



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

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

Interim Report **2009**

CHINA CYBER PORT

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* For identification purpose only



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This report, for which the directors (the “Directors”) of China Cyber Port (International) Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2009 was approximately HK\$12,160,000.
- Net loss attributable to equity holders was approximately HK\$28,331,000 for the six months ended 30 September 2009.
- Loss per share for the six months ended 30 September 2009 was approximately HK3.53 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2009.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 September 2009.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$12,160,000 for the six months ended 30 September 2009, representing a decrease of approximately 96.6% as compared to approximately HK\$354,688,000 for the six months ended 30 September 2008. The turnover for the six months ended 30 September 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\$28,331,000 for the six months ended 30 September 2009 as compared to approximately HK\$355,858,000 for the six months ended 30 September 2008. The net loss for the period was mainly attributable to the downturn for the animation and game industry in the PRC during the period.

BUSINESS REVIEW

Apart from the continuous efforts to monitor the market development, restructure and streamline the business operations as and when necessary so as to improve the current financial status of the Group and enhance the business performance, the Board has been actively seeking other opportunities to broaden the revenue base of the Group.

Operation of the e-Sports Platform

For the six months ended 30 September 2009, the revenue derived from the operation of the e-Sports Platform was approximately HK\$5,347,000 as compared to approximately HK\$125,150,000 for the six months ended 30 September 2008.

Operation of the online game SA

For the six months ended 30 September 2009, the revenue derived from the operation of the online game SA was approximately HK\$6,805,000 as compared to approximately HK\$211,017,000 for the six months ended 30 September 2008.

Distribution and selling of computer games in the PRC

For the six months ended 30 September 2009, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$8,000 as compared to approximately HK\$18,521,000 for the six months ended 30 September 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$12,160,000 (2008: HK\$354,688,000) for the six months ended 30 September 2009, representing a decrease of approximately 96.6% as compared with 2008/09. Approximately 44.0%, 56.0% and 0% of turnover for the six months ended 30 September 2009 (2008: 35.3%, 59.5% and 5.2%) were attributable to the operation of the e-Sports Platform, operation of the online game “Sudden Attack” (突袭OL) (“SA”) in the PRC and distribution and selling of computer games in the PRC.

The Group’s gross profit for the six months ended 30 September 2009 amounted to approximately HK\$506,000 as compared to approximately HK\$181,129,000 for the six months ended 30 September 2008. The decrease of gross profit was mainly attributable to the downturn for the animation and game industry in the PRC.

Selling and distribution, administrative and other operating expenses for the six months ended 30 September 2009 was approximately HK\$24,999,000 as compared to approximately HK\$661,302,000 for the six months ended 30 September 2008. The decrease of the expenses was mainly attributable to the continuous efforts to restructure and streamline the business operations.

Net loss attributable to equity holders

The Group made a net loss attributable to equity holders of approximately HK\$28,331,000 for the six months ended 30 September 2009 as compared to approximately HK\$355,858,000 for the six months ended 30 September 2008. The improvement in results was mainly attributable to the continuous efforts to restructure and streamline the business operations.

Liquidity and financial resources

As at 30 September 2009, the Group had outstanding promissory notes at a nominal value of approximately HK\$238.7 million (as at 31 March 2009: HK\$238.7 million) with a discounted value of approximately HK\$242.9 million (as at 31 March 2009: HK\$232.9 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 30 September 2009 (as at 31 March 2009: HK\$Nil).

As at 30 September 2009, the Group had net current assets of approximately HK\$10,547,000 (as at 31 March 2009: approximately HK\$16,646,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$28,712,000 (as at 31 March 2009: approximately HK\$18,184,000), trade and other receivables of approximately HK\$15,964,000 (as at 31 March 2009: approximately HK\$41,474,000) and inventories of approximately HK\$471,000 (as at 31 March 2009: HK\$479,000). The Group's current liabilities included trade and other payables of approximately HK\$34,600,000 (as at 31 March 2009: HK\$43,491,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 3.05 as at 30 September 2009 as compared to 2.30 as at 31 March 2009.

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

Capital structure

There was no change in the capital structure during the six months ended 30 September 2009.

Charge on assets

The Group did not have any charge on its assets as at 30 September 2009 and 31 March 2009.

