THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Cyber Port (International) Company Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

CHN

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)

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES; (2) CONTINUING CONNECTED TRANSACTION; (3) PROPOSED CHANGE OF COMPANY NAME; AND (4) CHANGE OF AUDITORS

Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders

Nuada Limited

Corporate Finance Advisory

Capitalised terms used herein shall have the same meanings as those defined in the "Definition" section of this circular.

A letter from the Independent Board Committee is set out on pages 32 and 33 of this circular. A letter from Nuada Limited, the Independent Financial Adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 34 to 47 of this circular.

A notice convening the EGM to be held at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 11 March 2010 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

This circular 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.

* *for identification purposes only*

5 February 2010

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of the Sale Capital by Sino Key from CCC pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional acquisition agreement dated 11 January 2010 entered into between Sino Key and CCC in relation to the Acquisition
"associate(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Business Valuation Report"	the business valuation report to be issued by the independent valuer, Grant Sherman Appraisal Limited, on the fair value of the entire equity interest of the Target Company
"CCC"	神州通信集團有限公司 (China Communication Group Co., Ltd.)#, a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in 25% in CCP as well as its interest as to approximately 27.49% of the issued share capital of the Company through CCI, its wholly-owned subsidiary
"CCI"	神州通信投資有限公司 (China Communication Investment Limited), a company incorporated in British Virgin Islands with limited liability, a wholly-owned subsidiary of CCC
"CCP"	神州奧美網絡有限公司 (China Cyber Port Co. Ltd.)#, a company established under the laws of the PRC, a non-wholly owned subsidiary of the Company, with its entire equity interests owned by the Company and CCC as to 75% and 25% respectively
"CCT Agreements"	together, the Customers Service Hotline Rental Agreement, the Server Hosting Agreement, the Service Contract and the Web Advertising Agreement

"Company"	China Cyber Port (International) Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
"Completion"	the completion of the Acquisition
"connected persons"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the consideration of the Acquisition, being the sum of HK$256.08 million
"Consideration Shares"	the maximum of 328,307,692 new Shares to be allotted and issued by the Company to CCC or its nominee(s) at the Issue Price per Consideration Share at Completion credited as fully paid pursuant to the Acquisition Agreement
"Customers Service Hotline Rental Agreement"	the customers service hotline rental agreement entered into between the Target Company and CCC on 11 January 2010 in relation to the provision of the designated national customers service hotline number 95130*** by CCC to the Target Company
"Designated Shentong Card(s)"	the designated "Shentong Card(s)" preloaded with certain insurance products of CCC
"Director(s)"	the director(s) of the Company, from time to time
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Acquisition Agreement, the CCT Agreements and the transactions respectively contemplated thereunder, the Proposed Change of Name and the change of auditors of the Group
"Enlarged Group"	the Group as enlarged by the proposed Acquisition
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee comprising Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong, all being the independent non-executive Directors, to be established to advise the Independent Shareholders in relation to the Acquisition Agreement, the CCT Agreements and the transactions respectively contemplated thereunder
"Independent Financial Adviser"	Nuada Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the CCT Agreements and the transaction respectively contemplated thereunder
"Independent Shareholders"	Shareholder(s) other than CCC and Shareholders who are connected to or otherwise associated with CCC or interested in the Acquisition Agreement and the CCT Agreements other than being a Shareholder of the Company
"Independent Third Party(ies)"	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
"Issue Price"	the issue price of HK$0.78 per Consideration Share
"Last Trading Day"	11 January 2010, being the last trading day on which the Shares were traded on the Stock Exchange prior to suspension of trading in the Shares pending the release of the announcement of the Company dated 15 January 2010
"Latest Practicable Date"	2 February 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Long Stop Date"	30 June 2010 (or such later date as may be agreed by the parties to the Acquisition Agreement)
"Option(s)"	the share options granted or to be granted under the share option scheme adopted by the Company on 28 October 2002
"PICC"	The People's Insurance Company (Group) of China
"PICC Group"	PICC and its subsidiaries
"PICC Health"	PICC Health Insurance Company Limited
"PICC Life"	PICC Life Insurance Company Limited
"PICC Project"	the strategic partnership formed between PICC Group and CCC in respect of the purchase of insurance services covering property insurances, life insurance and health insurances products provided by the PICC Group through "Shentong Cards"
"PICC Property"	PICC Property and Casualty Company Limited
"Placing Share(s)"	up to 214,285,714 Shares, being the minimum amount of Shares may be issued upon completion of the proposed fund-raising activity of the Company, which is set as one of the conditions precedent to the Completion
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Proposed Change of Name"	the proposed change of name of the Company from "China Cyber Port (International) Company Limited" to "China Communication Telecom Services Company Limited", and to adopt a new Chinese name "神通電信服務有限公司" as secondary name of the Company to replace "神州奧美網絡(國際)有限公司" which is currently adopted by the Company for identification purpose
"Sale Capital"	registered and paid-up capital of the Target Company in a sum of RMB1,000,000, being the entire registered capital of the Target Company as at the date of the Acquisition Agreement

"Server Hosting Agreement"	the server hosting agreement entered into between the Target Company and CCC on 11 January 2010 in relation to the provision of server hosting service and the broadband leased line by CCC to the Target Company
"Service Contract"	the service contract entered into between the Target Company and CCC on 30 November 2009 in relation to the provision of management service by the Target Company to CCC regarding the Designated Shentong Cards
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued and unissued share capital of the Company
"Sino Key"	Sino Key International Limited, a company incorporated in the British Virgin Islands on 8 November 2002 with limited liability, being an indirect wholly owned subsidiary of the Company and the purchaser in the Acquisition Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental CCT Agreements"	together, the Supplemental Customers Service Hotline Rental Agreement, the Supplemental Server Hosting Agreement, the Supplemental Service Contract and the Supplemental Web Advertising Agreement
"Supplemental Customers Service Hotline Rental Agreement"	the supplemental service contract to be entered into between CCC and the Target Company to supplement certain terms in the Customers Service Hotline Rental Agreement for the purpose of complying with the provisions regarding continuing connected transactions under the GEM Listing Rules

"Supplemental Server Hosting Agreement"	the supplemental service contract to be entered into between CCC and the Target Company to supplement certain terms in the Server Hosting Agreement for the purpose of complying with the provisions regarding continuing connected transactions under the GEM Listing Rules
"Supplemental Service Contract"	the supplemental service contract to be entered into between CCC and the Target Company to supplement certain terms in the Service Contract for the purpose of complying with the provisions regarding continuing connected transactions under the GEM Listing Rules
"Supplemental Web Advertising Agreement"	the supplemental service contract to be entered into between CCC and the Target Company to supplement certain terms in the Web Advertising Agreement for the purpose of complying with the provisions regarding continuing connected transactions under the GEM Listing Rules
"Target Company"	北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#), a company established under the laws of the PRC on 19 November 2009 with limited liability
"Web Advertising Agreement"	the web advertising agreement dated 11 January 2010 entered into between the Target Company and CCC in relation to the provision of advertising space by CCC to the Target Company
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

English translation of the name for identification purpose only

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB0.8833 to HK$1.00. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

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)

Executive Directors:
Mr. He Chenguang
Mr. Xiao Haiping
Mr. Zhang Peng
Ms. Weng Pinger

Independent non-executive Directors:
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

Registered office:
P.O. Box 309 GT, Ugland House
South Church Street
Grand Cayman
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 2115-2116
21/F China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

5 February 2010

To the Shareholders

Dear Sir or Madam

(1) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES; (2) CONTINUING CONNECTED TRANSACTION; (3) PROPOSED CHANGE OF COMPANY NAME; AND (4) CHANGE OF AUDITORS

INTRODUCTION

Reference is made to the announcement of the Company dated 15 January 2010 in which the Board announced that on 11 January 2010 (after trading hours), Sino Key entered into the Acquisition Agreement, pursuant to which CCC, as vendor, had agreed to sell and Sino Key, as purchaser, has agreed to purchase the Sale Capital, represents the entire registered and paid-up capital of the Target Company at a consideration of HK$256.08 million, which shall be satisfied at the sole discretion of Sino Key in a combination of (i) cash at Completion; and (ii) by the allotment and issue of the Consideration Shares to CCC or its nominee(s) credited as fully paid at the Issue Price at Completion.

The Acquisition constitutes a major and connected transaction on the part of the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules and will be subject to the approval by the Independent Shareholders by way of poll at the EGM.

* *for identification purposes only*

In addition, prior to the entering into of the Acquisition Agreement, the Target Company had entered into certain CCT Agreements with CCC, including the Customers Service Hotline Rental Agreement, the Server Hosting Agreement, the Service Contract and the Web Advertising Agreement. It is expected that following the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. As CCC is a connected person to the Company, the CCT Agreements and the transactions contemplated thereunder would constitute a continuing connected transaction on the part of the Company under Rule 20.41 of the GEM Listing Rules. For the purpose of complying with the relevant GEM Listing Rules requirements, it is one of the conditions precedent to the Acquisition Agreement that CCC and the Target Company shall enter into the Supplemental CCT Agreements before Completion. The Supplemental CCT Agreements will be conditional and effective upon Completion.

The Board also intended to put forward a proposal to the Shareholders to approve the change of name of the Company from "China Cyber Port (International) Company Limited" to "China Communication Telecom Services Company Limited", and to adopt a new Chinese name "神通電信服務有限公司" as secondary name of the Company to replace "神州奧美網絡(國際)有限公司" which is currently adopted by the Company for identification purpose, to better reflect the core business of the Group in the future and provide the Company with a fresh new corporate image and identity.

Reference is also made to the announcement of the Company dated 22 January 2010 in relation to, among others, the change of auditors of the Group.

The purpose of this circular is to provide you with further information regarding the Acquisition, the CCT Agreements as well as the annual caps, the Proposed Change of Name, the change of auditors of the Company and to seek approval from the Independent Shareholders and the Shareholders (as appropriate) for the Acquisition, the CCT Agreements and the transactions contemplated thereunder, including the allotment and issue of the Consideration Shares, and the Proposed Change of Name.

THE ACQUISITION AGREEMENT

Date: 11 January 2010

Parties:

Purchaser: Sino Key, a wholly-owned subsidiary of the Company

Vendor: CCC, a substantial Shareholder (as defined in the GEM Listing Rules) interested in approximately 27.49% of the issued share capital of the company as at the Latest Practicable Date

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, CCC is a connected person to the Company by virtue of its interest in 25% in CCP, a non-wholly owned subsidiary of the Company, as well as its interest in approximately 27.49% of the issued share capital of the Company through CCI, its wholly-owned subsidiary.

Assets to be acquired

The Sale Capital, being the entire registered and paid-up capital of the Target Company. Upon Completion, the Company will own 100% of the equity interest in the Target Company. The original acquisition costs of the Target Company by CCC is RMB1,000,000 (equivalent to approximately HK$1,132,000), being the entire registered and paid-up capital of the Target Company. Please refer to the paragraph headed "Management Discussion and Analysis of the Target Company" below for further details on the Target Company.

Valuation of the Target Company

Based on the final valuation of the Target Company included in the Business Valuation Report prepared on a discounted cash flow basis by an independent valuer, Grant Sherman Appraisal Limited, the fair value of the entire equity interest in Target Company is valued at approximately HK$300 million as at 31 December 2009. As the valuation on the Target Company was not less than HK$260 million as at 31 December 2009, condition (x) to the Completion had been fulfilled.

The Board has been given to understand that the discount rate used for the preliminary valuation of the Target Company has factored in risk adjustments including (i) small capitalisation risk premium of approximately 5.81%, specific risks associated with start-up company premium of approximately 5% and discount for lack of marketability of approximately 35%. The specific assumptions upon which the financial projection adopted for valuation include: (i) there will be no major changes in the existing political, legal and economic conditions in the PRC, in which the Target Company will carry on its businesses; (ii) there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with; (iii) the exchange rates and interest rates will not differ materially from those presently prevailing; (iv) industry trends and market conditions for related industries in the PRC will not deviate significantly from the management's forecasts; (v) the forecast have been prepared on a reasonable basis reflecting estimates which have been arrived at after due and careful consideration by the management; (vi) the availability of finance will not be a constraint on the forecast growth of the Target Company's businesses in accordance with the forecast; (vii) the Target Company will retain and have competent management, key personnel and technical staff to implement its operating plans; (viii) the Target Company can keep abreast of the latest development of the industry such that its competitiveness and profitability can be sustained; (ix) CCC's agreements with PICC Life, PICC Property and PICC Health will be renewed upon expiry; and (x) the Service Contract (to be supplemented by the Supplemental Service Contract) will be renewed upon expiry.

As such, the Board considers that the preliminary valuation of the Target Company based on a discounted cash flow basis was prepared with an appropriate discount rate and the forecasts adopted therein are made after due and careful enquiry. The final valuation report of CCP prepared by Grant Sherman Appraisal Limited as at 31 December 2009 is set out in the Appendix IV to this circular. The reporting accountants have made inquiry whether the accounting policies of the Company have been adopted in the preparation of the Business Valuation Report pursuant to Rules 19.62(1) and (2) of the GEM Listing Rules and the reports on the financial projections in relation to the valuation issued by the Company's reporting accountants and financial adviser are set out in the Appendix V to this circular.

Consideration

The Consideration is HK$256,080,000, which shall be satisfied by Sino Key, in its sole discretion, in the following manner:

(i) an amount to be determined by Sino Key be payable by Sino Key to CCC in cash at Completion; and

(ii) the balance by procuring the allotment and issue of Consideration Shares to CCC or its nominee(s) credited as fully paid at the Issue Price at Completion by the Company.

Source of Funding

The cash portion of the Consideration would be financed by the net proceeds derived from the fund-raising activities of the Company which has been agreed by the parties and set as a condition precedent to Completion.

