



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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

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.

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.

RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2009, together with the comparative figures for the corresponding year ended 31 March 2008 as follows:

	<i>Note</i>	2009 HK\$'000	2008 <i>HK\$'000</i> (Restated)
Turnover	2	389,463	23,644
Cost of sales		<u>(292,414)</u>	<u>(29,689)</u>
Gross profit/(loss)		97,049	(6,045)
Income from exploitation of an online game		–	41,309
Other income	3	3,023	6,603
Selling and distribution expenses		(167,123)	–
Administrative expenses		(24,675)	(21,107)
Other operating expenses	6	<u>(978,855)</u>	<u>(29,060)</u>
Loss from operations		(1,070,581)	(8,300)
Finance costs	4	(25,377)	(22,288)
Share of loss of an associate		–	<u>(1,287)</u>
Loss before tax		(1,095,958)	(31,875)
Income tax credit	5	<u>134,494</u>	–
Loss for the year	6	<u>(961,464)</u>	<u>(31,875)</u>
Attributable to:			
Equity holders of the Company	7	(820,455)	(31,875)
Minority interests		<u>(141,009)</u>	–
		<u>(961,464)</u>	<u>(31,875)</u>
Loss per share	9	HK cents	HK cents (Restated)
– Basic		(102.26)	(4.19)
– Diluted		<u>N/A</u>	<u>N/A</u>

Consolidated Balance Sheet
AT 31 MARCH 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Restated)
Non-current assets			
Fixed assets	<i>10</i>	15,700	870
Intangible assets		50,508	353,428
Available-for-sale financial assets		–	525,696
Deferred tax assets		3,221	–
		<u>69,429</u>	<u>879,994</u>
Current assets			
Inventories		479	–
Trade receivables	<i>11</i>	13,219	75,535
Prepayments, deposits and other receivables		2,893	369
Due from a related company		2,720	–
Due from a substantial shareholder		22,642	–
Bank and cash balances		18,184	35,809
		<u>60,137</u>	<u>111,713</u>
Current liabilities			
Trade payables	<i>12</i>	9,395	–
Accruals and other payables		12,074	2,305
Receipts in advance		22,022	–
		<u>43,491</u>	<u>2,305</u>
Net current assets		<u>16,646</u>	<u>109,408</u>
Total assets less current liabilities		86,075	989,402
Non-current liabilities			
Due to a substantial shareholder		12,243	–
Promissory notes		232,881	360,019
Deferred tax liabilities		9,222	–
NET (LIABILITIES)/ASSETS		<u>(168,271)</u>	<u>629,383</u>
Capital and reserves			
Share capital	<i>13</i>	8,023	8,023
Reserves		(188,776)	621,360
Equity attributable to equity holders of the Company		<u>(180,753)</u>	<u>629,383</u>
Minority interests		<u>12,482</u>	–
TOTAL EQUITY		<u>(168,271)</u>	<u>629,383</u>

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	Acc- umulated 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	14	-	-	-	-	(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	14	-	-	-	-	(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		-	-	-	-	-	-	-	-	-	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)

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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) 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) 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.

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.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("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.

2. TURNOVER AND 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 (Restated)	2008 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)
Revenue	<u>145,471</u>	<u>–</u>	<u>221,265</u>	<u>–</u>	<u>22,727</u>	<u>23,644</u>	<u>389,463</u>	<u>23,644</u>
Segment results	<u>(204,971)</u>	<u>(19,320)</u>	<u>(617,055)</u>	<u>–</u>	<u>(197,930)</u>	<u>13,275</u>	<u>(1,019,956)</u>	<u>(6,045)</u>
Income from exploitation of an online games							–	41,309
Other income							3,023	6,603
Unallocated expenses							<u>(53,648)</u>	<u>(50,167)</u>
Loss from operations							<u>(1,070,581)</u>	<u>(8,300)</u>
Share of losses of an associate							–	(1,287)
Finance costs							<u>(25,377)</u>	<u>(22,288)</u>
Loss before tax							<u>(1,095,958)</u>	<u>(31,875)</u>

	e-Sports Platform		Online game operation		Computer games distribution and licensing		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	-

(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.

3. 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

4. FINANCE COST

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest charged on promissory notes not wholly repayable within five years	<u>25,377</u>	<u>22,288</u>

5. INCOME TAX CREDIT

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Current tax – PRC Enterprise Income Tax	(12,881)	–
Deferred tax	<u>147,375</u>	<u>–</u>
	<u>134,494</u>	<u>–</u>

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%.