**Staff costs**

As at 30 September 2009, the Group had 68 employees (2008: 230). The staff costs for the six months ended 30 September 2009 was approximately HK\$4,673,000 (2008: HK\$11,394,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

As at 30 September 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 30 September 2009 and 31 March 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2009

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Turnover	4(a)	2,431	115,846	12,160	354,688
Cost of sales		(4,423)	(87,844)	(11,654)	(173,559)
Gross (loss)/profit		(1,992)	28,002	506	181,129
Other income	5	1,101	31	1,116	2,309
Selling and distribution expenses		(3,517)	(58,493)	(6,814)	(194,773)
Administrative expenses		(4,151)	(6,388)	(8,531)	(14,092)
Other operating expenses	6	-	(449,347)	(9,654)	(452,437)
Loss from operations	6	(8,559)	(486,195)	(23,377)	(477,864)
Finance costs	7	(5,005)	(2,894)	(10,007)	(8,466)
Loss before taxation		(13,564)	(489,089)	(33,384)	(486,330)
Income tax	8	(139)	78,409	878	75,247
Loss for the period		(13,703)	(410,680)	(32,506)	(411,083)
Attributable to:					
Equity holders of the Company		(12,203)	(352,183)	(28,331)	(355,858)
Minority interests		(1,500)	(58,497)	(4,175)	(55,225)
		(13,703)	(410,680)	(32,506)	(411,083)
Loss per share					
- Basic	9	(1.52 cents)	(43.90 cents)	(3.53 cents)	(44.36 cents)
- Diluted	9	(1.52 cents)	(43.90 cents)	(3.53 cents)	(44.36 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2009

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Loss for the period	(13,703)	(410,680)	(32,506)	(411,083)
Other comprehensive income for the period (after tax and reclassification adjustments)				
Exchange differences on translation of:				
– Financial statements of overseas subsidiary	12	(2,750)	18	10,256
– Minority interests	4	(1,154)	6	3,181
Total comprehensive income for the period	(13,687)	(414,584)	(32,482)	(397,646)
Attributable to:				
Equity holders of the Company	(12,191)	(354,933)	(28,313)	(345,602)
Minority interests	(1,496)	(59,651)	(4,169)	(52,044)
Total comprehensive income for the period	(13,687)	(414,584)	(32,482)	(397,646)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2009

	Note	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
Non-current assets			
Plant and equipment	11	12,845	15,700
Intangible assets	12	36,560	50,508
Deferred tax assets	13	3,221	3,221
		52,626	69,429
Current assets			
Inventories		471	479
Trade and other receivables	14	15,964	41,474
Cash and cash equivalents		28,712	18,184
		45,147	60,137
Current liabilities			
Trade and other payables	15	34,600	43,491
Net current assets		10,547	16,646
Total assets less current liabilities		63,173	86,075
Non-current liabilities			
Due to a substantial shareholder		12,243	12,243
Promissory notes	16	242,888	232,881
Deferred tax liabilities	13	8,346	9,222
		263,477	254,346
Net liabilities		(200,304)	(168,271)
Capital and reserves			
Share capital	17	8,023	8,023
Reserves		(216,640)	(188,776)
Equity attributable to equity holders of the Company		(208,617)	(180,753)
Minority interests		8,313	12,482
Capital deficiency		(200,304)	(168,271)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2009

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Merger reserve	Asset revaluation reserve	Exchange reserve	Share-based payment reserve	Accumulated losses	Total	Minority interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2008										
As previously stated	8,023	679,423	8,320	28,315	-	4,458	(79,782)	648,757	-	648,757
Retrospective restatement (Note 20)	-	-	-	(28,315)	-	-	8,941	(19,374)	-	(19,374)
As restated	8,023	679,423	8,320	-	-	4,458	(70,841)	629,383	-	629,383
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	150,446	150,446
Share option scheme										
- share based payment	-	-	-	-	-	542	-	542	-	542
- forfeiture of share options granted	-	-	-	-	-	(1,582)	1,582	-	-	-
Total comprehensive income for the period	-	-	-	-	10,256	-	(355,858)	(345,602)	(52,044)	(397,646)
Balance at 30 September 2008	8,023	679,423	8,320	-	10,256	3,418	(425,117)	284,323	98,402	382,725
Balance at 1 April 2009	8,023	679,423	8,320	-	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
Share option scheme										
- share based payment	-	-	-	-	-	449	-	449	-	449
- forfeiture of share options granted	-	-	-	-	-	(1,914)	1,914	-	-	-
Total comprehensive income for the period	-	-	-	-	18	-	(28,331)	(28,313)	(4,169)	(32,482)
Balance at 30 September 2009	8,023	679,423	8,320	-	9,153	1,781	(915,317)	(208,617)	8,313	(200,304)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2009