The number of Consideration Shares to be allotted and issued to CCC at Completion shall be determined at the sole discretion of Sino Key, provided that the number of Consideration Shares so allotted and issued to CCC, when aggregated with the number of Shares being held by CCC and its associates as at the date of the allotment and issue of the Consideration Shares, shall not exceed 29.9% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

If the conditions precedent to the Acquisition are not satisfied or, where applicable, waived, on or before the Long Stop Date, or such later date as the parties to the Acquisition Agreement may agree, the Acquisition Agreement shall cease and determine.

Basis of Consideration

The Consideration was determined after arm's length negotiations between Sino Key and CCC and taking into account: (i) the Consideration was set at a discount to the preliminary valuation conducted by the independent valuer on the fair value of the entire equity interest of the Target Company of approximately HK$300 million as at 31 December 2009 (subject to finalisation of the Business Valuation Report); (ii) Completion will not take place if the valuation on the Target Company as set out in the finalised Business Valuation Report is less than HK$260 million; (iii) part of the Consideration will be satisfied by the allotment and issue of the Consideration Shares, except for the cash Consideration in the amount to be determined by Sino Key which will be financed by the net proceeds derived from the fund-raising activities of the Company which has been agreed by the parties and set as a condition precedent to Completion; and (iv) the growth potential of the insurance industries in the PRC.

The Directors (excluding the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Consideration Shares

The maximum of 328,307,692 Consideration Shares to be allotted and issued by the Company, credited as fully paid, at the Issue Price upon Completion represent (i) approximately 40.92% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 32.30% of the issued share capital of the Company as enlarged by the allotment and issue of the minimum number of the Placing Shares (assuming none of the Options have been exercised); and (iii) approximately 24.41% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Consideration Shares and the minimum number of the Placing Shares (assuming none of the Options have been exercised).

The Consideration Shares will be allotted and issued subject to a specific mandate to be sought from the Shareholders at the EGM. The Consideration Shares shall rank equally among themselves and pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares

Upon the allotment and issue of the Consideration Shares, there will not be any change in control of the Company.

Issue Price

The issue price of HK$0.78 for each Consideration Share was determined after arm's length negotiations between Sino Key and CCC. The Issue Price represents:

(i) the closing price of the Shares of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 4% over the average of the closing prices of the Shares of approximately HK$0.75 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including Last Trading Day;

(iii) a premium of approximately 5.41% over the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and

(iv) a premium of approximately 1.3% over the closing price per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration, including the Issue Price, was determined after arm's length negotiations between CCC and Sino Key and taking into account, apart from the factors considered as set out under the paragraph headed "The Consideration" under the section headed "The Acquisition Agreement" in this circular, (i) the Consideration is to be satisfied by way of the allotment and issue of the Consideration Shares and by the net proceeds to be derived from the fund-raising activities of the Company which has been agreed by the parties and set as a condition precedent to Completion, it is in the interests of the Company to finance the Acquisition without incurring any costs of borrowing and reducing the impact on the Company's liquidity and financial position as a result of the Acquisition; and (ii) the Consideration was based on the valuation on the Target Company. Based on the aforesaid, the Directors consider that the Consideration (including the Issue Price) is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement.

Conditions precedent

Completion shall be conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

(i) all necessary consents and approvals required to be obtained on the part of CCC in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and subsisting;

(ii) there being no matter, fact or circumstance which will constitute or likely to constitute a breach of the warranties or the provisions in the Acquisition Agreement;

(iii) all necessary consents and approvals required to be obtained on the part of Sino Key in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained and subsisting;

(iv) the passing of an ordinary resolution by the Independent Shareholders at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to, the allotment and issue of the Consideration Shares and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transactions contemplated thereunder;

(v) the obtaining of a PRC legal opinion (in form and substance satisfactory to Sino Key) from a firm of PRC legal advisers appointed by Sino Key in relation to the Acquisition Agreement and the transactions contemplated thereunder;

(vi) the listing of and permission to deal in the Consideration Shares having been granted by the GEM Listing Committee;

(vii) Sino Key is satisfied with the results of the due diligence review to be conducted under the Acquisition Agreement;

(viii) completion of a fund-raising activity by the Company with net proceeds of not less than HK$150 million, and the issue price for each unit of such securities of the Company to be issued pursuant to such fund-raising activity shall be no less than HK$0.7;

(ix) the entering into of the Supplemental CCT Agreements (in form and substance satisfactory to Sino Key) between CCC and the Target Company to amend certain terms and conditions of the CCT Agreements;

(x) the obtaining of a valuation report (in form and substance satisfactory to Sino Key) from an independent valuer appointed by Sino Key showing the valuation of the Target Company to be not less than HK$260 million; and

(xi) the issue of the Circular by the Company as required under the GEM Listing Rules.

Conditions precedent (x) had been fulfilled as at the Latest Practicable Date. Sino Key may waive in whole or in part all or any of the conditions (v) and (vii) as stated above (while other conditions are incapable to be waived). The waiver of conditions may be made by Sino Key subject to other conditions which may be agreed by CCC and Sino Key. In the event that the conditions above are not satisfied or, where applicable waived, on or before 4:00 p.m. on the Long Stop Date, the Acquisition Agreement shall cease and determine and thereafter neither party shall have any obligations and liabilities towards each other thereunder (save for any antecedent breaches).

Completion

Completion shall take place on the date falling on the third Business Day after the fulfillment or, where applicable, waiver of the conditions precedent to the Acquisition Agreement or such other date as CCC and Sino Key may agree in writing. Upon Completion, the Company has no plans to change the composition of the Board as a result of the Acquisition.

CONTINUING CONNECTED TRANSACTION

Prior to the entering into of the Acquisition Agreement, the Target Company had entered into certain CCT Agreements with CCC, including the Customers Service Hotline Rental Agreement, the Server Hosting Agreement, the Service Contract and the Web Advertising Agreement. Major terms and conditions of each of the CCT Agreements are summarised as follows:

Customers Service Hotline Rental Agreement

Date: 11 January 2010 (to be supplemented by the Supplemental Customers Service Hotline Rental Agreement effective upon Completion).

Parties: CCC and the Target Company.

Services: CCC shall provide a designated national customers service hotline number 95130*** to the Target Company.

Pricing basis: CCC will charge the Target Company (i) an annual fee of RMB20,000 (equivalent to approximately HK$22,642); (ii) a calling charge of RMB0.06 (equivalent to approximately HK$0.068) per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.3 (equivalent to approximately HK$0.34) per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time.

The annual fee shall be payable by the Target Company on 1 April to of each year during the term of the Customers Service Hotline Rental Agreement, whereas the calling charges shall be settled by the Target Company on a monthly basis in arrears. A daily default interest of 0.3% on the outstanding amount payable will be accrued should the Target Company fail to pay the service fee payable on time.

The Directors consider that the above pricing basis was made 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 are no less favourable than terms available from independent third parties.

Term: For the period commencing from 1 January 2010 until 31 March 2013, which shall be automatically renewed for successive periods of one (1) year unless terminated by either party by 90 days' written notice prior to the expiry of the term or renewed terms.

Server Hosting Agreement

Date: 11 January 2010 (to be supplemented by the Supplemental Server Hosting Agreement effective upon Completion).

Parties: CCC and the Target Company.

Services:

(i) Server hosting service: The Target Company will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to the Target Company; and

(ii) Dedicated leased-lines: CCC will provide designated 300M-bandwidth share of the broadband leased lines to the Target Company for the operation of its website. CCC will also provide 90 IP addresses and five (5) racks of servers for the use of the Target Company. CCC will also supply 2200W (10A) electricity for each rack of servers rented to the Target Company.

Pricing basis:

CCC will charge the Target Company an annual rental fee of RMB2.7 million (equivalent to approximately HK$3.1 million) and payable in four equal instalments quarterly in advance. A daily default interest of 3% on the outstanding amount payable will be accrued should the Target Company fail to pay the outstanding amount payable within 5 days from the date of receipt of the relevant demand note, provided that the default interest shall only start to accrue on the 20th day of the relevant month.

The Directors consider that the above pricing basis was made 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 are no less favourable than terms available from independent third parties.

Term:

For the period commencing from 1 January 2010 until 31 March 2013, which may be renewed for a term of one (1) year by written notice from the Target Company to CCC filed during the period of 30 days prior to the expiry of the term or renewed terms. Notwithstanding the above, the Server Hosting Agreement may be terminated by the Target Company by 30 days prior written notice.

Service Contract

Date:	30 November 2009 (to be supplemented by the Supplemental Service Contract which will become effective upon Completion).
Parties:	CCC and the Target Company.
Services:	The services to be provided by the Target Company to CCC under the Service Contract include (i) management and sale of the designated "Shentong Cards" preloaded with certain insurance products of CCC; (ii) assisting CCC in the after-sale services for the Designated Shentong Card; (iii) following up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card.
Pricing basis:	(i) issuance handling fees of RMB5 (equivalent to approximately HK$5.7) for each Designated Shentong Card issued by the Target Company; (ii) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by the Target Company; (iii) sale commission of RMB3 (equivalent to approximately HK$3.4) for the insurance products preloaded in the Designated Shentong Card issued by the Target Company; and (iv) sale commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products. The above issuance handling fees and the commissions shall be settled by CCC on a monthly basis in arrears.
Term:	Five (5) years from 30 November 2009, which shall be automatically renewed unless terminated by any party by 15-day's written notice prior to the expiry of the term or the renewed terms.

Web Advertising Agreement

Date:	11 January 2010 (to be supplemented by the Supplemental Web Advertising Agreement which will become effective upon Completion).
Parties:	CCC and the Target Company.
Services:	The Target Company agreed to place and CCC agreed to arrange for the web advertisements of the Target Company be published on the website of CCC "Shentong Net". 24-hour technical support services shall also be provided by CCC to the Target Company to handle all technical issues arising out the publication of the advertisements.
Pricing basis:	The amount of advertising fees to be incurred by the Target Company during the term of the Web Advertising Agreement shall not be more than RMB5 million (equivalent to approximately HK$5.7 million) for each of three years ended 31 March 2013. Details of the advertising arrangement and the payment methods shall be determined based on mutual agreement of the Target Company and CCC to be reached at least three (3) days prior to the publication of the relevant advertisement. The above pricing basis was made 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 are no less favourable than terms available from independent third parties.
Term:	For the period commencing from 1 January 2010 until 31 March 2013.

Common terms of the Supplemental CCT Agreements

It is expected that following the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. As CCC is a connected person to the Company, the CCT Agreements and the transactions contemplated respectively thereunder would constitute continuing connected transactions on the part of the Company under Rule 20.41 of the GEM Listing Rules. For the purpose of complying with the relevant GEM Listing Rules requirements, it is one of the conditions precedent to the Acquisition Agreement that CCC and the Target Company shall enter into the Supplemental CCT Agreements before Completion. The Supplemental CCT Agreements will be conditional and effective upon Completion.

The Supplemental CCT Agreements shall contain the following terms:

1. The terms of the CCT Agreements shall not extend beyond 31 March 2013. The Target Company will be entitled to extend the CCT Agreements on or before 31 March 2013 and to take such action as may be appropriate to comply with the GEM Listing Rules. Without prejudice to the right of any party to terminate the Service Contract pursuant to its terms, the CCT Agreements shall automatically terminate on 31 March 2013 (or such later date as the parties may agree) if:

   (i) the Company considers that it is not feasible to comply with the GEM Listing Rules at the relevant time; or

   (ii) compliance with the GEM Listing Rules would require changes to the Service Contract which are not acceptable to any of the parties.

2. All changes made to the CCT Agreements shall be subject to compliance by the Company with the GEM Listing Rules.

3. The total annual consideration payable/receivable by the Target Company under the CCT Agreements shall be subject to a yearly cap set by the parties.

4. For the Service Contract only, CCC shall not, during the term of the Service Contract, engage any parties other than the Target Company to provide services similar to those to be provided by the Target Company under the Service Contract, save for other agreements which had been entered into by CCC prior to the date of the Service Contract.

Annual caps of the CCT Agreements (to be supplemented by the Supplemental CCT Agreements)

The fees paid by the Target Company to CCC or receivable by the Target Company from CCC under the CCT Agreements for the period commencing from their respective effective date until 31 December 2009 were summarised in the table below.

Taking into account (i) the business projections for the Target Company for the years to follow; and (ii) the possible inflation and exchange rate of RMB in the coming years, the Company has set the following annual caps for each of the years ending 31 March 2011, 2012 and 2013:

The CCT Agreements (to be supplemented by respective Supplemental CCT Agreement)	Terms of the Supplemental CCT Agreements	Historical figures from the respective effective date to 31 December 2009	Annual caps for the years ended/ending 31 March 2010	2011	2012	2013
		RMB	*RMB*	*RMB*	*RMB*	*RMB*
Customers Service Hotline Rental Agreement	1/1/2010-31/3/2013	–	120,000	500,000	700,000	900,000
Server Hosting Agreement	1/1/2010-31/3/2013	–	700,000	2,700,000	2,700,000	2,700,000
Service Contract	1/12/2009-31/3/2013	–	10,000,000	130,000,000	230,000,000	340,000,000
Web Advertising Agreement	1/1/2010-31/3/2013	–	500,000	5,000,000	5,000,000	5,000,000

The ascending total annual caps for the three years ended 31 March 2013 is mainly attributable to the customer service hotline services and the web advertising expenses. The Target Company expected that there will be an increase in the number of customers of the Designated Shentong Cards from 2010 onwards and thus the usage of the customers service hotline. Besides, as the Target Company is a newly start-up company, the Target Company plans to invest less web advertising expenses during the first three months of the operation but then increase the advertising expenses gradually thereafter.

The Board (including the independent non-executive Directors) is of the opinion that the terms and the annual caps in respect of the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In the event that any of these caps is exceeded, the Company will re-comply with its obligations under the GEM Listing Rules.

INFORMATION ON CCC AND THE TARGET COMPANY

CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued-added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" (神通卡) platform.

The Target Company was established under the laws of the PRC with limited liability on 19 November 2009 and is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards pursuant to the Service Contract.

