit	11	**134,494**	–
Loss for the year	12	**(961,464)**	(31,875)
Attributable to:			
Equity holders of the Company	13	**(820,455)**	(31,875)
Minority interests		**(141,009)**	–
		(961,464)	(31,875)
Loss per share	15	**HK cents**	HK cents (Restated)
– Basic		**(102.26)**	(4.19)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

AT 31 MARCH 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
Non-current assets			
Fixed assets	17	**15,700**	870
Intangible assets	18	**50,508**	353,428
Available-for-sale financial assets	19	**–**	525,696
Deferred tax assets	27	**3,221**	–
		69,429	879,994
Current assets			
Inventories	20	**479**	–
Trade receivables	21	**13,219**	75,535
Prepayments, deposits and other receivables		**2,893**	369
Due from a related company	22	**2,720**	–
Due from a substantial shareholder	22	**22,642**	–
Bank and cash balances	23	**18,184**	35,809
		60,137	111,713
Current liabilities			
Trade payables	24	**9,395**	–
Accruals and other payables		**12,074**	2,305
Receipts in advance	36	**22,022**	–
		43,491	2,305
Net current assets		**16,646**	109,408
Total assets less current liabilities		**86,075**	989,402
Non-current liabilities			
Due to a substantial shareholder	25	**12,243**	–
Promissory notes	26	**232,881**	360,019
Deferred tax liabilities	27	**9,222**	–
		254,346	360,019
NET (LIABILITIES)/ASSETS		**(168,271)**	629,383
Capital and reserves			
Share capital	28	**8,023**	8,023
Reserves	29	**(188,776)**	621,360
Equity attributable to equity holders of the Company		**(180,753)**	629,383
Minority interests		**12,482**	–
TOTAL EQUITY		**(168,271)**	629,383

Approved by the Board of Directors on 22 June 2009

He Chenguang
Director

Zhang Peng
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2009

		Attributable to equity holders of the Company										
	Note	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Capital surplus HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2007, as previously reported		6,756	335,313	8,320	1,499	261,066	291	5,014	(47,265)	570,994	–	570,994
Retrospective restatements	3	–	–	–	–	(46,315)	–	–	5,016	(41,299)	–	(41,299)
At 1 April 2007, as restated		6,756	335,313	8,320	1,499	214,751	291	5,014	(42,249)	529,695	–	529,695
Revaluation of assets in associate		–	–	–	(1,499)	–	–	–	–	(1,499)	–	(1,499)
Currency translation difference		–	–	–	–	–	31	–	–	31	–	31
Revaluation deficits on available-for-sale financial assets		–	–	–	–	(214,751)	–	–	–	(214,751)	–	(214,751)
Net amount recognised directly in equity		–	–	–	(1,499)	(214,751)	31	–	–	(216,219)	–	(216,219)
Loss for the year		–	–	–	–	–	–	–	(31,875)	(31,875)	–	(31,875)
Total recognised income and expense for the year		–	–	–	(1,499)	(214,751)	31	–	(31,875)	(248,094)	–	(248,094)
Disposal of an associate		–	–	–	–	–	(322)	–	–	(322)	–	(322)
Issue of shares		1,250	342,550	–	–	–	–	–	–	343,800	–	343,800
Share option scheme												
– share-based payments		–	–	–	–	–	–	3,181	–	3,181	–	3,181
– exercise of share options		17	1,560	–	–	–	–	(454)	–	1,123	–	1,123
– forfeiture of share options granted		–	–	–	–	–	–	(3,283)	3,283	–	–	–
At 31 March 2008		8,023	679,423	8,320	–	–	–	4,458	(70,841)	629,383	–	629,383
At 1 April 2008, as previously reported		8,023	679,423	8,320	–	28,315	–	4,458	(79,782)	648,757	–	648,757
Retrospective restatements	3	–	–	–	–	(28,315)	–	–	8,941	(19,374)	–	(19,374)
At 1 April 2008, as restated		8,023	679,423	8,320	–	–	–	4,458	(70,841)	629,383	–	629,383
Currency translation difference		–	–	–	–	–	9,135	–	–	9,135	3,045	12,180
Net amount recognised directly in equity		–	–	–	–	–	9,135	–	–	9,135	3,045	12,180
Loss for the year		–	–	–	–	–	–	–	(820,455)	(820,455)	(141,009)	(961,464)
Total recognised income and expense for the year		–	–	–	–	–	9,135	–	(820,455)	(811,320)	(137,964)	(949,284)
Acquisition of a subsidiary	32	–	–	–	–	–	–	–	–	–	150,446	150,446
Share option scheme												
– share-based payments		–	–	–	–	–	–	1,184	–	1,184	–	1,184
– forfeiture of share options granted		–	–	–	–	–	–	(2,396)	2,396	–	–	–
At 31 March 2009		8,023	679,423	8,320	–	–	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,095,958)**	(31,875)
Adjustments for:			
Amortisation of intangible assets		**164,429**	29,689
Depreciation		**11,187**	368
Equity-settled share-based payments		**1,184**	3,181
Finance costs		**25,377**	22,288
Impairment on fixed assets		**27,614**	–
Impairment on goodwill		**354,610**	–
Impairment on intangible assets		**579,340**	–
Allowance for inventories		**3,930**	–
Allowance for trade receivables		**13,361**	–
Impairment on available-for-sale financial assets		**–**	29,060
Interest income		**(66)**	(901)
Loss on disposal of fixed assets		**–**	25
Gain on disposal of an associate		**–**	(655)
Share of loss of an associate		**–**	1,287
Operating profit before working capital changes		**85,008**	52,467
Decrease in inventories		**30,914**	–
Decrease/(increase) in trade receivables		**15,526**	(69,978)
Decrease in prepayments, deposits and other receivables		**54,394**	1,258
Increase in due from a related company		**(1,796)**	–
Increase in due from a substantial shareholder		**(25,643)**	–
Decrease in trade payables		**(1,695)**	–
(Decrease)/increase in accrued expenses and other payables		**(69,225)**	217
Decrease in receipts in advance		**(91,760)**	–
Decrease in due to a substantial shareholder		**(30,177)**	–
Cash used in operations		**(34,454)**	(16,036)
Income tax paid		**(21,561)**	–
Interest paid		**–**	(4,037)
Net cash used in operating activities		**(56,015)**	(20,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	34	**76,881**	–
Purchase of fixed assets	34	**(191)**	(1,148)
Proceeds from disposal of an associate		**–**	1,000
Proceeds from disposal of fixed assets		**–**	1
Repayment of loan receivable from an associate		**–**	2,029
Interest received		**66**	892
Net cash generated from investing activities		**76,756**	2,774