	For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	10,544	(77,114)
Net cash (used in)/generated from investing activities	(10)	76,644
Net cash used in financing activities	—	(10,000)
Net increase/(decrease) in cash and cash equivalents	10,534	(10,470)
Effect of foreign exchange rate changes	(6)	(589)
Cash and cash equivalents at beginning of the period	18,184	35,809
Cash and cash equivalents at end of the period	28,712	24,750
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	28,712	24,750



NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2009

1. GENERAL

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

The principal activity of the Company is investment holding. The Group is principally engaged in (i) operation of the e-Sports Platform; (ii) operation of the online game “Sudden Attack” (突袭OL) (“SA”) in the PRC; and (iii) distributing and selling computer games in the PRC.


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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the six months ended 30 September 2009 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of the condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The preparation of the condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2009, except for the adoption of the new Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKASs”) as disclosed in Note 3 below. The condensed consolidated financial statements do not include all the information and disclosed required for an annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 March 2009.



The condensed consolidated financial statements are denominated in Hong Kong Dollars (“HK\$”). Unless otherwise specifically stated, all amounts are presented in thousand.

The condensed consolidated interim financial information has not been audited.

This condensed consolidated financial information has been prepared on a going concern basis, the validity of which depends on the ability of the Group to operate within budget as set out in its cash flow forecast for the upcoming twelve months. Should there be any unexpected major adverse incidents, such as non-recovery of trade debts, substantial decline of planned operating cash flow, 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 the condensed consolidated financial information to adjust 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. IMPACT OF NEW AND AMENDED HKFRSs AND HKASs

The Group has adopted, for the first time, the following new HKFRSs and HKASs which are effective for the Group’s financial year beginning on 1 April 2009.

HKFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related product and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s most senior executive management, and has resulted in additional reportable segments being identified and presented. As this is the first period in which the Group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information (see Note 5). Corresponding amounts have also been provided on a basis consistent with the revised segment information.

HKAS 1 (revised 2007) Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

The adoption of the following new and revised standards, amendments and interpretations did not have any significant impact on the accounting policies, financial position or performance of the Group.

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as Part of the Improvements to HKFRSs Issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs Issued in 2009 ²
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements ¹
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised 2008)	Business Combinations ¹
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual period beginning on or after 1 January 2010

⁴ Effective for transfers on or after 1 July 2009

The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group’s ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transaction.

The Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations upon initial application but is not yet in a position to state whether these new standards, amendments and interpretations would have a significant impact on the Group’s results of operations and financial position.

4. SEGMENT REPORTING

The Group manages its businesses by business lines. On first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form the following reportable segment.

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

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	For the six months ended 30 September 2009 (Unaudited)				For the six months ended 30 September 2008 (Unaudited)			
	e-Sports Platform HK\$'000	Online game operation HK\$'000	Computer games distribution and licensing HK\$'000	Total HK\$'000	e-Sports Platform HK\$'000	Online game operation HK\$'000	Computer games distribution and licensing HK\$'000	Total HK\$'000
Revenue from external customers	5,347	6,805	8	12,160	125,150	211,017	18,521	354,688
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	5,347	6,805	8	12,160	125,150	211,017	18,521	354,688
Reportable segment (loss)/profit (adjusted EBITDA)	2,916	(170)	(565)	2,181	52,166	63,542	(17,131)	98,577
Recovery of doubtful debts	544	545	-	1,089	-	-	-	-
Depreciation and amortization for the period	(7,176)	(4,030)	-	(11,206)	(5,085)	(60,832)	(7,405)	(73,322)
Allowance for trade receivable	(2,325)	(2,326)	-	(4,651)	-	-	-	-
Impairment on fixed assets	-	(413)	-	(413)	-	-	-	-
Impairment on goodwill	-	-	-	-	(26,988)	(94,818)	(48,194)	(170,000)
Impairment on intangible assets	-	(4,590)	-	(4,590)	(23,816)	(79,550)	(38,454)	(141,820)