6. LOSS FOR THE YEAR

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Amortisation of intangible assets		
– included in cost of sales	<u>104,540</u>	29,689
– included in selling and distribution expenses	<u>59,889</u>	–
	164,429	* 29,689
Depreciation	11,187	368
Loss on disposals of property, plant and equipment	–	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	<u>3,930</u>	–
– Allowance for trade receivables	<u>13,361</u>	–
– Impairment on fixed assets	<u>27,614</u>	–
– Impairment on goodwill	<u>354,610</u>	–
– Impairment on intangible assets	<u>579,340</u>	–
– Impairment on available-for-sale financial assets	<u>–</u>	29,060
	978,855	29,060
Staff costs including directors' emoluments		
– Salaries, bonus and allowances	<u>19,274</u>	6,811
– Equity-settled share-based payments	<u>1,184</u>	3,181
– Retirement benefits scheme contributions	<u>1,782</u>	74
	<u>22,240</u>	<u>10,066</u>

* As restated, for year ended 31 March 2008

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS 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.

8. DIVIDENDS

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

9. 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.

10. FIXED ASSETS

	Computer equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Equipment, furniture and fixtures <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost					
At 1 April 2007	212	361	76	–	649
Additions	86	927	135	–	1,148
Disposals	–	(361)	(58)	–	(419)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	51,623	944	1,288	1,072	54,927
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Accumulated depreciation and impairment					
At 1 April 2007	172	296	65	–	533
Charge for the year	46	282	40	–	368
Disposals	–	(338)	(55)	–	(393)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	38,041	540	358	288	39,227
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount					
At 31 March 2009	13,582	404	930	784	15,700
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	80	687	103	–	870
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11. TRADE RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
From a shareholder	–	44,400
From a related company	–	31,135
From third parties	13,219	–
	<hr/> 13,219	<hr/> 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.

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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
	<hr/> 13,219	<hr/> 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 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Over 365 days	1,883	–

12. TRADE PAYABLES

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 to 90 days	2,681	–
91 to 180 days	940	–
181 to 365 days	5,774	–
	<hr/> 9,395	<hr/> –

The trade payables are denominated in RMB.

13. SHARE CAPITAL

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

14. 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.

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
	<u>899,368</u>		<u>879,994</u>
Current assets	111,713		111,713
Current liabilities	(2,305)		(2,305)
Non-current liabilities	<u>(360,019)</u>		<u>(360,019)</u>
NET ASSETS	<u>648,757</u>		<u>629,383</u>
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	<u>648,757</u>		<u>629,383</u>

	2008 (as previously reported) <i>HK\$'000</i>	Retrospective restatements <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	2008 (As restated) <i>HK\$'000</i>
Turnover	23,644			23,644
Cost of sales	<u>(33,614)</u>	3,925		<u>(29,689)</u>
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	<u>(41,873)</u>		12,813	<u>(29,060)</u>
Loss from operations	(12,225)			(8,300)
Finance costs	(22,288)			(22,288)
Share of loss of an associate	<u>(1,287)</u>			<u>(1,287)</u>
Loss before tax	(35,800)			(31,875)
Income tax expense	<u>–</u>			<u>–</u>
Loss for the year	<u>(35,800)</u>			<u>(31,875)</u>
	<i>HK cents</i>			<i>HK cents</i>
Loss per share – basic	<u>(4.70)</u>			<u>(4.19)</u>
Loss per share – diluted	<u>N/A</u>			<u>N/A</u>

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.

Capital structure

There was no movement 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 capital assets. Nevertheless, the Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Foreign currency risk

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2009 and 31 March 2008.

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.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES

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.

APPROPRIATIONS

The Directors do not recommend the payment of any dividends during the year.

AUDIT COMMITTEE

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.

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2009 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Wednesday, 29 July 2009 at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Notice of the annual general meeting of the Company will be sent to the shareholders of the Company.

By order of the Board
CHINA CYBER PORT (INTERNATIONAL) COMPANY LIMITED
He Chenguang
Chairman

Hong Kong, 22 June 2009

As at the date of this announcement, the executive Directors are Mr. He Chenguang, Mr. Xiao Haiping, Mr. Zhang Peng and Ms. Weng Pinger, and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong.

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.ccpi.com.hk.