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 HK$'000	2008 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	54,000
Issue of shares on exercise of share options		**–**	1,123
Repayment of promissory notes	34	**(40,000)**	(25,000)
Net cash (used in)/generated from financing activities		**(40,000)**	30,123
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(19,259)**	12,824
Effect of foreign exchange rate changes		**1,634**	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**35,809**	22,985
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**18,184**	35,809
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		**18,184**	35,809

Notes to the Financial Statements

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands. The address of its principal place of business is Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 30 to the financial statements.

2. GOING CONCERN BASIS

The Group incurred a loss of approximately HK$820,455,000 attributable to equity holders of the Company and operating cash outflow of approximately HK$56,015,000 for the year ended 31 March 2009, and as at 31 March 2009 the Group had net liabilities of approximately HK$168,271,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the directors had adopted the going concern basis in the preparation of the financial statements of the Group based on the following:

(a) As disclosed in note 26 to the financial statements, on 30 March 2009, the Group successfully reached agreement with the Company's substantial shareholder to postpone the maturity date of the promissory notes to 10 August 2010. In order to support the operation of the Group, the substantial shareholder agreed that, upon 10 August 2010, the Group has the right to further postpone the maturity date to 30 June 2011 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million with reference to latest published consolidated financial statements. Such right of postponement can be exercised again by the Group on 30 June 2011 and on every subsequent 30 June until the ultimate maturity date of 30 June 2025.

(b) As disclosed in note 25 to the financial statements, on 25 March 2009, the Group successfully reached agreement with the Company's substantial shareholder to postpone the repayment date of an amount due to it to 30 June 2010. The Group also has the right of postponement of repayment similar to that in promissory notes as set out above.

(c) The Group has tightened its credit control during the year and is closely monitoring the recoverability of trade receivables and other balances. As at 31 March 2009, the amount due from a related company was approximately HK$2,720,000 and the amount due from a substantial shareholder was approximately HK$22,642,000. These amounts have been fully recovered subsequent to the balance sheet date.

(d) The Group's PRC subsidiary has reached agreement with China Communication Co., Ltd. ("CCC") to reduce various service fees starting from 1 April 2009. Among the service fee reductions, the most significant one was to fix the monthly rental charge on dedicated lease line to approximately HK$679,300.

(e) The Group has taken measures during the year to restructure its operation in the PRC in order to reduce selling and administrative expenses.

(f) The Group is expected to derive stable cash inflows from its operating activities in year ending 31 March 2010.

(g) The Company is actively considering to raise additional capital financing from both existing shareholders and potential investors.

2. GOING CONCERN BASIS (CONTINUED)

In addition, the Group would take relevant measures in coming financial years in order to control the cash flows of the Group such as reducing the remuneration of directors if necessary.

In light of the measures taken, the assumptions made and factors considered in the preparation of the cash flow projection of the Group for two years ending 31 March 2011, the directors consider that the Group will have sufficient working capital to finance its operations in order to maintain its operation scale and meet its obligations in the next twenty-four months from the balance sheet date. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements of the Group on a going concern basis.

Should there be any occurrence of major unfavourable incidents, such as non-recovery of trade debts, substantial decline of operating cash inflows, failure to obtain additional funding as planned or any incidents that would adversely affect the Group's financial position such that the Group is unable to continue as a going concern, adjustments would have to be made to these financial statements to reduce the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. RETROSPECTIVE RESTATEMENTS AND RECLASSIFICATION

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 license 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 amortisation 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 notes payable. The Group initially recognised the Intangible Assets at HK$150 million 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.

During the year, the board of directors has 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 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.

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain expenses of approximately HK$12,813,000 previously classified under other operating expenses to administrative expenses. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

3. RETROSPECTIVE RESTATEMENTS AND RECLASSIFICATION (CONTINUED)

The effect to the Group's consolidated balance sheet as at 31 March 2008, the consolidated income statement for the year ended 31 March 2008 and the loss per share for the same period are illustrated as follows:

	At 31 March 2008 (as previously reported) HK$'000	Retrospective restatements HK$'000	At 31 March 2008 (as restated) HK$'000
Non-current assets			
Intangible assets	372,802	(19,374)	353,428
Other assets	526,566		526,566
	899,368		879,994
Current assets	111,713		111,713
Current liabilities	(2,305)		(2,305)
Non-current liabilities	(360,019)		(360,019)
NET ASSETS	648,757		629,383
Capital and reserves			
Share capital	8,023		8,023
Asset revaluation reserve	28,315	(28,315)	–
Accumulated losses	(79,782)	8,941	(70,841)
Other reserves	692,201		692,201
TOTAL EQUITY	648,757		629,383

3. RETROSPECTIVE RESTATEMENTS AND RECLASSIFICATION (CONTINUED)

	2008 (as previously reported) HK$'000	Retrospective restatements HK$'000	Reclassification HK$'000	2008 (As restated) HK$'000
Turnover	23,644			23,644
Cost of sales	(33,614)	3,925		(29,689)
Gross loss	(9,970)			(6,045)
Income from exploitation of an online game	41,309			41,309
Other income	6,603			6,603
Administrative expenses	(8,294)		(12,813)	(21,107)
Other operating expenses	(41,873)		12,813	(29,060)
Loss from operations	(12,225)			(8,300)
Finance costs	(22,288)			(22,288)
Share of loss of an associate	(1,287)			(1,287)
Loss before tax	(35,800)			(31,875)
Income tax expense	–			–
Loss for the year	(35,800)			(31,875)
	HK cents			HK cents
Loss per share – basic	(4.70)			(4.19)
Loss per share – diluted	N/A			N/A

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, 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 that are relevant to its operations and effective for its accounting year beginning on or after 1 April 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; 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 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.

5. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 6 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Inter-company transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated income statement as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

(b) 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.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the associate 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 associate's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. 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.

The Group's share of an associate's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Associates (Continued)

The gain or loss on the disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the associate which was not previously charged or recognised in the consolidated income statement and also any related accumulated exchange reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in associates are stated at cost less allowance for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

Translation differences on non-monetary items, such as equity instruments classified as financial assets at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equity instruments classified as available-for-sale financial assets, are included in the asset revaluation reserve in equity.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	18%-50%
Equipment, furniture, fixtures and motor vehicles	18%-33%
Leasehold improvements	Shorter of unexpired lease period and useful live

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) 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 income statement on a straight line basis over their estimated useful lives as follows:

Computer games license rights	10 years
Right to receive distributable profit from the e-sports platform	10 years
Online game software platform	10 years
Online game license rights	Over the license period
E-Sports platform portal	5 years
Computer games distribution rights	5 years
Distribution network	5 years
Trademarks	Shorter of license period and 5 years
Research and development	5 years

The useful lives and amortisation method are reviewed and adjusted, if appropriate, at each balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the lease term.

(h) 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for-sale financial assets are not subsequently reversed through the income statement. Impairment losses recognised in the income statement for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in the income statement if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the income statement.

Impairment losses are reversed in subsequent periods and recognised in the income statement when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial liabilities and equity instruments (Continued)

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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.

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 purchasing of online time, virtual products and premium features of certain online games hosted by the Group. The online game players 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 consumption of the game points.

Income from trading of peripheral products and distribution of computer games 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.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the income statement represents contributions payable by the Group to the funds.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(r) Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of fixed assets, goodwill, other intangible assets, inventories and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group’s position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

(a) *Going concern basis*

The Group adopted the going concern assumption in the preparation of the financial statements. Details of the assumptions adopted by the directors for adopting the going concern basis in preparing the financial statements are set out in note 2 to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(b) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) *Revenue recognition*

Online game revenue is recognised based on the actual consumption of the relevant game points. Income received in respect of unutilised game points including those arising from unactivated pre-paid game cards is recognised as deferred income. Online game income received is net of discounts given to certain distribution and payment channels. The amount of deferred income arising from unactivated pre-paid game cards is extracted from the accounting system of the Group. As to the amount of deferred income in respect of other unutilised game points, management's estimation is required in determining the average sales value of these unutilised game points as discounts given are different for different sales channels.

In assessing the amount of average sales value for the unutilised game points, management considers the discount rate applicable to each of the distribution and payment channels and the mix of income received via different distribution and payment channels. Based on these factors, management determines an average discount rate which gives rise to the best estimate of the discount given to those unutilised game points at year end. The average sales value of each game point is then determined by factoring the average discount rate to the face value of the game point. If the actual sales value of the unutilised game points differs from management's estimates, the amount of deferred income as well as online game revenue recognised would be affected.

(d) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

6. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(e) Impairment of fixed assets, intangible assets and goodwill

Determining whether fixed assets, intangible assets and goodwill impaired requires an estimation of the value in use of the cash-generating unit to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment losses are stated in note 17, note 18 and note 33 to financial statements.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

(g) Share-based payment expenses

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected volatility, expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

7. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operation entities of the Group except for other payables. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2009, if the Renminbi had weakened 5 per cent against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$293,000 (2008: HK$Nil) lower, arising mainly as a result of the foreign exchange loss on other payables denominated in US dollar. If the Renminbi had strengthened 5 per cent against the US dollar with all other variables held constant, consolidated profit after tax for the year would have been approximately HK$293,000 (2008: HK$Nil) higher, arising mainly as a result of the foreign exchange gain on other payables denominated in US dollar.

(b) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and amounts due from a related company and a substantial shareholder included in the balance sheet represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

7. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from a related company and a substantial shareholder are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 March 2009				
Trade payables	9,395	–	–	–
Accruals and other payables	12,074	–	–	–
Due to a substantial shareholder (note 25)	–	–	–	12,243
Promissory notes (note 26)	–	–	135,559	134,188
At 31 March 2008				
Accruals and other payables	2,305	–	–	–
Promissory notes	5,574	5,574	282,126	–

As described in note 25 and note 26 to the financial statements, the Group has taken measures to reach agreement with China Communication Investment Limited ("CCI") to postpone the maturity date of promissory notes and repayment date of amount due to CCI. The directors are of the view that these measures would be adequate to contain the liquidity risk to an acceptable level.

(d) Interest rate risk

As the Group has no significant interest-bearing assets, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from promissory notes, which are issued at fixed rate and will expose the Group to fair value interest-rate risk.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

8. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is organised into three main business segments:

e-Sports Platform	–	Operation of an electronic platform ("e-Sports Platform") for online computer game tournaments
Online game operation	–	Operation of a licensed online game "Sudden Attack"
Computer games distribution and licensing	–	Selling and distribution of computer games

	e-Sports Platform		Online game operation		Computer games distribution and licensing		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000 (Restated)	**2009 HK$'000**	2008 HK$'000 (Restated)
Revenue	**145,471**	–	**221,265**	–	**22,727**	23,644	**389,463**	23,644
Segment results	**(204,971)**	(19,320)	**(617,055)**	–	**(197,930)**	13,275	**(1,019,956)**	(6,045)
Income from exploitation of an online game							**–**	41,309
Other income							**3,023**	6,603
Unallocated expenses							**(53,648)**	(50,167)
Loss from operations							**(1,070,581)**	(8,300)
Share of losses of an associate							**–**	(1,287)
Finance costs							**(25,377)**	(22,288)
Loss before tax							**(1,095,958)**	(31,875)
Segment assets	**54,511**	270,480	**19,939**	–	**2,362**	114,083	**76,812**	384,563
Unallocated assets							**52,754**	607,144
Total assets							**129,566**	991,707
Segment liabilities	**17,452**	–	**21,771**	–	**–**	–	**39,223**	–
Unallocated liabilities							**258,614**	362,324
Total liabilities							**297,837**	362,324
Other segment information:								
Capital expenditure	**6,566**	–	**–**	–	**–**	–	**6,566**	–
Unallocated amounts							**191**	1,148
							6,757	1,148
Depreciation and amortisation	**31,036**	19,320	**120,683**	–	**21,239**	10,369	**172,958**	29,689
Unallocated amounts							**2,658**	368
							175,616	30,057
Other non-cash expenses other than depreciation and amortisation								
Impairment loss on fixed assets	**16,533**	–	**11,081**	–	**–**	–	**27,614**	–
Impairment loss on goodwill	**69,096**	–	**257,908**	–	**27,606**	–	**354,610**	–
Impairment loss on intangible assets	**120,228**	–	**280,896**	–	**140,476**	–	**541,600**	–
Allowance for trade receivables	**3,893**	–	**3,893**	–	**5,575**	–	**13,361**	–
Allowance for inventories	**–**	–	**–**	–	**3,930**	–	**3,930**	–