According to the unaudited financial statements of the Target Company for the period commencing from 19 November 2009 (its date of incorporation) until 31 December 2009 prepared under the PRC accounting standards, the net profit before and after tax of the Target Group for the period commencing from 19 November 2009 until 31 December 2009 are both nil, and the net assets of the Target Company as at 31 December 2009 is RMB1,000,000 (equivalent to approximately HK$1,132,000).

CCC has launched an electronic wallet called "Shentong Card" (神通卡) which is approved by the Industrial and Commercial Bank of China whereby money can be transferred between an individual's bank account and his designated "Shentong Card". As an electronic wallet, "Shentong Card" can be used to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees etc.

As disclosed in the announcement of the Company dated 9 July 2009, the Company was informed by CCC that on 20 March 2009, CCC had established a strategic partnership with PICC in respect of the PICC Project. Various cooperation and implementation agreements had been/will be entered into between CCC and members of the PICC Group during the period commencing from March 2009 to December 2009, and pursuant to which users of "Shentong Card" can purchase insurance services covering property insurances, life insurance and health insurances products provided by PICC Property, PICC Life and PICC Health, while obtaining the telecommunication services and value-added telecommunication services provided by CCC. In return, CCC will receive corresponding commissions calculated at different rates as agreed between CCC and the PICC Group.

To implement the PICC Project, CCC entered into the Service Contract with the Target Company on 30 November 2009, and pursuant to which the Target Company will be responsible for, inter alia, the management, marketing and sale of the Designated Shentong Card. In addition to the existing features of the Shentong Card, the Designated Shentong Card to be distributed by the Target Company will be preloaded with two insurances, including a passenger insurance provided by PICC Life, and a fire and explosion insurance provided by PICC Property. Details of the Service Contract are been set out in the section headed "Continuing connected transactions" in this circular.

According to CCC, various promotion activities had been launched on the sale platforms established by CCC through the PRC and the details are as follows:

(1) Shentong Nationwide Wanjia Internet Cafes Union (神通全國萬家網吧聯盟): The union was initiated by CCC with the aim to holding activities to advocate the development of environmental friendly, knowledge enriching and safe internet cafes nationwide. All internet cafes which joined the union will become a point of sale for the Shentong Cards, including the Designated Shentong Cards, and hence increasing the number of users of Shentong Cards. In return, CCC will provide sales incentives to the internet cafes according to the sales volume of Designated Shentong Cards and complimentary property insurance or third party fire disaster insurance to the internet cafes.

(2) Shentong Nationwide Wanjia Society Union (神通全國萬家社區聯盟): This union was initiated by CCC targeted at the general public nationwide, with the aim to expanding the coverage of Shentong Cards' users through the sale of Shentong Cards in the residential communities. Besides, the Shentong Cards sold through this union would be bundled with fire and explosion disaster insurance and air, train, vessels and car passengers accident insurance.

(3) Shentong Nationwide Tertiary Institution Union (神通全國高校聯盟): This union is initiated by CCC for organising various activities to promote the Shentong Cards to the college students and high schools students nationwide. Free Shentong Cards will be distributed to the student users through this union and students can redeem students' quarter property insurance and medical insurance products using the bonus points preloaded in those Designated Shentong Cards.

CCC believes that the above promotion activities, together with other publication and publicity, will be able to stimulate the sale of the Shentong Cards throughout the PRC, and hence the revenue of CCC and the Target Company.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET COMPANY

The following is the management discussion and analysis of the business, financial results and positions of the Target Company since its incorporation in November 2009 up to 31 December 2009 (the "**Relevant Period**").

Financial Summary

Set out below is a summary of the key financial data of the Target Company, which are extracted from the accountants' report on the Target Company as set out in Appendix II to this circular:

	Period from 19 November 2009 to 31 December 2009
	RMB
Turnover	–
Gross loss	–
EBITDAL	–
Loss before tax	–
Loss for the period	–

	As at 31 December 2009
	RMB
Non-current assets	–
Current assets	1,000,000
Current liabilities	–
Non-current liabilities	–
Net assets/(liabilities)	1,000,000

For the period from 19 November 2009 (date of incorporation) to 31 December 2009

Revenue and profitability

The Target Company was incorporated on 19 November 2009 and did not commence operation until 1 January 2010. Hence, The Target Company did not generate any revenue or incur any expense for the period ended 31 December 2009.

Liquidity and financial resources

As at 31 December 2009, The Target Company did not have any borrowings outstanding and did not have any committed borrowing facilities.

As at 31 December 2009, The Target Company had net current assets of approximately RMB1,000,000 (equivalent to approximately HK$1,132,000), equivalent to the entire registered and paid-up capital of the Target Company. The Target Company's current assets was mainly cash of approximately RMB1,000,000 (equivalent to approximately HK$1,132,000). The Target Company did not have any current liabilities.

The gearing ratio, as defined as the ratio of total liabilities to total assets, was 0% as at 31 December 2009.

The Target Company generally financed its operation with internally generated cash flows. Excess cash held by the Target Company was generally placed in licensed banks in the PRC.

Capital structure

During the Relevant Period, there has been no change in the capital structure of the Target Company.

Charge on assets

The Target Company did not have any charge on its assets as at 31 December 2009.

Employees

As at 31 December 2009, the Target Company did not have any employees. No staff costs has been incurred for the Relevant Period. The Target Company's remuneration and bonus policies are granted based on the performance and experience of individual employees.

Material acquisitions or disposals

There were no material acquisitions or disposals of subsidiary companies and affiliated companies during the Relevant Period.

Material investments or capital assets

As at 31 December 2009, the Target Company did not have any plan for material investments or capital assets.

Foreign currency risks

The income and expenditure of the Target Company were mainly carried out in Renminbi and the assets and liabilities of the Target Company were mainly denominated in Renminbi. The Target Company did not have significant exposure to foreign exchange fluctuations.

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 31 December 2009.

FINANCIAL EFFECT OF THE ACQUISITION ON ASSETS, EARNINGS AND LIABILITIES OF THE COMPANY

Upon Completion, the Company will indirectly hold 100% of the equity interest in the Target Company. Accordingly, the financial accounts of the Target Company will be consolidated with into that of the Group.

The Group recorded an audited consolidated net loss attributable to equity holders of approximately HK$820,455,000 for the year ended 31 March 2009 and an unaudited consolidated net loss attributable to equity holders of approximately HK$28,331,000 for the six months ended 30 September 2009. Upon Completion of the Acquisition, the Group will be entitled to the profits derived from the operation of the Target Company. Hence, the Board considers that the Acquisition will enhance the Group's financial performance and broaden its earnings base.

As at 31 March 2009 and 30 September 2009, the audited and unaudited consolidated total assets of the Group were approximately HK$129,566,000 and 97,773,000 respectively. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to this circular, total assets of the Enlarged Group as at 30 September 2009 would be approximately HK$352,123,000, as if the Acquisition had been completed on 30 September 2009. For further details, please refer to Appendix III to this circular.

The Group recorded audited and unaudited consolidated total liabilities of approximately HK$297,837,000 and HK$298,077,000 as at 31 March 2009 and 30 September 2009 respectively. Based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma total liabilities of the Enlarged Group would be approximately HK$298,077,000, on the assumption that the Acquisition had been completed on 30 September 2009.

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Regarding the online payment gateway services business and its related services by the Target Company, the Board is of the view that the performance is promising and it will be able to significantly improve the Group's financial position. For the current financial year, the international financial market was still seriously affected by the financial crisis due to the United States home loan market. Though the global financial tsunami had caused an adverse effect on consumer spending and investment atmosphere, it appears to the management that the economy of Hong Kong is gradually recovering. Following the acquisition of the Target Company, the Group shall be able to diversify and expand its existing business by introducing a new line of business in the insurance market in the PRC with significant growth potential. With the existing infrastructures, network and management of the Group, the Directors were confident that the Group will be able to increase its market share in the online payment market and improve its financial position by increasing revenue and profit.

Under the present condition of the investment environment, the Board will pay more attention to projects which can generate stable income to the Group. The Board currently considers that it will focus on the online payment gateway business, as the prospect is the most promising among all business segments. The Group will continue to look for investment opportunities. If suitable opportunities arise, the Board may consider disposing some other assets so as to reallocate its resources for development of the online payment gateway services business. As at the Latest Practicable Date, the Company has not identified any new acquisition opportunities and has not developed any acquisition plans.

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) the operation of an e-Sports platform for online computer games tournaments; (ii) the operation of the online game "Sudden Attack" (突袭OL) in the PRC; and (iii) distributing and selling computer games in the PRC.

As disclosed in the 2009 interim report of the Company, 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 financial status of the Group, the Directors have always been proactive in looking for attractive opportunities so as to boarden the revenue base of the Group.

According to China Insurance Regulatory Commission (CIRC), the total revenue of the PRC's insurance industry in 1999 was only RMB139.3 billion. However, the total insurance revenue in the end of 2008 has already reached RMB978.4 billion, which was increased by approximately 600% as compared with the revenue recorded in year 1999. It was also indicated by CIRC that the total revenue of the insurance industry in the PRC for the nine months ended September 2009 was approximately RMB858 billion, comprising approximately RMB572.3 billion of life insurance, approximately RMB223.4 billion of property insurance, approximately RMB43.8 billion of health insurance and approximately RMB18.5 billion of casualty insurance. Such remarkable growth of revenue of the insurance market indicates a vast room of development of the insurance business in the PRC.

Currently, most of the insurance companies sell their insurance products through con-current business insurance agencies, including banks, post offices, railways, airlines, motor vehicles etc. The Directors believe that the introduction of Designated Shentong Cards as a means of distribution of the insurance products can provide a convenient and safe channel of sale of insurance products in the PRC.

The Group is presently engaged in the operation of various online game platforms in the PRC. The Directors consider that the Acquisition is an opportune investment for the Group to allow it to diversify and expand its existing business by introducing a new line of business in the insurance market in the PRC with significant growth potential. The sale and management of the Designated Shentong Cards by the Target Company will be conducted with the existing infrastructures, network and management of the Group, and will compliment the existing payment gateway business of the Group. The Board expects that the Acquisition will present the Group with favorable long term prospects.

In consideration of the aforesaid, the Board is of the opinion that the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart set out the shareholding structure of the Company, assuming there are no other changes to the issued share capital of the Company, (i) Scenario 1: as at the Latest Practicable; (ii) Scenario 2: immediately after the issue of the Placing Shares (assuming none of the Options have been exercised); (iii) Scenario 3: immediately after the issue of the Placing Shares and the Consideration Shares (assuming none of the Options have been exercised); (iv) Scenario 4: immediately after the allotment and issue of the Placing Shares and the Consideration Shares and all the Options have been exercised in full) and (v) Scenario 5: immediately after the allotment and issue of the Placing Shares and Consideration Shares to the extent that CCC and its associates shall hold 29.9% of the entire issued Share Capital of the Company and all the Options have been exercised in full:

Shareholders	Scenario 1		Scenario 2		Scenario 3 *(note 5)*		Scenario 4 *(notes 1 & 5)*		Scenario 5	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
CCI *(note 2)*	220,542,000	27.49	220,542,000	21.69	220,542,000	16.40	220,542,000	16.34	220,542,000	19.31
Mr. Xiao Haiping *(note 3)*	1,000,000	0.12	1,000,000	0.09	1,000,000	0.07	1,000,000	0.07	1,000,000	0.09
CCC – Consideration Shares	–	–	–	–	328,307,692	24.41	328,307,692	24.33	120,911,084	10.59
Public Shareholders										
Placees *(note 4)*	–	–	214,285,714	21.09	214,285,714	15.94	214,285,714	15.88	214,285,714	18.76
Holders of the Options	–	–	–	–	–	–	4,500,000	0.33	4,500,000	0.40
Other public Shareholders	580,744,761	72.39	580,744,761	57.138	580,744,761	43.18	580,744,761	43.05	580,744,761	50.85
Total	802,286,761	100.00	1,016,572,475	100.00	1,344,880,167	100.00	1,349,380,167	100.00	1,141,983,559	100.00

Notes:

1. As at the Latest Practicable Date, there were 4,500,000 outstanding Options entitling the holders thereof to subscribe for a total of 4,500,000 new Shares. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all the Options were held by the consultants of the Group and each of the holders of the Options was an Independent Third Party.

2. The entire issued share capital of CCI is wholly and beneficially owned by CCC.

3. Mr. Xiao Haiping is an executive Director.

4. The number of Placing Shares of 214,285,714 is derived based on the minimum amount of the net proceeds of HK$150,000,000 and the minimum placing price of HK$0.70 per unit of the securities issued under the fund-raising activity as set as a condition precedent to the Completion.

5. Scenarios 3 and 4 are for illustration purpose only. Under the Acquisition Agreement, the number of Consideration Shares to be allotted and issued to CCC at Completion, when aggregated with the number of Shares being held by CCC and its associates as at the date of the allotment and issue of the Consideration Shares, shall not exceed 29.9% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

PROPOSED CHANGE OF NAME OF THE COMPANY

The Proposal

The Board intended to put forward a proposal to the Shareholders to approve the change of name of the Company from "China Cyber Port (International) Company Limited" to "China Communication Telecom Services Company Limited", and to adopt a new Chinese name "神通電信服務有限公司" as secondary name of the Company to replace "神州奧美網絡(國際)有限公司" which is currently adopted by the Company for identification purpose.

The adoption of the Chinese name "神通電信服務有限公司" as secondary name of the Company is also subject to the pre-approval of the Company Registrar of the Cayman Islands and such approval has been obtained by the Company on 26 January 2010.

Conditions

The proposed change of Company name will be subject to the following:

1. the passing of a special resolution by the Shareholders approving the Proposed Change of Name at the EGM; and

2. the Registrar of Companies in the Cayman Islands approving the Proposed Change of Name.

The new name of the Company will take effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands. The Company will then carry out all necessary filing procedures with the Companies Registry in Hong Kong and the Cayman Islands.

Reasons for the change of name

The Board believes that the Proposed Change of Name will better reflect the core business of the Group in the future and provide the Company with a fresh new corporate image and identity which is in the interests of the Company and the Shareholders as a whole.