	As at 30 September 2009 (Unaudited)				As at 31 March 2009 (Audited)			
	e-Sports Platform <i>HK\$'000</i>	Online game operation <i>HK\$'000</i>	Computer games distribution and licensing <i>HK\$'000</i>	Total <i>HK\$'000</i>	e-Sports Platform <i>HK\$'000</i>	Online game operation <i>HK\$'000</i>	Computer games distribution and licensing <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	42,826	7,674	471	50,971	54,511	19,939	2,362	76,812
Additions to non-current segment assets during the period	-	-	-	-	6,567	-	-	6,567
Reportable segment liabilities	12,922	20,603	-	33,525	17,453	21,771	-	39,224

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	Six months ended 30 September	
	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Profit or loss		
Reportable segment profit derived from Group's external customers	2,181	98,577
Other income	1,116	2,309
Depreciation and amortization	(11,852)	(110,058)
Impairment losses	(9,654)	(445,434)
Finance costs	(10,007)	(8,466)
Unallocated head office and corporate expenses	(5,168)	(23,258)
Consolidated loss before taxation	(33,384)	(486,330)

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
Assets		
Reportable segment assets	50,971	76,812
Deferred tax assets	3,221	3,221
Unallocated head office and corporate assets	43,581	49,533
	<hr/>	<hr/>
Consolidated total assets	97,773	129,566
	<hr/>	<hr/>

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
Liabilities		
Reportable segment liabilities	33,525	39,224
Deferred tax liabilities	8,346	9,222
Unallocated head office and corporate liabilities	256,206	249,391
	<hr/>	<hr/>
Consolidated total liabilities	298,077	297,837
	<hr/>	<hr/>

5. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Recovery of doubtful debts	1,089	–	1,089	–
Exchange gains	–	19	–	2,294
Interest income	12	12	27	15
	<hr/>	<hr/>	<hr/>	<hr/>
	1,101	31	1,116	2,309
	<hr/>	<hr/>	<hr/>	<hr/>

6. LOSS FROM OPERATIONS

The Group's loss from operation for the period is stated after charging the following:

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Amortisation of intangible assets				
– included in cost of sales	1,888	34,134	3,780	68,268
– included in selling and distribution expenses	2,800	18,405	5,602	36,810
	4,688	52,539	9,382	105,078
Depreciation	1,233	2,588	2,470	5,173
Other operating expenses				
– Exchange loss	–	–	–	3,090
– Bad debt expenses on the amount due from a substantial shareholder, China Communication Group Co., Ltd. ("CCC") (Note 14)	–	3,913	–	3,913
– Allowance for trade receivables	–	–	4,651	–
– Impairment on fixed assets	–	–	413	–
– Impairment on goodwill	–	170,000	–	170,000
– Impairment on intangible assets	–	275,434	4,590	275,434
	–	449,347	9,654	452,437

7. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest charge on promissory notes not wholly repayable within five years	5,005	2,894	10,007	8,466

8. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong for the three months (2008: HK\$Nil) and six months ended 30 September 2009 (2008: HK\$ Nil). Taxation on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, base on existing legislation, interpretations and practices in respect thereof.

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current				
– PRC Enterprise Income Tax	–	–	–	12,188
Deferred tax	139	(78,409)	(878)	(87,435)
	139	(78,409)	(878)	(75,247)

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share for the three months and six months ended 30 September 2009 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$12,203,000 (2008: HK\$352,183,000) and HK\$28,331,000 (2008: HK\$355,858,000) respectively and the weighted average number of 802,286,761 (2008: 802,286,761) and 802,286,761 (2008: 802,286,761) ordinary shares in issue during the period.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share as the impact of the potential ordinary shares was anti-dilutive.

10. DIVIDENDS

No dividends have been paid or declared by the Company for the three months (2008: HK\$Nil) and six months (2008: HK\$Nil) ended 30 September 2009.