8. SEGMENT INFORMATION (CONTINUED)

(b) Secondary reporting format – geographical segments

Over 90% of the Group's revenue and assets are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Exchange gains	**2,954**	5,046
Gain on disposal of an associate	**–**	655
Interest income	**66**	901
Sundry income	**3**	1
	3,023	6,603

10. FINANCE COST

	2009 HK$'000	2008 HK$'000
Interest charged on promissory notes not wholly repayable within five years	**25,377**	22,288

11. INCOME TAX CREDIT

	2009 HK$'000	2008 HK$'000
Current tax – PRC Enterprise Income Tax	**(12,881)**	–
Deferred tax (note 27)	**147,375**	–
	134,494	–

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor is deriving from Hong Kong.

Tax charge on assessable profits in the PRC have been calculated at prevailing tax rate of 25%.

11. INCOME TAX CREDIT (CONTINUED)

The reconciliation between the income tax and the product of loss before tax multiplied by the PRC enterprise income tax rate (2008: Hong Kong profits tax rate) is as follows:

	2009 HK$'000	2008 HK$'000 (Restated)
Loss before tax	(1,095,958)	(31,875)
Tax at the domestic income tax rate of 25% (2008: 17.5%)	(273,989)	(5,578)
Tax effect of income that is not taxable	(11)	(13,190)
Tax effect of expenses that are not deductible	99,368	15,726
Tax effect of temporary differences not recognised	6,903	–
Tax effect of unused tax losses not recognised	32,491	3,006
Others	744	36
Income tax credit	(134,494)	–

In previous years, the Group's taxable profits originated principally from Hong Kong and the Hong Kong Profits Tax rate is used in presenting the reconciliation. During the year, after the acquisition of a new subsidiary, the Group's revenue and results are originated principally from the PRC and therefore the PRC enterprise income tax rate is used in presenting the reconciliation.

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging the following:

	2009 HK$'000	2008 HK$'000
Amortisation of intangible assets		
– included in cost of sales	104,540	29,689
– included in selling and distribution expenses	59,889	–
	164,429	* 29,689
Depreciation	11,187	368
Loss on disposals of fixed assets	–	25
Operating lease charges for land and buildings	28,646	1,070
Auditor's remuneration	1,050	250
Cost of inventories sold	36,253	–
Other operating expenses		
– Allowance for inventories	3,930	–
– Allowance for trade receivables	13,361	–
– Impairment on fixed assets	27,614	–
– Impairment on goodwill	354,610	–
– Impairment on intangible assets	579,340	–
– Impairment on available-for-sale financial assets	–	29,060
	978,855	29,060
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	19,274	6,811
– Equity-settled share-based payments	1,184	3,181
– Retirement benefits scheme contributions	1,782	74
	22,240	10,066

* As restated, for year ended 31 March 2008

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company included a loss of approximately HK$597,227,000 (2008: HK$17,698,000) which has been dealt with in the financial statements of the Company.

14. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2008: HK$Nil).

15. LOSS PER SHARE

Basic loss per share

The calculation of the basic loss per share attributable to equity holders of the Company for the year is based on the loss attributable to equity holders of the Company of approximately HK$820,455,000 (2008: (restated) HK$31,875,000) and the weighted average number of ordinary shares of 802,286,761 (2008: 761,155,067) in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 March 2009 and 2008.

16. EMOLUMENTS OF DIRECTORS (KEY MANAGEMENT PERSONNEL) AND HIGHEST PAID EMPLOYEES

The emoluments of each director were as follows:

Name of Director		Fees	Salary and allowances	Retirement benefit scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
He Chenguang		–	1,890	12	1,902
Zhang Peng		–	1,770	12	1,782
Xiao Haiping		–	900	12	912
Weng Pinger		10	844	12	866
Liu Jie	(a)	52	–	–	52
Yip Tai Him		100	–	–	100
Cao Huifang	(b)	84	–	–	84
Liu Hong	(c)	44	–	–	44
Total for the year ended 31 March 2009		290	5,404	48	5,742

16. EMOLUMENTS OF DIRECTORS (KEY MANAGEMENT PERSONNEL) AND HIGHEST PAID EMPLOYEES (CONTINUED)

The emoluments of each director were as follows: (Continued)

Name of Director		Fees	Salary and allowances	Retirement benefit scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
He Chenguang		–	1,840	12	1,852
Zhang Peng		–	1,740	12	1,752
Xiao Haiping		–	1,040	12	1,052
Zhang Jialin	(d)	–	1,040	12	1,052
Yip Tai Him		82	–	–	82
Lam Lee G	(e)	12	–	–	12
Liu Jie		110	–	–	110
Weng Pinger	(f)	94	–	–	94
Total for the year ended 31 March 2008		298	5,660	48	6,006

Notes: (a) Resigned on 16 October 2008
(b) Appointed on 16 May 2008
(c) Appointed on 16 October 2008
(d) Resigned on 31 March 2008
(e) Resigned on 14 May 2007
(f) Appointed on 16 May 2007

During the year, Mr. He Chenguang, Mr. Zhang Peng, Mr. Xiao Haiping and Ms. Weng Pinger, executive directors of the Company, have agreed to waive their emoluments of HK$30,000 (2008: HK$Nil), HK$30,000 (2008: HK$Nil), HK$60,000 (2008: HK$Nil) and HK$60,000 (2008: HK$Nil), respectively. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