Effects on change of name

The Proposed Change of Name will not affect any of the rights of the Shareholders or the Company's daily business operation and its financial position. The change of name will be effective on the date of which the relevant special resolution is passed at the EGM. Thereafter, share certificates of the Company will be issued in the new name of the Company. However, all existing share certificates in issue bearing the existing name of the Company or Chinainfo Holdings Limited or HK6 Holdings Limited will, after the Proposed Change of Name has become effective, continue to be effective as documents of title to and be valid for trading, settlement and registration purposes. There will not be any arrangement for the exchange of the existing share certificates of the Company for new share certificates bearing the new name of the Company.

Further announcement will be made by the Company to inform the Shareholders of results of the EGM, the effective dates of the change of name of the Company and the new stock short name of the Shares.

CHANGE OF AUDITORS

As announced by the Company on 22 January 2010, RSM Nelson Wheeler ("**RSM**") had resigned as auditors of Group with effect from 19 January 2010 as the Group and RSM could not reach an agreement on the auditor fee for the financial year ending 31 March 2010.

In their letter of resignation, RSM have confirmed that the resignation was of its own accord and there were no matters connected with their resignation which they considered should be brought to the attention of the Shareholders or creditors of the Group. Moreover, as at the Latest Practicable Date, the Board was not aware of any matters, including any disagreement or any unresolved issues between the Group and RSM that should be brought to the attention of the Shareholders and creditors of the Group in relation to the resignation of RSM.

Pursuant to articles of association of the Company, CCIF CPA Limited ("**CCIF**") has been appointed by the Board on 22 January 2010 as auditors of the Company to fill the casual vacancy following the resignation of RSM until the conclusion of the next annual general meeting of the Company. The appointment of CCIF as the new auditors of the Group is subject to the approval by the Shareholders at the EGM to be held to approve, inter alia, the appointment of CCIF as the auditors of the Group.

A notice convening the EGM to approve the appointment of CCIF as the auditors of the Group has been attached to this circular.

GEM LISTING RULES IMPLICATIONS

As disclosed in the announcement of the Company dated 12 January 2010 in relation to the suspension of trading in Shares, it was estimated by the Company that the Acquisition shall constitute a very substantial acquisition and a connected transaction on the part of the Company. After re-examination of the relevant financial figures and the applicable percentage ratios, the Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. Also, as CCC is a connected person to the Company by virtue of its interest in 25% in CCP, a non-wholly owned subsidiary of the Company, as well as its interest in approximately 27.49% of the issued share capital of the Company through CCI, its wholly-owned subsidiary, and Mr. He Chenguang, the Chairman and executive Director of the Company, is also the legal representative of CCC, the Acquisition also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Hence, the Acquisition Agreement and the transactions contemplated thereunder, including, but not limited to the allotment and issue of the Consideration Shares, are subject to the approval of the Independent Shareholders at the EGM by way of poll as required under the GEM Listing Rules.

In addition, based on the annual caps set by the Company, the annual consideration which may be payable by and/or received from the Target Company to/from CCC under the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) will exceed HK$10,000,000 and 25% of the applicable ratios under the GEM Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) are subject to the reporting, announcements and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Details of the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) will be included in the Company's next published annual reports and accounts for so long as the CCT Agreements (to be supplemented by the CCT Agreements) continue to be effective.

As CCC is a party to the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements), CCC and its ultimate beneficial owners and their respective associates are required to abstain from voting at the EGM in respect of the resolutions related to the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements).

Save as disclosed above, no Shareholder has a material interest in the Acquisition and the CCT Agreements, and is therefore required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Acquisition Agreement, and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transactions respectively contemplated thereunder.

As the Acquisition is subject to a number of conditions precedent, it may or may not be completed. Shareholders and potential investors should exercise caution when dealings in the Shares.

EGM

Set out on pages EGM-1 to EGM-3 is a notice convening the EGM to be held at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 11 March 2010 at 11:00 a.m. at which relevant resolution(s) will be proposed to the Independent Shareholders and the Shareholders (as appropriate) to consider and, if thought fit, approve the Acquisition, the CCT Agreements and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares and the annual caps for the transactions contemplated under the CCT Agreements, the Proposed Change of Name and the change of auditors of the Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Yip Tai Him, Ms. Cao Huifang and Ms, Liu Hong, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Acquisition, the CCT Agreements and the transaction respectively contemplated thereunder.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transaction respectively contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) were entered into on normal commercial terms and that the terms of the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (including but not limited to the annual caps contemplated thereunder) are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM for approving the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transaction respectively contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 32 and 33 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 34 to 47 of this circular.

RECOMMENDATION

The Board having taken into account the advice of the Independent Financial Adviser and the Independent Board Committee considers that the terms of the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (including but not limited to the annual caps as contemplated thereunder) are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) approving the Acquisition and the CCT Agreements (as supplemented by the Supplemental CCT Agreements) and recommends the

Shareholders to vote in favour of the special resolution approving the proposed change of name and the ordinary resolution approving the change of auditors of the Group as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 32 and 33 of this circular which contains its views in relation to the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and transaction respectively contemplated thereunder; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and transaction respectively contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 34 to 47 of this circular.

ADDITIONAL INFORAMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
For and on behalf of the Board
China Cyber Port (International) Company Limited
He Chenguang
Chairman

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)

5 February 2010

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
INVOLVING ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN
BEIJING SHENTONG YIJIA TECHNOLOGY SERVICE COMPANY LIMITED
WITH ISSUE OF CONSIDERATION SHARES
AND
CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 5 February 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether the terms of the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Nuada Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 34 to 47 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 31 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Acquisition, the principal reasons and factors considered by, and the advice of Nuada Limited, while Nuada Limited was not in a position to opine on the fairness and reasonableness of the issuance handling fees and the commission payable by CCT to the Target Company under the Service Contract (to be supplemented by the Supplemental Service Contract) given the unique nature of the Designated Shentong Card, we are of the opinion that the Acquisition, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (assuming completion of the Acquisition) and the transaction contemplated thereunder is on normal commercial terms and the terms of the Acquisition and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (including but not limited to the annual caps as contemplated thereunder) (assuming completion of the Acquisition) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend

* *for identification purposes only*

the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (including but not limited to the annual caps as contemplated thereunder) and the transaction contemplated thereunder.

Yours faithfully,
Independent Board Committee of
China Cyber Port (International) Company Limited

Yip Tai Him	**Cao Huifang**	**Liu Hong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements), including the relevant annual caps and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK
111 Bonham Strand
Sheung Wan
Hong Kong

5 February 2010

To the Independent Board Committee and
the Independent Shareholders of
China Cyber Port (International) Company Limited

Dear Sirs,

(i) MAJOR AND CONNECTED TRANSACTION INVOLVING THE ISSUE OF CONSIDERATION SHARES; AND (ii) CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Acquisition Agreement, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "Letter") contained in the circular of the Company dated 5 February 2010 to the Shareholders (the "Circular"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 11 January 2010, Sino Key (an indirect wholly-owned subsidiary of the Company) and CCC entered into the Acquisition Agreement, whereby CCC conditionally agreed to sell, and Sino Key conditionally agreed to purchase, the Sale Capital at a consideration of HK$256.08 million. The Sale Capital represents the entire registered and paid-up capital in the Target Company. The Target Company is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards pursuant to the Service Contract. The Acquisition constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules. In addition, as CCC is a connected person of the Company by virtue of its interest in 25% in CCP, a non-wholly owned subsidiary of the Company, as well as its interest in approximately 27.49% of the issued share capital of the Company through CCI, its wholly-owned subsidiary, the Acquisition also constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Hence, the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares, are subject to the approval of the Independent Shareholders at the EGM.

Prior to the entering into of the Acquisition Agreement, the Target Company had entered into certain CCT Agreements with CCC, including the Customers Service Hotline Rental Agreement, the Server Hosting Agreement, the Service Contract and the Web Advertising Agreement. It is expected that following the Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company. As CCC is a connected person to the Company, the CCT Agreements and the transactions contemplated thereunder would constitute a continuing connected transaction on the part of the Company under Rule 20.41 of the GEM Listing Rules. For the purpose of complying with the relevant GEM Listing Rules requirement, CCC and the Target Company shall enter into the Supplemental CCT Agreements before Completion. The Supplemental CCT Agreements will be conditional and effective upon Completion. Based on the annual caps set by the Company, the annual consideration which may be payable by CCC under the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) will exceed HK$10,000,000 and 25% of the applicable ratios under the GEM Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) are subject to the reporting, announcements and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Acquisition Agreement, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements), including the relevant annual caps, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, the Company and its management in connection with the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements). We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements). We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM. We have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, the Target Company, CCC and/or their respective subsidiaries or associates and/or any of their partners. Neither have we carried out any independent verification or investigation of the market research information reviewed or referred to by us. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements).

We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements).

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements). We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

The Acquisition Agreement

Background and reasons for the Acquisition

The Group is principally engaged in (i) the operation of an e-Sports platform for online computer games tournaments; (ii) the operation of the online game "Sudden Attack" in the PRC; and (iii) the distribution and selling of computer games in the PRC.

The Target Company was established under the laws of the PRC with limited liability on 19 November 2009 and is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards pursuant to the Service Contract. "Shentong Card" is an electronic wallet launched by CCC, which is approved by the Industrial and Commercial Bank of China, whereby money can be transferred between an individual's bank account and his designated "Shengtong Card". CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" platform. As an electronic wallet, "Shentong Card" can be used to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees etc.

As advised by the Company, according to CCC, "Shentong Card" is currently distributed nationwide in the PRC and various promotion activities had been launched on the sale platforms established by CCC. Reference may be made to the section headed "Information on CCC and the Target Company" in the Letter for details regarding such sales platforms and promotion activities. As advised by the Company, it is intended that the Target Company would continue to distribute the Designated Shentong Card through the existing sale platforms of "Shentong Card" as well as strive to expand the distribution network of the Designated Shentong Card. According to the historical figures provided by the CCC, the total number of Shentong Cards in issue had reached approximately 8.7 million by the end of 2009, of which approximately 2.61 million Shentong Cards was issued in 2009, and the total amount of purchases made through Shentong Cards amounted to approximately RMB4.2 billion for the year 2009.

In addition to the existing features of the Shentong Card, the Designated Shentong Card to be distributed by the Target Company will be preloaded with two insurances, including a passenger insurance provided by PICC Life, and a fire and exploration insurance provided by PICC Property. In addition, under the PICC Project, users of "Shentong Card" can purchase insurance services covering property insurances, life insurance and health insurance products provided by PICC Property, PICC Life and PICC Health, while obtaining the telecommunication services and value added telecommunication services provided by CCC. For details regarding the PICC Project, please refer to the section headed "Information on CCC and the Target Company" in the Letter.

According to the terms of the Service Contract, the Target Company would receive not only issuance handling fees and sale commission based on the number of the Designated Shentong Card issued by the Target Company, but also technical service commission and sale commission based on the total value of purchases made by users through the Designated Shentong Cards in the manner as detailed in the section headed "The Service Contract" below. As advised by the Company, purchases made by users through the Designated Shentong includes purchases for telecommunication service and value-added telecommunication provided by CCC, third party online payment (e.g. online shopping and online gaming) as well as property and life insurance products, etc..

According to Research and Markets, an international market research company, the global economic crisis had impacted on the majority of industries, but China online payment market is growing against the adversity, and has shown rapid growth trend in market scale and number of users, and in 2008, the number users registered 52 million and in 2009 the figure will exceed 90 million. Research and Markets also reported that in 2008, the online payment market valued RMB210 billion, and would reach RMB430 billion in 2009. According to iResearch Consulting Group ("iResearch"), an industry research company in the PRC, China third party online payment trading volume in the second quarter of 2009 reached RMB125 billion, up 12.7% compared to RMB110 billion for the previous quarter and up 117.4% compared to RMB57.5 billion over the same period in 2008. In respect of the online shopping market and the online game market in the PRC, iResearch has reported that in the second quarter of 2009, China online shopping market size was RMB56.36 billion, up 20.7% compared to the number of the previous quarter and up 91.9% over the same period in the previous year, while the China online games market size arrived RMB6.9 billion, up 12.1% compared to the number of the previous quarter and up 35.9% over the same period for the previous year. In addition, according to the China Insurance Regulatory Commission (CIRC), the total revenue of the PRC's insurance industry in 1999 was only RMB139.3 billion, but the total revenue in the end of 2008 has already reached RMB978.4 billion, which was increased by approximately 600% as compared with the revenue recorded in year 1999. It was also indicated by CIRC that the total revenue of the insurance industry in the PRC for the nine months ended September 2009 was approximately RMB858 billion, comprising approximately RMB572.3 billion of life insurance, approximately RMB223.4 billion of property insurance, approximately RMB43.8 billion of health insurance and approximately RMB18.5 billion of casualty insurance.

As disclosed in the interim report 2009 of the Company, apart from the continuous effects to monitor the market development, restructure and streamline the business operations as an when necessary so as to improve the financial status of the Group, the Directors have always been proactive in looking for attractive opportunities so as to broaden the revenue base of the Group. As stated in the Letter, the Group entered into the Acquisition Agreement with a view to diversify and expand its existing business by introducing a new line of business in the insurance market in the PRC with significant growth potential. Taking into account the established sale platforms of the "Shentong Card", the track record regarding the sales of the "Shentong Card" and the amount of purchases made through the "Shentong Card" and the market potentials in the fields of online payment, online shopping, online games and the insurance industry in the PRC, as the Acquisition would enable the Group to broaden its revenue stream through the sale of the Designated Shentong Cards as well as the receipt of commissions from purchases made by users of the Designated Shentong Cards under the Service Contract, and provide the Group with the opportunity to capture the growth potential in the online payment, online shopping, online games and insurance markets in the PRC, we consider that the Acquisition is in line with the business development of the Group, in the ordinary course of business and the interests of the Company and the Shareholders as a whole.