11. PLANT AND EQUIPMENT

	For the six months ended 30 September 2009 (Unaudited) <i>HK\$'000</i>	For the year ended 31 March 2009 (Audited) <i>HK\$'000</i>
Net carrying amount, beginning of the period/year	15,700	870
Acquisition of a subsidiary	–	45,937
Additions	22	6,757
Depreciation	(2,470)	(11,187)
Impairment losses	(413)	(27,614)
Exchange differences	6	937
	<u>12,845</u>	<u>15,700</u>
Net carrying amount, end of the period/year	12,845	15,700

During the period/year, the Group carried out reviews of the recoverable amount of CGUs which include the plant and equipment, having regard to the impact to recent macroeconomic environment on the Group's operations. The total impairment losses of approximately HK\$413,000 for the six months ended 30 September 2009 (Year ended 31 March 2009: HK\$27,614,000) of the plant and equipment have been charged to the income statement.

The recoverable amount of the relevant plant and equipment 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%.

12. INTANGIBLE ASSETS

	For the six months ended 30 September 2009 (Unaudited) <i>HK\$'000</i>	For the year ended 31 March 2009 (Audited) <i>HK\$'000</i>
Net carrying amount, beginning of the period/year	50,508	353,428
Disposal as consideration for acquisition of a subsidiary	–	(353,428)
Acquisition of a subsidiary	–	778,546
Amortisation	(9,382)	(164,429)
Impairment	(4,590)	(579,340)
Exchange differences	24	15,731
	<u>36,560</u>	<u>50,508</u>
Net carrying amount, end of the period/year	36,560	50,508

During the period, 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\$4,590,000 for the six months ended 30 September 2009 (Year ended 31 March 2009: HK\$579,340,000) of these intangible assets have been charged to the income statement.

The recoverable amount of the relevant intangible assets have 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%.

13. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets mainly represent the tax effect of deductible temporary difference in a subsidiary acquired during the year ended 31 March 2009. Deferred tax liabilities mainly represent the tax effect of taxable temporary difference arising from the revaluation of intangible assets during the acquisition of the same subsidiary.

14. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables, the aging analysis for trade debtors is as follows:

	<i>Note</i>	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
0 to 90 days		–	3,122
91 to 180 days		–	17,372
181 to 365 days		20,510	3,849
Over 365 days		–	2,260
		20,510	26,603
Less allowance for doubtful debts		(16,944)	(13,384)
Trade receivables, net		3,566	13,219
Amount due from a related company	<i>(a)</i>	–	2,720
Amount due from a substantial shareholder	<i>(b)</i>	9,199	22,642
Prepayments, deposits and other receivables		3,199	2,893
		15,964	41,474

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.

Note:

- (a) Mr. He Chenguang, a director of the Group has the beneficial interest in the related company. The outstanding balance was unsecured, interest free and had no specific repayment terms.
- (b) China Communication Group Co., Ltd. ("CCC"), (formerly known as China Communication Co., Ltd.) is deemed to be a substantial shareholder as China Communication Investment Limited ("CCI") is a wholly owned subsidiary of CCC. The outstanding balance was unsecured, interest free and had no specific repayment terms.

15. TRADE AND OTHER PAYABLES

Included in trade and other payables, the aging analysis of which, based on the invoice date, is as follows:

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
0 to 90 days	308	2,681
91 to 180 days	3,055	940
181 to 365 days	3,621	5,774
Over 365 days	5,774	–
Trade payables	12,758	9,395
Accruals and other payables	8,882	12,074
Receipts in advance	12,960	22,022
	34,600	43,491

16. PROMISSORY NOTES

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
At beginning of the period/year	232,881	361,989
Interest charged	10,007	25,377
Cancellation for acquisition of subsidiary	–	(73,175)
Settled during the period/year	–	(81,310)
At end of the period/year	242,888	232,881

The promissory notes are held by CCI which is a substantial shareholder of the Company.

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 30 September 2009 is 8.7% (31 March 2009: 8.7%).

17. SHARE CAPITAL

	As at 30 September 2009 (Unaudited)		As at 31 March 2009 (Audited)	
	Number of shares	Nominal value HK\$'000	Number of shares	Nominal value HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>802,286,761</u>	<u>8,023</u>	<u>802,286,761</u>	<u>8,023</u>

18. COMMITMENTS

At balance sheet date, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
Within one year	<u>10,809</u>	<u>11,062</u>
In the second to fifth years, inclusive	<u>4,085</u>	<u>8,542</u>
	<u>14,894</u>	<u>19,604</u>

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.

19. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the period:

	For the three months ended 30 September		For the six months ended 30 September	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Advertising income received from CCC	-	1,387	-	3,861
Advertising and sponsor income received from other related companies	-	33,101	-	73,874
Online game revenue received on behalf by CCC	2,266	59,621	3,876	179,257
Internet payment and settlement service fee paid to CCC	(729)	(11,280)	(1,248)	(27,291)
e-Sports platform and online game revenue received through CCC	1,537	48,341	2,628	151,966
Service fee paid to CCC	(163)	(2,219)	(396)	(4,782)
- Customer service hotline rental	(885)	(27,027)	(1,770)	(74,132)
- Dedicated leased lines	-	(1,951)	-	(4,411)
- Server hosting service	-	(159)	-	(317)
- Office internet connection	-	(694)	-	(1,150)
Rental fee paid to CCC	-	(694)	-	(1,150)
	12,884	12,884	12,884	12,884
			As at 30 September 2009 (Unaudited) HK\$'000	As at 31 March 2009 (Audited) HK\$'000
Receipts in advance from a related company* and a substantial shareholder, CCC			12,884	12,884

* Mr. He Chenguang, a director of the Company, has the beneficial interest in the related company.



20. RETROSPECTIVE RESTATEMENTS AND RECLASSIFICATION

As mentioned in the Note 3 to the financial statements of the Company's Annual Report 2009, 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\$19.3 million as at 1 April 2008. 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.

As a result of the application of HKAS 1 (revised 2007), Presentation of Financial Statements, and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 4.

21. SEASONALITY OF OPERATION

The Group's business in the animation and game industry in the PRC has no specific seasonality factor.

OTHER INFORMATION

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

As at 30 September 2009, 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.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 30 September 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 Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held				Total interests in shares	Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme		
China Communication Group Co., Ltd. (Note 1)	-	220,542,000	-	-	220,542,000	-	220,542,000	27.49%
China Communication Investment Ltd.	220,542,000	-	-	-	220,542,000	-	220,542,000	27.49%
Ge Wen Bin (Note 2)	-	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%

Notes:

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

Save as disclosed above, as at 30 September 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.

Share Option Schemes

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Share Option Scheme") conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the Company's annual report of year 2009.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 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 30 September 2009
				As at 1 April 2009	Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
Directors									
Xiao Haiping	3 April 2006	3 October 2006 to 2 April 2009	1.09	1,000,000	-	-	(1,000,000)	-	-
Other Eligible Participants									
In aggregate	3 April 2006	3 October 2006 to 2 April 2009	1.09	2,000,000	-	-	(2,000,000)	-	-
In aggregate	28 June 2006	28 December 2006 to 27 June 2009	1.74	800,000	-	-	(800,000)	-	-
In aggregate	30 July 2007	30 January 2008 to 29 July 2010	2.80	800,000	-	-	-	-	800,000
In aggregate	14 August 2008	14 August 2009 to 13 August 2010	0.97	1,000,000	-	-	-	-	1,000,000
In aggregate	15 August 2008	15 August 2009 to 14 August 2010	1.30	1,500,000	-	-	-	-	1,500,000
In aggregate	14 January 2009	14 July 2009 to 13 July 2010	0.82	1,200,000	-	-	-	-	1,200,000
				8,300,000	-	-	(3,800,000)	-	4,500,000

Notes:

- (1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its subsidiary companies, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.
- (2) No share options were exercised during the period.

Directors' Right to Acquire Shares

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



Pre-emptive Rights

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

Competing Interests

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

Purchase, Sale Or Redemption of Shares

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the six months ended 30 September 2009.

Audit Committee

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

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 September 2009.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2009.



Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2009.

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

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

Mr. He Chenguang (*Executive Director and Chairman*)
Mr. Xiao Haiping (*Executive Director*)
Mr. Zhang Peng (*Executive Director and Chief Executive Officer*)
Ms. Weng Pinger (*Executive Director*)
Mr. Yip Tai Him (*Independent Non-Executive Director*)
Ms. Cao Huifang (*Independent Non-Executive Director*)
Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 9 November 2009