The five highest paid individuals in the Group during the year included 4 (2008: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2008: one) employee are set out below:

	2009	2008
	HK$'000	HK$'000
Salary and allowances	**840**	430
Bonuses	**–**	35
Retirement benefits scheme contributions	**12**	12
	852	477

The emoluments of the employee fell within the following band:

	Number of individuals	
	2009	2008
HK$ Nil to HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

17. FIXED ASSETS

	Computer equipment HK$'000	Leasehold improve-ments HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 April 2007	212	361	76	–	649
Additions	86	927	135	–	1,148
Disposals	–	(361)	(58)	–	(419)
At 31 March 2008 and 1 April 2008	298	927	153	–	1,378
Acquisition of a subsidiary	43,762	–	1,126	1,049	45,937
Additions	6,740	17	–	–	6,757
Disposals	(132)	–	(16)	–	(148)
Exchange differences	955	–	25	23	1,003
At 31 March 2009	**51,623**	**944**	**1,288**	**1,072**	**54,927**
Accumulated depreciation and impairment					
At 1 April 2007	172	296	65	–	533
Charge for the year	46	282	40	–	368
Disposals	–	(338)	(55)	–	(393)
At 31 March 2008 and 1 April 2008	218	240	50	–	508
Charge for the year	10,276	300	323	288	11,187
Impairment losses	27,614	–	–	–	27,614
Disposals	(132)	–	(16)	–	(148)
Exchange differences	65	–	1	–	66
At 31 March 2009	**38,041**	**540**	**358**	**288**	**39,227**
Carrying amount					
At 31 March 2009	**13,582**	**404**	**930**	**784**	**15,700**
At 31 March 2008	80	687	103	–	870

During the year, the Group carried out reviews of the recoverable amount of CGUs which include the fixed assets, having regard to the impact of recent macroeconomic environment on the Group's operations. The total impairment losses of approximately HK$27,614,000 of these fixed assets have been charged to the income statement and have affected the following CGUs/business segments of the Group:

Fixed assets	**e-Sports platform** HK$'000	**Online game operation** HK$'000	**Total** HK$'000
Computer equipment	16,533	11,081	27,614

The recoverable amount of the relevant fixed assets has been determined on the basis of their value in use. The discount rates used in measuring value in use at balance sheet date ranged from 22% to 23%.

18. INTANGIBLE ASSETS

	Computer games license rights (i) HK$'000 (as restated)	Right to receive distributable profit from the e-Sports platform (ii) HK$'000	Online game software platform HK$'000	Online game license rights HK$'000	e-Sports platform portal HK$'000	Computer games distribution rights HK$'000	Distribution network HK$'000	Trademarks HK$'000	Research and development HK$'000	Total HK$'000 (as restated)
Cost										
At 1 April 2007, as restated	103,685	–	–	–	–	–	–	–	–	103,685
Additions	–	289,800	–	–	–	–	–	–	–	289,800
At 31 March 2008 and 1 April 2008, as restated	103,685	289,800	–	–	–	–	–	–	–	393,485
Disposed of as consideration for acquisition of a subsidiary	(103,685)	(289,800)	–	–	–	–	–	–	–	(393,485)
Acquisition of a subsidiary	–	–	3,058	212,871	48,856	87,242	362,934	33,094	30,491	778,546
Exchange differences	–	–	67	4,651	1,067	1,906	7,930	724	666	17,011
At 31 March 2009	**–**	**–**	**3,125**	**217,522**	**49,923**	**89,148**	**370,864**	**33,818**	**31,157**	**795,557**
Accumulated amortisation and impairment										
At 1 April 2007, as restated	10,368	–	–	–	–	–	–	–	–	10,368
Amortisation for the year, as restated	10,369	19,320	–	–	–	–	–	–	–	29,689
At 31 March 2008 and 1 April 2008, as restated	20,737	19,320	–	–	–	–	–	–	–	40,057
Disposed of as consideration for acquisition of a subsidiary	(20,737)	(19,320)	–	–	–	–	–	–	–	(40,057)
Amortisation for the year	–	–	312	86,551	6,345	11,331	49,755	10,135	–	164,429
Impairment losses (iii)	–	–	2,109	125,830	34,484	77,664	287,239	20,910	31,104	579,340
Exchange differences	–	–	4	366	71	153	579	54	53	1,280
At 31 March 2009	**–**	**–**	**2,425**	**212,747**	**40,900**	**89,148**	**337,573**	**31,099**	**31,157**	**745,049**
Carrying amount										
At 31 March 2009	**–**	**–**	**700**	**4,775**	**9,023**	**–**	**33,291**	**2,719**	**–**	**50,508**
At 31 March 2008, as restated	82,948	270,480	–	–	–	–	–	–	–	353,428

18. INTANGIBLE ASSETS (CONTINUED)

Notes:

(i) It represents computer games license rights to publish, replicate, reproduce, manufacture, distribute and sell certain computer game softwares and computer game guide books translated into Chinese language for distribution and sale (the "Localised Products") in the PRC and the use of the trademarks pertaining to the Localised Products and all the rights and benefits in relation to the organisation of electronic sports tournaments in respect of the Localised Products.

Details of retrospective restatements are as disclosed in note 3 to the financial statements.

(ii) It represents the right to receive 75% of the distributable profit derived from operating the "e-Sports Platform" in the PRC by China Cyber Port Co., Ltd. ("CCP").