Principal terms of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Consideration is HK$256,080,000, which shall be satisfied by Sino Key, in its sole discretion, in the manner that (a) an amount to be determined by Sino Key be payable by Sino Key to CCC in cash at Completion; and (b) the balance by procuring the allotment and issue of Consideration Shares to CCC or its nominee(s) credited as fully paid at the Issue Price at Completion by the Company.

The cash portion of the Consideration would be financed by the net proceeds derived from the fund-raising activities of the Company which has been agreed by the parties and set as a condition precedent to Completion.

The number of Consideration Shares to be allotted and issued to CCC at Completion shall be determined at the sole discretion of Sino Key, provided that the number of Consideration Shares so allotted and issued to CCC, when aggregate with the number of Shares being held by CCC and its associates as at the date of the allotment and issue of the Consideration Shares, shall not exceed 29.9% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

(i) Consideration

In assessing the fairness and reasonableness of the Consideration, we have reviewed the valuation report prepared by Grant Sherman Appraisal Limited (the "Valuer") regarding the fair value of the Target Company (the "Valuation Report") and discussed with the Valuer regarding, among other things, the assumptions, basis and methodologies adopted therein. We note that the Valuer have considered the market approach, the cost approach and the income approach, being three commonly used valuation methodologies, in valuing the Target Company and had selected the income approach with the adoption of the discounted cash flow method based on the financial projections provided by CCC. We understand from the Valuer that the income approach was selected taking into consideration that the market approach relies heavily on data from public trading comparable companies that are located in the same business segments and have revenue generating and profit making history which are not the cases with the Company, and the cost approach was not appropriate as it does not directly incorporate information about the economic benefits that would be generated from the business of the Company and most companies have greater value as a going concern than they would if liquidated.

We have also discussed with the Valuer regarding the determination of the discount rate adopted under the discounted cash flow method by the Valuer which had been derived using the Weighted Average Cost of Capital ("WACC") with reference to the required rate of return demanded by investors for similar business. We are given to understand that the rate of return comprises the risk-free return, which is the yield of the long term bond issued in the PRC, and the beta, which is arrived at taking into account the stock data for ten comparable companies (the "Comparables"), and the equity risk premium, with adjustments by adding the small size risk premium and the start-up risk premium (the "Adjustment Premium"). As advised by the Valuer, the Adjustment Premium is applied to reflect the additional risks exposed to the Target Company as compared to the Comparables and the respective rates of the Adjustment Premium are determined based on the Valuer's professional judgment. We also note that the valuation arrived at by applying the discount rate was further adjusted by applying a lack of marketability discount to reflect the lack of marketability of the ownership interests in the Target Company as compared to interests in public companies. Given the discount rate is determined taking into account the stock data of the Comparables and the differential circumstance between the Comparables and the Target Company by applying the Adjustment Premium and the lack or marketability of equity interests in the Target Company as detailed above, we consider that the discount rate and the further discount for lack of marketability adopted in the Valuation Report reasonable and appropriate.

Based on our review of the Valuation Report and discussion with the Valuer regarding, among other things, (i) the scope of work and assumptions of the valuation; (ii) the valuation basis and methodologies, in particular the discount rate adopted under the discounted cash flow method; and (iii) the due diligence works performed by the Valuer in preparing the Valuation Report, including review of the relevant market researches, the financial projections of the Target Company and the worksheets prepared by the Valuer in respect of the parameters of the Comparables and the computation of the net present value of the Target Company, we consider the due diligence works performed by the Valuer as well as the basis, assumptions and methodologies adopted for the valuation of the Target Company appropriate. We have considered the report from CCIF CPA Limited regarding the accuracy of the calculations in respect of the Valuation and have not performed independent verification of the accuracy of such calculations. Nevertheless, our opinion in relation to the valuation of the Target Company as stated above does not in any manner implies that the financial projections based on which the Valuation Report is made will be actually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the financial projections of the Target Company and the actual financial performance of the Target Company in the future. Furthermore, the Independent Shareholders are reminded that the profitability of the Target Company is uncertain, in particular given the Target Company is at the beginning of its operation.

According to the Valuation Report included as Appendix IV in this Circular, the valuation of the Target Company amounted to approximately HK$305.07 million) as at 31 December 2009. The Consideration thus represents a discount of approximately 16.06% to the valuation of the Target Company as at 31 December 2009 by the Valuer. As such, we consider that the Consideration is on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(ii) Allotment and issue of Consideration Shares

As mentioned above, the Consideration shall be partially satisfied by the issue and allotment of Consideration Shares to CCC or its nominee(s) credited as fully paid at the Issue Price at Completion by the Company, in the sole discretion of the Sino Key. The number of Consideration Shares to be allotted and issued to CCC at Completion shall be determined at the sole discretion of Sino Key, provided that the number of Consideration Shares to be so allotted and issued to CCC, when aggregated with the number of Shares being held by CCC and its associates as at the date of the allotment and issue of the Consideration Shares, shall not exceed 29.9% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The maximum number of 328,307,692 Consideration Shares to be allotted and issued by the Company, credited as fully paid, at the Issue Price upon Completion represent (i) approximately 40.92% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 32.30% of the issued share capital of the Company as enlarged by the allotment and issue of the minimum number of the Placing Shares (assuming none of the Options have been exercised); and (iii) approximately 24.41% of the issued share capital of the Company as enlarged by the allotment and issue of the maximum number of the Consideration Shares and the minimum number of the Placing Shares (assuming none of the Options have been exercised).

The Issue Price of HK$0.78 for each Consideration Share represents (i) the closing price of the Share of HK$0.78 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 4% over the average of the closing prices of the Shares of approximately HK$0.75 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 5.41% over the average of the closing prices of the Shares of approximately HK$0.74 per Share as quoted on the

Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day. Given that the Issue Price equals to the closing price of the Shares on the Last Trading Day and represents premiums to the average closing price of the Shares prior to the Last Trading Day as mentioned above, we consider that the issue price of the Consideration Shares is fair and reasonable.

We, however, would like to draw the Shareholders' attention that the allotment and issue of the Consideration Shares will inevitably dilute the shareholdings of the existing public Shareholders in the Company. For illustrative purpose, with reference to the shareholding table as set out under the section headed "Effects on shareholding structure of the Company" in the Letter, assuming the issue and allotment of the minimum number of the Placing Shares and the maximum number of the Consideration Shares (assuming other things remain constant), the aggregate shareholding of the existing public Shareholders (other than the Placees and the holders of the Options) would be decreased to 43.18% from 72.39% as at the Latest Practicable Date. Nevertheless, we are of the view that given the Issue Price equals to the closing price of the Shares on the Last Trading Day and represents premiums to the average closing price of the Shares prior to the Last Trading Day as mentioned above, the option available to the Group at its sole discretion to settle part of the Consideration by the allotment and issue of Consideration Shares under the Acquisition Agreement, instead of settling the consideration in full by cash, is in the interests of the Company and the Shareholders as a whole in that the Company could have the flexibility to retain more cash resources and working capital for its day-to-day operations and future Development, and is on normal commercial terms and fair and reasonable.

The CCT Agreements (to be supplemented by the Supplemental CCT Agreements)

The Customers Service Hotline Rental Agreement (to be supplemented by the Supplemental Customers Service Hotline Rental Agreement)

The Customers Service Hotline Rental Agreement dated 11 January 2010 was entered into between CCC and the Target Company in relation to the provision of a designated national customer service hotline number 95130*** by CCC to the Target Company. Under the Customer Service Hotline Rental Agreement, CCC will charge the Target Company (i) an annual fee of RMB20,000; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.30 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time. The annual fee shall be payable by the Target Company on 1 April of each year during the term of the Customers Service Hotline Rental Agreement, whereas the calling charges shall be settled by the Target Company on a monthly basis in arrears. A daily default interest of 0.3% on the outstanding amount payable will be accrued should the Target Company fails to pay to the service fee payable on time. As stated in the Letter, the annual caps for the consideration payable by the Target Company to CCC under the

Customers Service Hotline Rental Agreement (to be supplemented by the Supplemental Customers Service Hotline Rental Agreement) for each of the three years ending 2013 are RMB500,000, RMB700,000 and RMB900,000 respectively. As advised by the Company, the annual caps are determined mainly based on the business projections for the Target Company for the years to follow and the possible inflation and exchange rate of RMB in the coming years.

In assessing the terms of the Customers Service Hotline Rental Agreement (including the relevant annual caps), we have reviewed sample evidence of similar transactions conducted by CCC with independent third party and found that the fees charged by CCC to the Target Company under the Customers Service Hotline Rental Agreement are comparable to and no less favourable to the Company than terms available to independent third party. Taking into account the Target Company is at the beginning of its operations and the possible increase in demand for customer hotline services as the business of the Target Company develops, we consider that the annual caps for the transactions contemplated under Customers Service Hotline Rental Agreement are fair and reasonable. Also taking into account the subscription of the customers service hotline under the Customers Service Hotline Agreement is instrumental to the operation of the Target Company, we consider that assuming completion of the Acquisition, the Customers Service Hotline Rental Agreement (to be supplemented by the Supplemental Customers Service Hotline Rental Agreement) is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement)

The Server Hosting Agreement dated 11 January 2010 was entered into between CCC and the Target Company in relation to the provision of server hosting service and dedicated leased lines by CCC to the Target Company. In respect of the server hosting service, the Target Company will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to the Target Company. For the dedicated leased lines, CCC will provide designated 300M-bandwidth share of broadband leased lines to the Target Company for operation of its website. CCC will also provide 90 IP addresses and five (5) racks of servers for the use of the Target Company. CCC also supply 2200W (10A) electricity for each rack of servers rented to the Target Company. Pursuant to the Server Hosting Agreement, CCC charges the Target Company an annual fee of RMB2.7 million (equivalent to approximately HK$3.1 million) and payable in four equal instalments quarterly in advance. A daily default interest of 3% on the outstanding amount payable will be accrued should the Target Company fail to pay the outstanding amount payable within 5 days from the date of receipt of the relevant demand note, provided that the default interest shall start on the 20th day of the relevant month. As stated in the Letter, the annual caps for the transactions contemplated under the Server Hosting Agreement (to be supplemented by Supplemental Server Hosting Agreement) are HK$2.7 million for each of the three years ending 31 March 2013.

In assessing the terms of the Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement), we have reviewed evidence of similar transactions conducted by CCC with independent third party and found that the fees charged by CCC to the Target Company and the payment terms under the Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement) are comparable to and no less favourable to the Company than terms available to independent third party. Given the annual caps are equivalent to the annual fee payable by the Target Company to CCC under the Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement), we consider that the relevant annual caps are fair and reasonable. Also taking into account the server hosting service and dedicated leased lines are instrumental to the business operation of the Target Company, we consider that assuming completion of the Acquisition, the transactions contemplated under the Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement) is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Service Contract (to be supplemented by the Supplemental Service Contract)

The Service Contract dated 30 November 2009 was entered into between CCC and the Target Company for the provision of services by the Target Company to CCC, including (i) management and sale of the Designated Shentong Card; (ii) assisting CCC in the after-sale services for the Designated Shentong Card; (iii) following up with the enquires and/or complaints raised by users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card.

Pursuant to the Service Contract (to be supplemented by the Supplemental Service Contract), CCC shall pay (i) issuance handling fees of RMB5 for each Designated Shentong Card issued by the Target Company; (ii) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by the Target Company; (iii) sale commission of RMB3 for insurance products preloaded in the Designated Shentong Card issued by the Target Company; and (iv) sale commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products. The above issuance handling fees and the commission shall be settled by CCC on a monthly basis in arrears. As stated in the Letter, the annual caps for the transactions contemplated under the Service Contract for each of the three years ending 31 March 2013 are RMB130,000,000, RMB230,000,000 and RMB340,000,000 respectively. Having reviewed the track record regarding the sales of the "Shentong Card" and the amount of purchases made through the "Shentong Card", and the projections of the Target Company based on the estimated number of the Designated Shentong Card to be issued by the Target Company for each of the years and the estimated accumulated number thereof and the estimated targeted increase in the amount of purchases to be made through such Designated Shentong Card on accumulated basis provided by the Company, taking into account the transaction amount under the Service Contract represents revenue for the Target Company, we consider that the relevant annual caps are fair and reasonable. We, however, would like to state clearly that our opinion contained herein does not in any manner implies that the above-mentioned projections of the Target Company will be actually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the projections of the Target Company and the actual financial performance of the Target Company in the future.

Given the unique nature of the Designated Shentong Card and no open market information regarding similar transactions is available to us, we consider that we are not in the position to opine on the fairness and reasonableness of the issuance handling fees and the commission payable by CCC to the Target Company under the Service Contract. However, taking into account the Service Contract represents the main source of revenue for the existing principal business of the Target Company, which enable the Target Company to receive issuance handling fees and/or commission not only from the sale of Designated Shentong Card but also from the purchases made by users through the Designated Shentong Card issued by the Target Company, and is thus essential in the Acquisition, we consider that assuming completion of the Acquisition, the Service Contract is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

The Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement)

The Web Advertising Agreement dated 11 January 2010 was entered into between CCC and the Target Company, pursuant to which the Target Company agreed to place and CCC agreed to arrange for the web advertisements of the Target Company be published on the website of CCC "Shentong Net". 24-hour technical support services shall also be provided by CCC to the Target Company to handle all technical issues arising out of the publication of the advertisements.

Pursuant to the Web Advertising Agreement, the amount of advertising fees to be incurred by the Target Company during the term of the Web Advertising Agreement shall not be more than RMB5 million (equivalent to approximately HK$5.7 million) for each of the three years ending 31 March 2013. Details of the advertising arrangement and the payment methods shall be determined based on mutual agreement of the Target Company and CCC to be reached at least three (3) days prior to the publication of the relevant advertisements.