(iii) During the year, the Group carried out reviews of the recoverable amount of CGUs which include the intangible assets, having regard to the impact of recent macroeconomic environment on the Group's operations. The total impairment losses of approximately HK$579,340,000 of these intangible assets have been charged to the income statement and have affected the following CGUs/business segments of the Group:

Intangible assets	**e-Sports platform** HK$'000	**Online game operation** HK$'000	**Computer games distribution and licensing** HK$'000	**Unallocated** HK$'000	**Total** HK$'000
Online game software platform	827	1,282	–	–	2,109
Online game license rights	–	125,830	–	–	125,830
e-Sports platform portal	34,484	–	–	–	34,484
Computer games distribution rights	–	–	77,664	–	77,664
Distribution network	79,401	145,026	62,812	–	287,239
Trademarks	5,516	8,758	–	6,636	20,910
Research and development	–	–	–	31,104	31,104
Total	120,228	280,896	140,476	37,740	579,340

The recoverable amount of the relevant intangible assets has been determined on the basis of their value in use. The discount rates used in measuring value in use at balance sheet date ranged from 22% to 23% and at previous valuation date (1 April 2008) ranged from 25% to 27%.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK$'000	2008 HK$'000
Right to receive benefits from exploitation of online game in the PRC, at valuation	–	525,696

This represents the right to receive 40% of net sales revenue in relation to the operation of an online computer game "Sudden Attack" in the PRC by CCP. The instrument carried an irrevocable guarantee of RMB570 million as cash flows for a two-year-and-eight-month period starting from 1 July 2008, undertaken by the issuer, China Communication Investment Limited ("CCI"), which is a shareholder of the Company. The available-for-sale financial assets were revalued as at 31 March 2008 by an independent valuer, Grant Sherman Appraisal Limited. The valuation was determined based on discounted cash flows from exploitation of the online game over the period.

The available-for-sale financial assets were part of the consideration for acquisition of 75% equity interest of a subsidiary on 1 April 2008 and were derecognised accordingly on the same day (note 32).

20. INVENTORIES

	2009 HK$'000	2008 HK$'000
Finished goods	479	–

21. TRADE RECEIVABLES

	2009 HK$'000	2008 HK$'000
From a shareholder	–	44,400
From a related company	–	31,135
From third parties	13,219	–
	13,219	75,535

The Group's trading terms with customers are mainly on credit. The credit terms for external customers generally range from 60 to 180 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

21. TRADE RECEIVABLES (CONTINUED)

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

	2009 HK$'000	2008 HK$'000
0 to 90 days	**3,122**	6,715
91 to 180 days	**8,214**	6,105
181 to 365 days	**–**	12,210
Over 365 days	**1,883**	50,505
	13,219	75,535

As at 31 March 2009, an allowance was made for estimated irrecoverable trade receivables of approximately HK$13,361,000 (2008: HK$Nil).

As of 31 March 2009, trade receivables of approximately HK$1,883,000 (2008: HK$Nil) were past due but not impaired. These relate to a number of independent customers. The ageing analysis of these trade receivables is as follows:

	2009 HK$'000	2008 HK$'000
Over 365 days	**1,883**	–

22. DUE FROM A RELATED COMPANY / A SUBSTANTIAL SHAREHOLDER

Amounts due from a related company and a substantial shareholder disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	**Balance at 31 March 2009** HK$'000	**Balance at 1 April 2008** HK$'000	**Maximum amount outstanding during the year** HK$'000
Related company			
Beijing Longteng Xingda Guiding and Positioning Technology Limited * (北京龙腾兴达导航定位技术有限公司)	2,720	2,884	2,884
Substantial shareholder			
China Communication Co., Ltd. ("CCC") (神州通信有限公司)	22,642	20,846	22,642

* *For identification purpose*

All the above balances are denominated in Renminbi ("RMB"), unsecured, interest-free and have no fixed repayment terms. Mr. He Chenguang has beneficial interest in both companies.

23. BANK AND CASH BALANCES

As at 31 March 2009, the bank and cash balances of the Group denominated in RMB amounted to HK$3,633,000 (2008: HK$Nil). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods or rendering of services, is as follows:

	2009 **HK$'000**	2008 HK$'000
0 to 90 days	**2,681**	–
91 to 180 days	**940**	–
181 to 365 days	**5,774**	–
	9,395	–

The trade payables are denominated in RMB.

25. DUE TO A SUBSTANTIAL SHAREHOLDER

The amount is payable to CCI, which is wholly owned by CCC. As at 31 March 2009, CCI held 27.49% of direct equity interest of the Company hence both CCI and CCC are regarded as substantial shareholder of the Company.

The amount was originally unsecured, interest free and has no specific repayment terms. In order to support the operations of the Group, CCI agreed to vary the terms of repayment on 25 March 2009, such that the repayment date of the amount has been changed to 30 June 2010 ("New Repayment Date") and the amount remain unsecured and interest free. In addition, upon New Repayment Date, the Group has the right to postpone ("Postponement Right") the repayment date by one year further if the latest published financial information of the Group indicating that the repayment would cause the net current assets of the Group fall below HK$50 million. Such Postponement Right can be exercised on 30 June of every year subsequent to the New Repayment Date without time limitation.

26. PROMISSORY NOTES

	2009 **HK$'000**	2008 HK$'000
At beginning of year	**361,989**	368,738
Interest charged (note 10)	**25,377**	22,288
Cancellation upon acquisition of a subsidiary	**(73,175)**	–
Settled during the year	**(81,310)**	(29,037)
	232,881	361,989
Less: Accrued interest classified under current liabilities	**–**	(1,970)
At end of year	**232,881**	360,019

26. PROMISSORY NOTES (CONTINUED)

The promissory notes are held by CCI.

The promissory notes were originally unsecured, interest bearing at 2% per annum, and with maturity date on 10 February 2010. In order to support the operation of the Group, CCI agreed to vary the terms of promissory notes on 30 March 2009, such that the maturity date has been changed to 10 August 2010 ("New Maturity Date") and remain unsecured and interest bearing at 2% per annum. In addition, upon New Maturity Date, the Group has the right to postpone ("Maturity Postponement Right") the maturity date to 30 June 2011 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025.

The carrying amount of the promissory note is denominated in Hong Kong dollars and the effective interest rate as at 31 March 2009 is 8.7%.

27. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) and assets recognised by the Group.

	Accrued expenses not allowed until actual payment HK$'000	**Deferred income** HK$'000	**Revaluation of acquired intangible assets** HK$'000	**Others** HK$'000	**Total** HK$'000
At 1 April 2007 and 31 March 2008	–	–	–	–	–
Acquisition of a subsidiary	8,579	28,397	(186,347)	(974)	(150,345)
Credit/(charge) to income statement for the year (note 11)	(8,752)	(25,752)	180,886	993	147,375
Exchange differences	173	576	(3,761)	(19)	(3,031)
At 31 March 2009	–	3,221	(9,222)	–	(6,001)

The following is the analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2009 **HK$'000**	2008 HK$'000
Deferred tax assets	**3,221**	–
Deferred tax liabilities	**(9,222)**	–
	(6,001)	–

At the balance sheet date the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$174,900,000 (subject to approval of relevant tax authority) (2008: HK$44,938,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. Except for the tax loss of approximately HK$44,938,000 that may be carried forward indefinitely, other tax losses will expire before 2014.

28. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 31 March 2008 and 2009	1,000,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 31 March 2008 and 2009	802,286,761	8,023

The movement in the Company's issued share capital during the year is set out as follows:

	Number of shares	
	2009	2008
At beginning of year	**802,286,761**	675,586,761
Exercise of share options	**–**	1,700,000
Issue of new shares		
– at cash (i)	**–**	20,000,000
– for acquisition (ii)	**–**	105,000,000
At end of year	**802,286,761**	802,286,761

(i) On 8 June 2007, 20,000,000 new ordinary shares of HK$0.01 each were allotted and issued at HK$2.70 per share.

(ii) On 28 August 2007, the Group acquired the right to receive distributable profit from the e-Sports platform by issuance of 105,000,000 ordinary shares of the Company.

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions.

There was no change in the Group's approach to capital management during the year.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float at least 25% of the Company's shares. The directors regard that the requirement of public float is satisfied during the year.

29. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(i) Share premium reserve

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve of the group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 2002.

(iii) Asset revaluation reserve

The asset revaluation reserve comprises of gains or losses arising from changes in fair value of available-for-sale financial assets in accordance with the accounting policy set out in note 5(k) to the financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 5(d) to the financial statements.

(v) Share-based payment reserve

The share-based payment reserve represents equity-settled share-based payments to certain eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 5(q) to the financial statements.

30. SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 March 2009 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
HK6 Investment Limited	British Virgin Islands	US$2,614 ordinary shares	100%	–	Investment holding
Hong Kong Financial Institute Limited	Hong Kong	HK$1,307 ordinary shares	–	100%	Inactive
hk6.com Limited	Hong Kong	HK$1,000 ordinary shares	–	100%	Inactive
HK6 Media Limited	Hong Kong	HK$2 ordinary shares	–	100%	Inactive
Oriental Glory (H.K.) Limited	Hong Kong	HK$1 ordinary share	–	100%	Investment holding
神州奧美網絡(國際)有限公司	Hong Kong	HK$1 ordinary share	100%	–	Not yet commence business
HK6 Investment China (BVI) Limited	British Virgin Islands	US$1 ordinary share	100%	–	Investment holding
Sino Key International Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Pro-Concept Development Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Success Advantage Investments Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Favor Grow Holdings Limited	British Virgin Islands	US$10 ordinary shares	100%	–	Investment holding
China Cyber Port Co., Ltd. (神州奧美網絡有限公司)	PRC	US$12,000,000 registered capital	–	75%	Operation of the e-sports platform and online game, distribution of computer games in the PRC

31. SHARE-BASED PAYMENTS

Equity-settled share option scheme

On 28 October 2002, the Company conditionally adopted a share option scheme (the "Share Option Scheme"). The Share Option Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. The Share Option Scheme was further amended by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006.

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

31. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Details of the outstanding options granted under the Share Option Scheme as at 31 March 2009 are as follows:

Name or category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK$	Number of share option as at 31 March 2009
Director					
Xiao Haiping	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	1.09	1,000,000
Other Eligible Participants					
In aggregate	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	1.09	2,000,000
In aggregate	28 June 2006	29 June 2006 to 27 December 2006	28 December 2006 to 27 June 2009	1.74	800,000
In aggregate	30 July 2007	31 July 2007 to 29 January 2008	30 January 2008 to 29 July 2010	2.80	800,000
In aggregate	14 August 2008	15 August 2008 to 13 August 2009	14 August 2009 to 13 August 2010	0.97	1,000,000
In aggregate	15 August 2008	16 August 2008 to 14 August 2009	15 August 2009 to 14 August 2010	1.30	1,500,000
In aggregate	14 January 2009	15 January 2009 to 13 July 2009	14 July 2009 to 13 July 2010	0.82	1,200,000
					8,300,000

Details of the share options outstanding during the year are as follows:

	2009 Number of share options	**2009** Weighted average exercise price HK$	2008 Number of share options	2008 Weighted average exercise price HK$
Outstanding at the beginning of the year	**10,600,000**	**2.12**	11,200,000	1.96
Granted during the year	**3,700,000**	**1.05**	5,300,000	2.81
Forfeited during the year	**(6,000,000)**	**2.58**	(4,200,000)	3.15
Exercised during the year	**–**	**–**	(1,700,000)	0.62
Outstanding at the end of the year	**8,300,000**	**1.30**	10,600,000	2.12
Exercisable at the end of the year	**4,600,000**	**1.50**	7,600,000	1.98

31. SHARE-BASED PAYMENTS (CONTINUED)

The options outstanding at the end of the year have a weighted average remaining contractual life of 0.75 years (2008: 0.87 years) and the exercise prices range from HK$0.82 to HK$2.80 (2008: HK$1.09 to HK$2.816). In previous year, options were granted on 30 July 2007, 17 August 2007 and 4 January 2008. The estimated fair values of the options on those dates are HK$0.696, HK$0.372 and HK$0.271 respectively.

The fair values were calculated using the Black-Scholes Model. The detail of valuation of options granted during the year and the inputs into the model and the resultant fair values were as follows:

Grant date	**14 August 2008**	**15 August 2008**	**14 January 2009**
Share price on grant date	HK$0.97	HK$1.30	HK$0.82
Exercise price	HK$0.97	HK$1.30	HK$0.82
Expected volatility	69.39%	75.49%	77.45%
Expected life	1.50 years	1.50 years	0.99 years
Risk-free rate	1.908%	1.911%	0.300%
Expected dividend yield	–	–	–
Fair value per option granted (HK$)	0.329	0.475	0.247

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 260 days. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

32. 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 CCI for the acquisition of a 75% equity interest in 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 by CCP and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform by CCP 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.