As advised by the Company, the annual caps for the transactions contemplated under the Web Advertising Agreement was determined by reference to the estimated amount of advertisements to be placed by the Target Company and the possible inflation and exchange rate of RMB in the coming years. It is also advised by the Company that the advertising fees to be charged by CCC for each advertisement to be placed by the Target Company shall be determined according to the proposed publication timeslots, size, position etc. and shall be determined based on the prevailing charging rates. For reference purpose, we have reviewed the sample evidence of similar transactions between CCC and independent third parties regarding advertising on the website of CCC "Shentong Net", and the relevant prevailing charging rate schedule of CCC provided by the Company.

Furthermore, in compliance with Rule 20.37 the GEM Listing Rules, each year the independent non-executive Directors must review the transactions contemplated under the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement) and confirm in the annual report and accounts that the transactions have been entered into (1) in the ordinary and usual course of business of the Company; (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement) governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Taking into account (i) the transactions contemplated under the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement) shall be entered into on normal commercial terms or terms no less favourable than terms available to independent third parties in compliance with the Listing Rules; (ii) the annual caps for the transactions contemplated under the Web Advertising Agreement was determined with reference to the estimated advertising fees to be charged by CCC to the Target Company based on the estimated amount of advertisements to be placed by the Target Company and the prevailing charging rates; and (iii) the principal business of the Target Company in the management and distribution the Designated Shentong Cards and the advertising on the website of CCC "Shentong Net" is instrumental to the business operation of the Target Company, we consider that assuming completion of the Acquisition, the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement) is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and the terms of the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement), including the relevant annual caps, are on commercial terms and fair and reasonable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Acquisition is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and the terms of the Acquisition Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) assuming completion of the Acquisition, the Customers Service Hotline Rental Agreement (to be supplemented by the Supplemental Customers Service Hotline Rental Agreement), the Server Hosting Agreement (to be supplemented by the Supplemental Server Hosting Agreement) and the Web Advertising Agreement (to be supplemented by the Supplemental Web Advertising Agreement) are in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and their respective terms (including their respective annual caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (iii) we are not in the position to opine on the fairness and reasonable of the issuance handling fees and the commission payable by CCC to the Target Company under the Service Contract (to be supplemented by the

Supplemented Service Contract) given the unique nature of the Designated Shentong Card as detailed above, but the annual caps for the transactions contemplated under the Service Contract (to be supplemented by the Supplemented by the Supplemental Service Contract) are fair and reasonable, and assuming completion of the Acquisition, the Service Contract (to be supplemented by the Supplemented by the Supplemental Service Contract) is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Acquisition Agreement and the CCT Agreements (to be supplemented by the Supplemental CCT Agreements), including the relevant annual caps, and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

1. SUMMARY OF FINANCIAL STATEMENT

Set out below is a summary of the audited consolidated income statements of the Group for the years ended 31 March 2007, 2008 and 2009, the unaudited consolidated income statements of the Group for the six months ended 30 September 2009 together with the comparative unaudited figures for the corresponding period in 2008, the audited consolidated balance sheets of the Group as at 31 March 2007, 2008 and 2009 as extracted from the Company's annual report for the year 2007, 2008 and 2009, and the unaudited consolidated balance sheet of the Group as at 30 September 2009 as extracted from the Company's the interim report for the six months ended 30 September 2009. Save for a special note made by the auditors of the Company on the material uncertainty relating to the going concern basis for the year ended 31 March 2009. The auditors of the Company have given an unqualified opinion on each of the Company's and the Group's financial statements for the years ended 31 March 2007, 2008 and 2009.

CONSOLIDATED INCOME STATEMENT

	Audited For the year ended 31 March			Unaudited For the six months ended 30 September	
	2009	2008	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)	(Restated)		
Continuing Operations					
Turnover	389,463	23,644	20,207	12,160	354,688
Cost of sales	(292,414)	(29,689)	(15,385)	(11,654)	(173,559)
Gross profit/(loss)	97,049	(6,045)	4,822	506	181,129
Income from exploitation of an online game	–	41,309	–	–	–
Other income	3,023	6,603	3,110	1,116	2,309
Selling and distribution expenses	(167,123)	–	–	(6,814)	(194,773)
Administrative expenses	(24,675)	(21,107)	(8,236)	(8,531)	(14,092)
Other operating expenses	(978,855)	(29,060)	(11,412)	(9,654)	(452,437)
Loss from operations	(1,070,581)	(8,300)	(11,716)	(23,377)	(477,864)
Finance costs	(25,377)	(22,288)	(9,863)	(10,007)	(8,466)
Share of loss of an associate	–	(1,287)	(788)	–	–
Loss before tax	(1,095,958)	(31,875)	(22,367)	(33,384)	(486,330)
Income tax credit	134,494	–	–	878	75,247
Loss for the year from continuing operations	(961,464)	(31,875)	(22,367)	(32,506)	(411,083)
Discontinued operations					
Loss for the year from discontinued operations	–	–	(655)	–	–
Loss for the year	(961,464)	(31,875)	(23,022)	(32,506)	(411,083)
Attributable to:					
Equity holders of the Company	(820,455)	(31,875)	(23,022)	(28,331)	(355,858)
Minority interests	(141,009)	–	–	(4,175)	(55,225)
	(961,464)	(31,875)	(23,022)	(32,506)	(411,083)
Loss per share	*HK cents*	*HK cents* (Restated)	*HK cents* (Restated)	*HK cents*	*HK cents*
– Basic	(102.26)	(4.19)	(3.67)	(3.53)	(44.36)
– Diluted	N/A	N/A	N/A	(3.53)	(44.36)

CONSOLIDATED BALANCE SHEET

	Audited As at 31 March 2009	2008	2007	Unaudited As at 30 September 2009
	HK$'000	*HK$'000* (Restated)	*HK$'000* (Restated)	*HK$'000*
Non-current assets				
Fixed assets	15,700	870	116	12,845
Intangible assets	50,508	353,428	134,615	36,560
Investment in an associated company	–	–	3,422	–
Available-for-sale financial assets	–	525,696	769,507	–
Deferred tax assets	3,221	–	–	3,221
	69,429	879,994	907,660	52,626
Current assets				
Inventories	479	–	–	471
Trade receivables	13,219	75,535	5,557	3,566
Prepayments, deposits and other receivables	2,893	369	1,628	3,199
Loan receivable from an associated company	–	–	2,020	–
Due from a related company	2,720	–	–	–
Due from a substantial shareholder	22,642	–	–	9,199
Bank and cash balances	18,184	35,809	22,985	28,712
	60,137	111,713	32,190	45,147
Current liabilities				
Trade payables	9,395	–	–	12,758
Accruals and other payables	12,074	2,305	2,532	8,882
Receipts in advance	22,022	–	14	12,960
	43,491	2,305	2,546	34,600
Net current assets	16,646	109,408	29,644	10,547
Total assets less current liabilities	86,075	989,402	937,304	63,173
Non-current liabilities				
Due to a substantial shareholder	12,243	–	–	12,243
Promissory notes	232,881	360,019	366,310	242,888
Deferred tax liabilities	9,222	–	–	8,346
	254,346	360,019	366,310	263,477
NET (LIABILITIES)/ASSETS	(168,271)	629,383	570,994	(200,304)
Capital and reserves				
Share capital	8,023	8,023	6,756	8,023
Reserves	(188,776)	621,360	564,238	(216,640)
Equity attributable to equity holders of the Company	(180,753)	629,383	570,994	(208,617)
Minority interests	12,482	–	–	8,313
TOTAL EQUITY	(168,271)	629,383	570,994	(200,304)

2. EXTRACT FROM THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2009

The following is an extract of the latest published audited consolidated financial statements of the Group for the year ended 31 March 2009 together with the notes therein, from the 2008-2009 annual report of the Company.

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

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)

	Note	2009 HK$'000	2008 HK$'000 (Restated)
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
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

For the year ended 31 March 2009

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.

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.

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)	Retrospective restatements	At 31 March 2008 (as restated)
	HK$'000	*HK$'000*	*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

	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.

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.

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.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

(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.

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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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	2008	2009	2008	2009	2008	2009	2008
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Restated)	*HK$'000*	*HK$'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	–

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

11. INCOME TAX CREDIT

	2009	**2008**
	HK$'000	*HK$'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%.

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	**2008**
	HK$'000	*HK$'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	**2008**
	HK$'000	*HK$'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

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	Right to receive distributable profit from the e-Sports platform	Online game software platform	Online game license rights	e-Sports platform portal	Computer games distribution rights	Distribution network	Trademarks	Research and development	Total
	(i)	*(ii)*								
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(as restated)									(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

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**	**Online game operation**	**Computer games distribution and licensing**	**Unallocated**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	**2008**
	HK$'000	*HK$'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	**2008**
	HK$'000	*HK$'000*
Finished goods	479	–

21. TRADE RECEIVABLES

	2009	**2008**
	HK$'000	*HK$'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.

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

	2009	2008
	HK$'000	*HK$'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	2008
	HK$'000	*HK$'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	Balance at 1 April 2008	Maximum amount outstanding during the year
	HK$'000	*HK$'000*	*HK$'000*
Related company			
Beijing Longteng Xingda Guiding and Positioning Technology Limited * (北京龍騰興達導航定位技術有限公司)	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	**2008**
	HK$'000	*HK$'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	**2008**
	HK$'000	*HK$'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

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	Deferred income	Revaluation of acquired intangible assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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	2008
	HK$'000	*HK$'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		Principal activities
			Direct	Indirect	
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.

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	Number of share option as at 31 March 2009
				HK$	
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		2008	
	Number of share options	**Weighted average exercise price** *HK$*	**Number of share options**	**Weighted average exercise price** *HK$*
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

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.

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	**Fair value adjustment**	**Fair value**
	HK$'000	*HK$'000*	*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	–

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

(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	**2008**
	HK$'000	*HK$'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	2008
	HK$'000	*HK$'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)	–

	2009	2008
	HK$'000	*HK$'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	2008
	HK$'000	*HK$'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

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.

3. INDEBTEDNESS

As at the close of business on 31 December 2009, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately HK$251 million, comprising amount due to China Communication Investment Ltd. of approximately RMB11 million (equivalent to approximately HK$12 million) and principal amount of unsecured promissory note payable of approximately HK$239 million.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 31 December 2009, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities. For the purpose of this indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximately rates of exchange prevailing as at 31 December 2009. The Directors are not aware of any material adverse changes in the Enlarged Group's indebtedness position and contingent liabilities since 31 December 2009.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including the internally generated funds, the present bank and other facilities, the Enlarged Group will have sufficient working capital for at least twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group as at 31 March 2009, the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, prepared for the purpose of incorporating in this circular, received from the reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

The Board of Directors
China Cyber Port (International) Company Limited

Dear Sirs,

We set out below our report regarding the financial information (the "Financial Information") of 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#) (the "Target Company") set out in Sections A to F below, for inclusion in the circular of China Cyber Port (International) Company Limited (the "Company") dated 5 February 2010 (the "Circular") in connection with the proposed acquisition of the entire shareholding interest in the Target Company. The Financial Information comprises the statement of financial position of the Target Company as at 31 December 2009 and the income statement, the statement of the comprehensive income, the statement of changes in equity and the statement of cash flows of the Target Company for the period ended 31 December 2009 (the "Relevant Period"), and a summary of significant accounting policies and other explanatory notes.

The Target Company was incorporated in the People's Republic of China (the "PRC") on 19 November 2009 as a private company with limited liability and the principal activity was provision of the distribution and management services during the Relevant Period.

No audited financial statements have been prepared for the Target Company. The Target Company is a dormant company incorporated in the PRC and not yet commenced business within the Relevant Period.

Basis of preparation

For the purpose of this report, the directors of the Target Company has prepared the financial statements for the period ended 31 December 2009 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

English translation of the name for identification purpose only.

Respective responsibilities of directors and reporting accountants

The directors of the Target Company is responsible for the preparation and the true and fair presentation of the financial statements and the Financial Information in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information 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. It is our responsibility to form an independent opinion, based on our examination on the Financial Information and to report our opinion solely to you.

Procedures performed in respect of the Relevant Period

For the purpose of this report, we have examined the financial statements of the Target Company of the Relevant Period and have carried out additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

Opinion in respect of the Relevant Period

In our opinion, the Financial Information for the period ended 31 December 2009, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company as at 31 December 2009 and of the Target Company's results and cash flows for the Relevant Period.

A. INCOME STATEMENT

	Note	**19/11/2009 to 31/12/2009** *RMB'000*
Profit before taxation	6	–
Income tax	7	–
Profit for the period		–
Attributable to:		
Equity shareholders of the Target Company		–
Profit for the period		–

B. STATEMENT OF COMPREHENSIVE INCOME

	19/11/2009 to 31/12/2009
	RMB'000
Profit for the period	–
Other comprehensive income for the period	–
Total comprehensive income for the period	–
Attributable to:	
Equity shareholders of the Target Company	–
Total comprehensive income for the period	–

C. STATEMENT OF FINANCIAL POSITION

		2009
	Note	*RMB'000*
Current assets		
Cash and cash equivalents	*10*	1,000
Net asset		1,000
Capital and reserves		
Paid up capital	*11*	1,000
Reserves	*12*	–
Total equity		1,000

D. STATEMENT OF CHANGES IN EQUITY

	Paid up capital *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Issued shares	1,000	–	1,000
Profit for the period	–	–	–
At 31 December 2009	1,000	–	1,000

E. STATEMENT OF CASH FLOWS

	Note	19/11/2009 to 31/12/2009 *RMB'000*
Cash flows from operating activities		
Profit before taxation		–
Income tax paid		–
Net cash generated from operating activities		–
Cash flows from financing activities		
Proceeds from share issued		1,000
Net cash generated from financing activities		1,000
Net increase in cash and cash equivalents		1,000
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents at the end of the period	10	1,000

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company is a limited liability company incorporated in PRC on 19 November 2009. The address of its registered office is 北京市朝陽區裕民路12號 E1座734房 (Room 734, Block E1, No. 12 Yu Min Road, Chao Yang District, Beijing). The principal activity of the Target Company is provision of the distribution and management services.

The Target Company had not yet commenced business within the Relevant Period.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong. A summary of the significant accounting policies adopted by the Target Company is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(d) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the company controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Target Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(e) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Target Company has a 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 expenditure 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 of economic benefits 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 of economic benefits is remote.

(f) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gain and loss are recognised in the income statement.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(g) Related parties

For the purpose of these financial statements, parties are considered to be related to the Target Company if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Target Company or exercise significant influence over the Target Company in making financial and operating policy decisions, or has joint control over the Target Company;

(ii) the Target Company and the party are subject to common control;

(iii) the party is an associate of the company or a joint venture in which the Target Company is a venturer;

(iv) the party is a member of key management personnel of the Target Company or the Target Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals, or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Target Company or of any entity that is a related party of the Target Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Relevant Period, the Target Company has consistently applied HKFRSs, Hong Kong Accounting Standards ("HKASs") amendments and interpretations ("Int") issued by the HKICPA that are effective for annual accounting periods beginning on 1 January 2009.

The Target Company has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective.

HKFRS (Amendments)	Improvements to HKFRSs 2009 [1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
HKAS 32 (Amendments)	Classification of Right Issues [2]
HKAS 39 (Amendments)	Eligible hedged items [1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
HKFRS 3 (Revised)	Business Combinations [1]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners [1]
HK(IFRIC) – Int 18	Transfers of Assets from Customers [3]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 February 2010
[3] Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the Target Company's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The Target Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Target Company.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's major financial instruments include cash and cash equivalents. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

As the Target Company has no significant interest bearing liabilities, the Target Company's exposure to market risk for changes in interest rates relates primarily to the cash and bank balances. Floating-rate interest income is charged to the income statement as incurred.

(b) Foreign currency risk

Foreign currency risk refers to the risk that movements in foreign currency exchange rates which will affect the Target Company's financial results and its cash flows.

The Target Company mainly operates in PRC. Most of the Target Company's transactions, assets and liabilities are denominated in RMB.

Most of the Target Company's transactions, assets and liabilities are denominated in a currency same as the functional currency of the entity to which they related.

Foreign exchange risk arises from net investments in foreign operations. The Target Company manages its foreign risks by performing regular review and monitoring its foreign exchange exposures.

(c) Credit risk

(i) During the financial period, the maximum exposure to credit is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

(ii) The Target Company limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

(d) Fair value

The fair values of cash and cash equivalents and bank deposits are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

All financial instruments are carried at amounts not materially different from their fair values for the accounting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Target Company's management makes assumptions, estimates and judgements in the process of applying the company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	19/11/2009 to 31/12/2009
	RMB'000
(a) Other item	
Auditor's remuneration	–

7. INCOME TAX IN THE INCOME STATEMENT

(a) No Hong Kong profits tax has been provided for in the financial statements as the Target Company has no assessable profits in Hong Kong for the period.

The Target Company is subject to PRC Enterprise Income Tax at 25%.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	19/11/2009 to 31/12/2009
	RMB'000
Profit before taxation	–
Notional tax on profit before taxation, calculated at the rates applicable to the tax jurisdictions concerned	–
Tax expense	–

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Ordinance during the period ended 31 December 2009 is Nil.

None of the directors has waived any emoluments during the Relevant Period.

9. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Target Company, none of the directors of the Target Company whose emoluments are included during the period ended 31 December 2009. The emoluments of the remaining five individuals were as follows:

	19/11/2009 to 31/12/2009
	RMB'000
Salaries, allowance and benefits in kind	–

10. CASH AND CASH EQUIVALENTS

	At 31/12/2009
	RMB'000
Cash at bank and in hand	1,000
Cash and cash equivalents in the balance sheet and the statement of cash flow	1,000

11. PAID UP CAPITAL

	RMB'000
Registered, issued and fully paid:	
At 31 December 2009	1,000

The Target Company was incorporated in PRC on 19 November 2009 with a paid up capital of RMB1,000,000.

12. RESERVES

	Retained profits *RMB'000*	Total *RMB'000*
Profit for the period	–	–
At 31 December 2009	–	–

Capital management

The Target Company's objectives when managing capital are to ensure entities in the Target Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Target Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

13. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Target Company including certain of the highest paid employees as disclosed in note 9 is as follows:

	2009 *RMB'000*
Salaries, allowance and benefits in kind	–

(b) Other related party transactions

During the period, the Target Company has entered into a service contract with the ultimate controlling parent company, 神州通信集團有限公司. According to the service contract, the Target Company is responsible for the management and sale of the designated Shentong Cards preloaded with certain insurance products. The Target Company will receive the issuance handling fees and commission charge from its ultimate controlling parent company. During the period, the Target Company had not yet commenced the business and no income received from the ultimate controlling parent company.

14. ULTIMATE CONTROLLING PARENT COMPANY

At 31 December 2009, the ultimate controlling parent company of the Target Company was 神州通信集團有限公司, which was incorporated in the PRC.

15. POST BALANCE SHEET EVENT

After the period ended 31 December 2009, the Target Company had entered into following agreements with the ultimate controlling parent company, 神州通信集團有限公司, on 11 January 2010.

(a) Customers Service Hotline Rental Agreement

As per the customers service hotline rental agreement, 神州通信集團有限公司 will provide a designated national customers service hotline to the Target Company and the Target Company will pay an annual fee of RMB20,000 and a calling charge for long distance income calls and outgoings calls via internet through the Voice-Over Internet Protocol telephone system.

The agreement commences from 1 January 2010 until 31 March 2013.

(b) Server Hosting Agreement

As per the server hosting agreement, the Target Company will pay an annual rental fee of RMB2.7 million for the storage of its servers in 神州通信集團有限公司's server rooms and 神州通信集團有限公司 will provide monitoring, management and technical support services to the Target Company. 神州通信集團有限公司 will also provide dedicated leased lines to the Target Company.

The agreement commences from 1 January 2010 until 31 March 2013.

(c) Web Advertising Agreement

As per the web advertising agreement, the Target Company will pay an advertising fees with a upper limited to RMB5 million for each of three years ended 31 March 2013 to 神州通信集團有限公司 for the arrangement for the web advertisements of the Target Company.

The agreement commences from 1 January 2010 until 31 March 2013.

16. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 December 2009.

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Alvin Yeung Sik Hung
Practising Certified Number P05206

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared to illustrate the effect of the acquisition by the Company of entire issued share capital of the Target Company at the Consideration of HK$256,080,000 (the "Acquisition"). The Consideration will be settled by cash of HK$150,000,000 and the balance of 106,080,000 will be settled by the allotment and issue of the Consideration Shares at an agreed issue price of HK$0.78 per Share.

(1) Unaudited pro forma consolidated balance sheet

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if they took place on 30 September 2009.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is based on the unaudited consolidated balance sheet as at 30 September 2009 of the Group after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the transaction; and (ii) factually supportable.

The unaudited pro forma consolidated balance sheet is based on a number of assumptions. Accordingly, the accompanying unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2009. The unaudited pro forma consolidated balance sheet of the Enlarged Group does not purport to predict the future position of the Enlarged Group.

The unaudited pro forma consolidated balance sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following completion of the Acquisition.

	The Group as at 30 September 2009	The Target Company as at 31 December 2009	Pro forma adjustments relating to the Acquisition				Unaudited pro forma balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(A)	*(B)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
NON-CURRENT ASSETS							
Plant and equipment	12,845	–	–	–	–	–	12,845
Intangible assets	36,560	–	–	254,948	–	–	291,508
Investment in subsidiaries	–	–	256,080	(256,080)	–	–	–
Deferred tax assets	3,221	–	–	–	–	–	3,221
	52,626	–	256,080	(1,132)	–	–	307,574
CURRENT ASSETS							
Inventories	471	–	–	–	–	–	471
Trade and other receivables	15,964	–	–	–	–	–	15,964
Cash and cash equivalents	28,712	1,132	(150,000)	–	(1,730)	150,000	28,114
	45,147	1,132	(150,000)	–	(1,730)	150,000	44,549
CURRENT LIABILITIES							
Trade and other payables	34,600	–	–	–	–	–	34,600
NET CURRENT ASSETS	10,547	1,132	(150,000)	–	(1,730)	150,000	9,949
TOTAL ASSETS LESS CURRENT LIABILITIES	63,173	1,132	106,080	(1,132)	(1,730)	150,000	317,523
NON-CURRENT LIABILITIES							
Due to a substantial shareholder	12,243	–	–	–	–	–	12,243
Promissory notes	242,888	–	–	–	–	–	242,888
Deferred tax liabilities	8,346	–	–	–	–	–	8,346
	263,477	–	–	–	–	–	263,477
NET (LIABILITIES)/ ASSETS	(200,304)	1,132	106,080	(1,132)	(1,730)	150,000	54,046

	The Group as at 30 September 2009	The Target Company as at 31 December 2009	Pro forma adjustments relating to the Acquisition				Unaudited pro forma balance sheet of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(A)	*(B)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
CAPITAL AND RESERVES							
Share capital	8,023	1,132	1,360	(1,132)	–	2,143	11,526
Reserves	(216,640)	–	104,720	–	(1,730)	147,857	34,207
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	(208,617)	1,132	106,080	(1,132)	(1,730)	150,000	45,733
Minority interests	8,313	–	–	–	–	–	8,313
TOTAL DEFICIENCY	(200,304)	1,132	106,080	(1,132)	(1,730)	150,000	54,046

Notes:

1. Column A is extracted from the unaudited consolidated condensed balance sheet of the Group as at 30 September 2009 as set out in Appendix I of this circular.

2. Column B is extracted from the Accountant's Report on the Target Company as set out in Appendix II to this circular, translated at the exchange rate of RMB1 to HK$1.132.

3. To record the consideration of HK$256,080,000 payable to the vendor upon the acquisition. In accordance with the terms of the sale and purchases agreement, the consideration of the acquisition of amount HK$150,000,000 will be settled by cash, and the balance of HK$106,080,000 will be settled by the allotment and issue of 136,000,000 shares at a price of HK$0.78 per shares.

4. The adjustment reflects elimination of investment in subsidiary with the capital of the subsidiary and fair value adjustment of the intangible assets acquired through the acquisition of the Target Company as if the Acquisition is completed as at 30 September 2009.

5. The adjustment reflects the estimated transaction costs (including legal and professional fees, printing charges and costs for convening extraordinary general meeting) of approximately HK$1,730,000 which are directly attributable to the Acquisition.

6. According to the condition of the sale and purchase agreement, the Group need to complete the placing before the Acquisition. The minimum total number of placing shares is approximately 214,285,000 at a price of not less than HK$0.7 per shares. The total net proceeds from the share subscription is not less than HK$150,000,000. The transaction of the placing of shares is directly attributable to the Acquisition.

7. No adjustments have been made to reflect any trading results or other transactions of the Group and the Target Company entered into subsequent to 30 September 2009 and 31 December 2009 respectively.

The following is the text of a comfort letter, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VI to this circular, a copy of the following comfort letter is available for inspection.

(B) COMFORT LETTER ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

5 February 2010

The Directors
China Cyber Port (International) Company Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Unaudited Pro Forma Financial Information") of China Cyber Port (International) Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), set out in Section A of Appendix III to the circular of the Company dated 5 February 2010 (the "Circular"), in connection with the proposed acquisition of the entire shareholding interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#) (the "Target Company") (the "Acquisition") as at the completion date by the Group (the "Enlarged Group"). The Unaudited Pro Forma Financial Information on the Group together with financial information of the Acquisition has been prepared by the directors of the Company (the "Directors") solely for illustrative purposes to provide information about how the proposed acquisition might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages III-1 to III-3 of the Circular.

Respective responsibilities of directors of the company and reporting accountants

It is the sole responsibility of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to

English translation of the name for identification purpose only.

Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by Paragraph 7.31(1) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly complied by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 September 2009 or any future dates.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
CCIF CPA Limited
Certified Public Accountants
Hong Kong,

Alvin Yeung Sik Hung
Practising Certificate Number P05206

The following is the text of the letter and valuation report received from Grant Sherman and addressed to the Company in connection with its valuation as at 31 December 2009 of the entire equity interests in the Target Company, which has been prepared for the purpose of incorporation in this circular.

GRANT SHERMAN APPRAISAL LIMITED

Room 1701, 17/F
Jubilee Centre
18 Fenwick Street
Wanchai
Hong Kong

5 February 2010

China Cyber Port (International) Company Limited
Units 2115-2116, 21/F, China Merchants Tower,
Shun Tak Centre, 168-200 Connaught Road Central,
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have made an appraisal of the fair value of a 100% equity interest in 北京神通益家科技服務有限公司, ("Beijing Shentong Yijia Technology Service Company Limited", the "Yijia"), a company established in the PRC on 19 November 2009.

This appraisal report identifies the business entity appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Committee (the "IVSC"). According to IVSC, fair value is defined as "*The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction*". The fair value of the business entity of Yijia is derived through the application of the income approach.

Business entity is defined for this appraisal as the total invested capital, net of the value of debt but including shareholders' loans (if any), and is equivalent to shareholders' equity plus shareholders' loans.

The purpose of this appraisal is to express an independent opinion of the fair value of a 100% equity interest in Yijia as of 31 December 2009. It is our understanding that this appraisal will be used in connection with a public document.

INTRODUCTION

神州通信集團有限公司 ("China Communication Group Co., Ltd", the "CCC")

CCC is a nationwide telecom and internet network operator in China. CCC is principally engaged in the business of providing telecommunication services, value-added telecommunication platform, payment and billing system. The payment and billing system is operated through the Shenzhoutong ("神州通") platform, which ensures accurate settlement of users.

Designated Shentong Card ("專屬神通卡")

Shentong Card, developed by CCC, is a multi-functional smart card with its embedded CPU that combines online payment, telecom, top-up, banking, and other digital services via the Shenzhoutong platform. In addition to the existing features of Shentong Card, the Designated Shentong Card to be distributed by Yijia will be preloaded with two insurance policies, a passenger insurance provided by PICC Life Insurance Company Limited ("PICC Life"), and a fire and explosion insurance provided by PICC Property and Casualty Company Limited ("PICC Property").