32. ACQUISITION OF A SUBSIDIARY (CONTINUED)

The fair value of the identifiable assets and liabilities of CCP acquired as at its date of acquisition is as follows:

Share of net assets acquired:

	Acquiree's carrying amount before combination HK$'000	Fair value adjustment HK$'000	Fair value HK$'000
Fixed assets	45,937		45,937
Intangible assets	33,158	745,388	778,546
Cash and bank balances	76,881		76,881
Inventories	35,323		35,323
Trade receivables	42,106		42,106
Prepayments, deposits & other receivables	63,484		63,484
Due from a related company	2,884		2,884
Due from a substantial shareholder	20,846		20,846
Trade payables	(11,090)		(11,090)
Accruals and other payables	(80,964)		(80,964)
Receipt in advance	(113,782)		(113,782)
Due to a related company	(25,806)		(25,806)
Due to a substantial shareholder	(73,555)		(73,555)
Current tax liabilities	(8,680)		(8,680)
Deferred tax liabilities	36,002	(186,347)	(150,345)
Net assets	42,744	559,041	601,785
Less: Minority interests			(150,446)
			451,339
Goodwill			354,610
			805,949
Satisfied by:			
Intangible assets (note 18)			353,428
Available-for-sale financial assets (note 19)			525,696
Promissory notes cancellation (note 26)			(73,175)
			805,949

33. GOODWILL

	HK$'000
Arising on acquisition of a subsidiary (note 32)	354,610
Impairment loss recognised in current year	(354,610)
As at 31 March 2009	–

33. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

CGUs	HK$'000
e-Sports platform	69,096
Online game operation	257,908
Computer games distribution and licensing	27,606
	354,610

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the best estimate of management for the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets.

The average rate used to discount the forecast cash flows from the Group's operations in e-Sports platform CGU, online game operation CGU and computer games distribution and licensing CGU are approximately 22%, 23% and 22% respectively.

Considering the recent development of the business of the Group and the macroeconomic environment dampened by the global recession, the Group has revised its cash flow forecasts for its CGUs accordingly for impairment testing purpose. All goodwill previously allocated to various CGUs have been fully impaired during the year.

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

The Group has acquired 75% equity of CCP during the year. Details of the acquisition is set out in note 32 to the financial statements. The following is a summary of impact to the consolidated cash flow statements and major non-cash transactions in connection to the acquisition.

(a) Net cash inflow arising on acquisition of subsidiary :

	HK$'000
Cash consideration paid	–
Cash and cash equivalents acquired	76,881
	76,881

34. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Major Non-cash transactions

The consideration of acquisition of 75% equity interest of CCP is satisfied by giving up of intangible assets (the right to receive 40% of the net revenue derived from operating "Sudden Attack" in the PRC by CCP) and available-for-sale financial assets (the right to receive 75% of the distributable profit derived from operating e-Sports Platform in the PRC). The Group is also allowed to cancel certain promissory notes payable to CCI. The fair values of the Group's intangible assets, available-for-sale financial assets and promissory notes that were relevant to the acquisition are set out in note 32 to the financial statements.

During the year, the promissory note of HK$41,310,000 was settled by trade receivables from a shareholder.

Additions to fixed assets during the year of approximately HK$6,566,000 was settled by prepayments.

35. LEASE COMMITMENTS

At 31 March 2009 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2009 **HK$'000**	2008 HK$'000
Within one year	**11,062**	1,173
In the second to fifth years inclusive	**8,542**	1,564
	19,604	2,737

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Lease are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

36. 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 year:

	2009 **HK$'000**	2008 HK$'000
Licensing income from a related company	**–**	23,644
Income from exploitation of online game received from CCI	**–**	41,309
Interest charged on promissory notes payable to CCI	**(25,377)**	(22,288)
Advertising and sponsorship income received from related companies	**74,276**	–
Advertising income received from CCC	**10,953**	–
Online game income received on behalf by CCC	**107,294**	–
Internet payment and settlement service fee paid to CCC	**(26,824)**	–
Net online game income received through CCC recoginsed by the Group	**80,470**	–
Rental fee paid to CCC	**(1,390)**	–
Service fee paid to CCC		
– Customer service hotline rental	**(5,032)**	–
– Dedicated leased lines	**(91,529)**	–
– Server hosting service	**(6,728)**	–
– Office internet connection	**(568)**	–

36. RELATED PARTY TRANSACTIONS (CONTINUED)

	2009 HK$'000	2008 HK$'000
Receipts in advance from a related company and a substantial shareholder	**12,884**	–

37. BALANCE SHEET AND CHANGES IN EQUITY OF THE COMPANY

Balance Sheet

	2009 HK$'000	2008 HK$'000
Non-current assets		
Fixed assets	**13**	27
Investments in subsidiaries	**20**	20
	33	47
Current assets		
Deposits and prepayments	**53**	–
Amounts due from subsidiaries	**–**	574,386
Bank and cash balances	**7,099**	28,419
	7,152	602,805
Current liabilities		
Accrued expenses	**704**	297
Amounts due to subsidiaries	**4,552**	4,583
	5,256	4,880
Net current assets	**1,896**	597,925
NET ASSETS	**1,929**	597,972
Capital and reserves		
Share capital	**8,023**	8,023
Reserves	**(6,094)**	589,949
TOTAL EQUITY	**1,929**	597,972

37. BALANCE SHEET AND CHANGES IN EQUITY OF THE COMPANY (CONTINUED)

Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	6,756	335,313	5,014	(79,517)	267,566
Loss for the year	–	–	–	(17,698)	(17,698)
Issue of shares	1,250	342,550	–	–	343,800
Share option scheme					
– share-based payments	–	–	3,181	–	3,181
– exercise of share option	17	1,560	(454)	–	1,123
– forfeiture of share options granted	–	–	(3,283)	3,283	–
At 31 March 2008	8,023	679,423	4,458	(93,932)	597,972
At 1 April 2008	8,023	679,423	4,458	(93,932)	597,972
Loss for the year	–	–	–	(597,227)	(597,227)
Share option scheme					
– share-based payments	–	–	1,184	–	1,184
– forfeiture of share options granted	–	–	(2,396)	2,396	–
At 31 March 2009	8,023	679,423	3,246	(688,763)	1,929

38. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2009.