Beijing Shentong Yijia Technology Service Company Limited

Yijia is established in the PRC for the provision of the distribution and management services in relation to the Designated Shentong Card of CCC under the arrangement of a service contract between Yijia and CCC (the "Service Contract").

During March to December 2009, CCC signed several cooperation and implementation agreements with PICC Life, PICC Property, and PICC Health Insurance Company Limited ("PICC Health"). Pursuant to which, users of Shentong Card can purchase the insurance products covering life insurance, property and casualty insurance, and health insurance provided by the PICC Life, PICC Property, and PICC Health while obtaining the other services provided by the Shenzhoutong of CCC, and in return CCC will receive commissions from the insurance companies.

On 30 November 2009, CCC and Yijia entered into the Service Contract. Pursuant to which, Yijia is responsible for (i) managing and distributing of the Designated Shentong Card, (ii) assisting CCC in the after-sale services for the Designated Shentong Card, (iii) following up the enquiries and/or complaints raised by the users of the Designated Shentong Card, and (iv) providing customer management service, and promoting and marketing of the Designated Shentong Card.

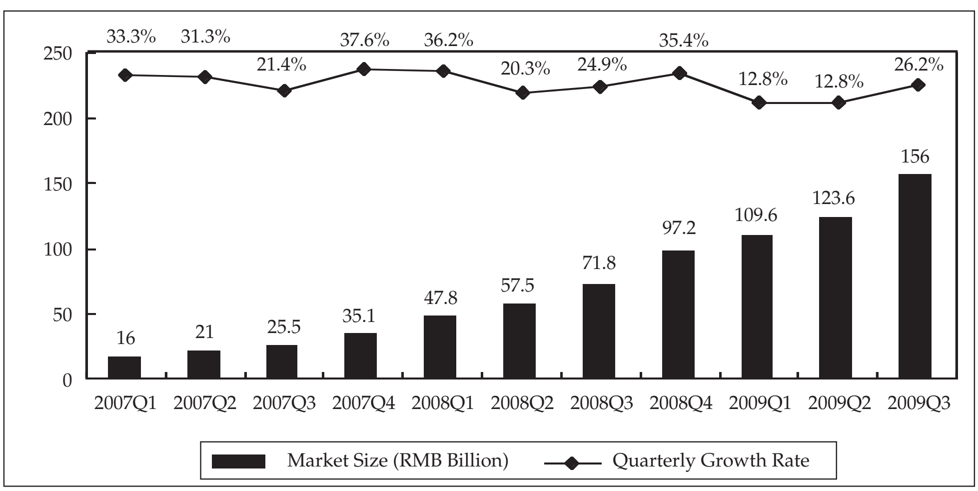
INDUSTRY REVIEW

Online Payment in China

Online payment has become one of the most popular payment methods in the world. According to the research from Visa, nearly 80% of Internet users in Asia-Pacific region processed their payment via Internet and they averagely spent USD3,000 on online shopping in 2008. Australia's Internet users averagely spent the most amount of money (US$4,160) on online shopping and 99% of Japanese Internet users and 93% of Korean Internet users had online shopping experience within 2008[1].

Online payment market in China is growing rapidly in recent years. iResearch, an industry research specialist, indicated that the total amount of online payment in China in the third quarter of 2009 reached RMB156 billion, a year-on-year increase of 117.3% and a quarterly increase of 26.2%[2].

Exhibit 1: Market Size of Online Payment in China, 2007Q1-2009Q3

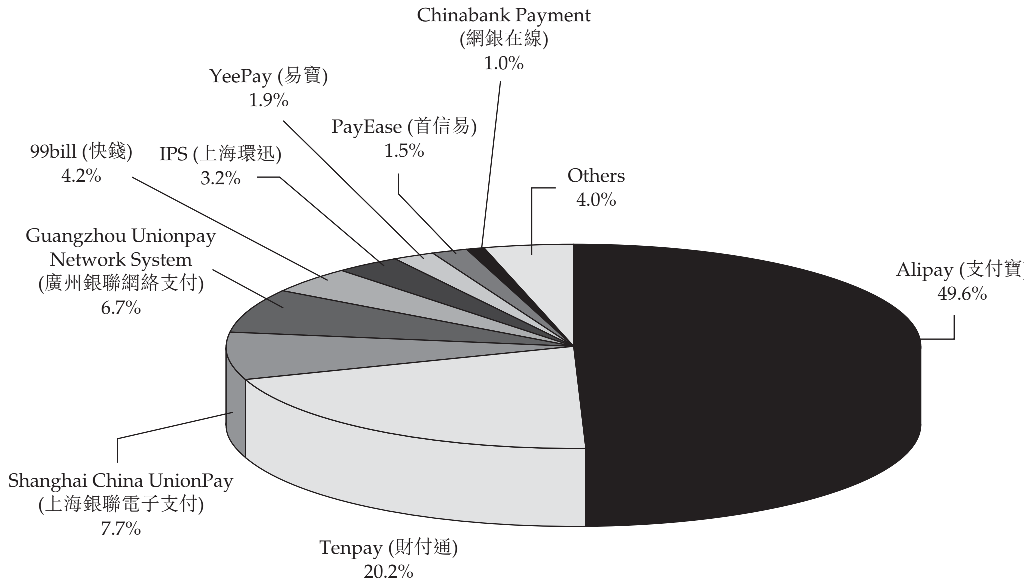


Source: iResearch, http://www.iresearch.com.cn

According to the statistics from iResearch, the three largest online payment companies of China as at the third quarter of 2009 were Alipay, Tenpay and Shanghai China UnionPay, respectively. These three companies totally accounted for 77.5% of market share in the industry. Alipay, the biggest player in the industry, accounted for 49.6% of total market share, while the other two major players, Tenpay and Shanghai China UnionPay, accounted for 20.2% and 7.7% of total market share respectively[3].

1 "近80%互聯網用戶有網購經歷", 上海青年報, 01-12-2008
2 09年第三季度核心數據發佈, iResearch, http://www.iresearch.com.cn
3 09年第三季度核心數據發佈, iResearch, http://www.iresearch.com.cn

Exhibit 2: Market Share of China's Internet Payment Industry in 2009Q3



Source: iResearch, http://www.iresearch.com.cn

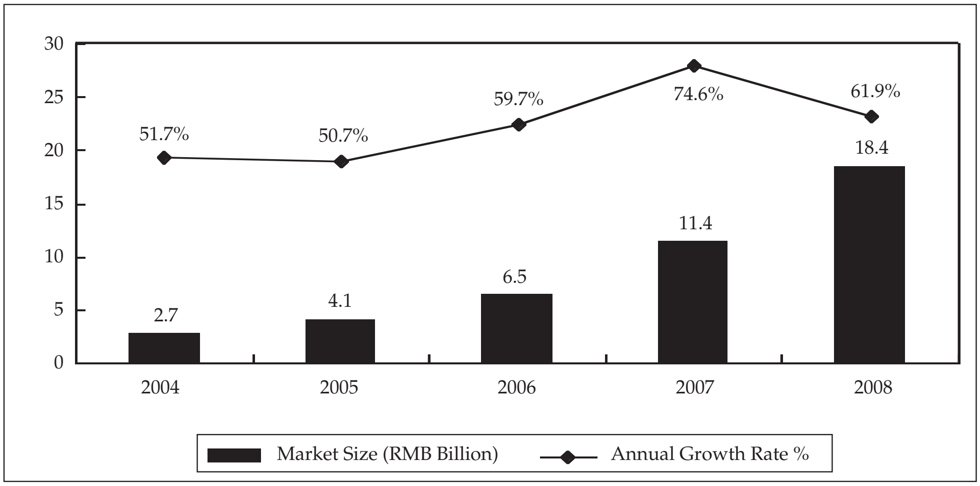
Besides, MasterCard International predicted that the number of online customers in China will reach 480 million in 2010, approximately 58% of total online customers in Asia Pacific region. MasterCard International also forecasted that the total sales of China's online shopping will reach USD1,400 billion in 2010 and China will finally overtake Japan to become the largest online shopping market in the Asia Pacific region[4].

Online Game in China

Online game industry in China is currently in its prosperous time. According to CCID Consulting, the total sales of China's online game industry in 2008 reached RMB18.4 billion, an increase of 61.9% from that of 2007[5]. Besides, the industry generated RMB47.8 billion of direct sales to Telecommunications and IT industries. In China, the revenue of the online game industry was much greater than that of the film industry, television broadcast industry and audiovisual industry, the three major traditional entertainment industries in the country[6].

4 "調查顯示:中國2010年將成亞太最大網上購物市場", 中國新聞網, 30-06-2008
5 "2008-2009年中國網路遊戲市場評述", CCID Consulting, 17-03-2009
6 "收入規模超電影業中國網遊產業越做越紅火", 中廣網, 29-05-2009

Exhibit 3: Market Size of Online Game Industry in China, 2004-2008



Source: CCID Consulting, http://www.ccidconsulting.com

The online game industry of China is expected to have a good prospect in the future. An investment banking firm, Roth Capital Partners, forecasted that the industry will grow 25% annually in the next five years and its total revenue will reach USD8.3 billion in 2013[7].

IP Phone and One Number Business in China

The cost of making phone calls by IP Phone is much lower than using traditional phone because IP Phone uses Voice over Internet Protocol techniques which allow making phone calls via a low-cost IP network such as the Internet instead of a public switched telephone network (PSTN). According to China Economic Information Network, the total airtime of IP Phone in China during the first nine-month of 2009 reached 89,197.7 million minutes, including domestic (88,081 million minutes), International (671.5 million minutes), and Hong Kong, Taiwan and Macau (445.2 million minutes)[8].

In China, people can be reached by more than one communication devices such as mobile phone, office phone, and Xiao Ling Tong (小靈通), etc. However, it is difficult for them to memorize different sets of phone numbers for different communication devices. To solve the problem, a phone technology known as "One Number" (一號通) has been introduced in China which allows the users to receive all phone calls from different communication devices anytime and anywhere with only a single set of phone number. This technology brings one number business and offers a partial market share to the owner.

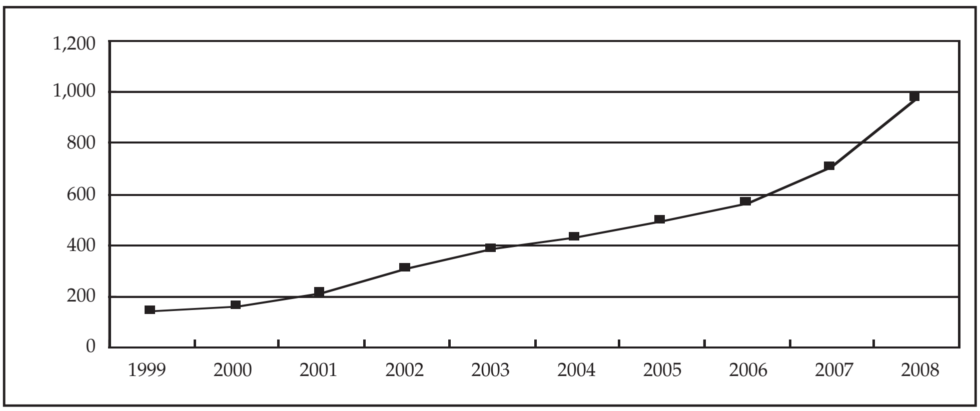
7 "中國網遊投資機會巨大5年內增長率將25%", 人民網, 20-09-2009

8 "Analysis Report on China Telecommunication Operation Industry (3rd Quarter 2009)", China Economic Information Network

Insurance Industry in China

Insurance industry is one of the fastest growing industries in China. According to China Insurance Regulatory Commission (CIRC), the total revenue of China's insurance industry in 1999 was only RMB139.3 billion, while the total insurance revenue at the end of 2008 reached RMB978.4 billion, an increase over 600% from the insurance revenue of 1999.

Exhibit 4: Revenue of Insurance Industry in China from 1999 to 2008 (RMB Billion)



Source: China Insurance Regulatory Commission (CIRC), http://www.circ.gov.cn

The CIRC also indicated that the total revenue from insurance in China during the first nine-month of 2009 reached RMB858 billion, including RMB572.3 billion of life insurance (66.7% of total revenue), RMB223.4 billion of property insurance (26.0% of total revenue), RMB43.8 billion of health insurance (5.1% of total revenue) and RMB18.5 billion of casualty insurance (2.2% of total revenue). The five largest insurance markets in China were Guangdong, Jiangsu, Shandong, Beijing and Shanghai[9].

In China, the insurance companies will sell their insurances through concurrent-business insurance agencies. The number of concurrent-business insurance agencies in China has been growing in recent years. According to China Insurance Regulatory Commission (CIRC)[10], the number of China's concurrent-business insurance agencies as of the third quarter of 2009 reached 143,681, a quarterly increase of 6,614.

[9] China Insurance Regulatory Commission (CIRC), http://www.circ.gov.cn
[10] "2009年三季度保險中介市場發展報告", China Insurance Regulatory Commission, 18-11-2009

Exhibit 5: Number of Concurrent-Business Insurance Agencies in China, 2009Q3

Category	Number	Percentage %
Banks	79,140	55.08%
Post Offices	17,900	12.46%
Railways	412	0.29%
Airlines	2,178	1.52%
Motor Vehicles	18,045	12.56%
Others	26,006	18.09%
Total	143,681	100%

Source: China Insurance Regulatory Commission (CIRC),http://www.circ.gov.cn

CIRC indicated that the total insurance sales of China's concurrent-business insurance agencies as of the third quarter of 2009 reached RMB331.79 billion, representing 38.67% of the total sales in the insurance industry of China.

Exhibit 6: Sales of China's Concurrent-Business Insurance Agencies, 2009Q3

Category	Insurance Sales (RMB Billion)	Percentage %
Banks	228.94	69.00%
Post Offices	48.56	14.64%
Railways	0.21	0.06%
Airlines	0.21	0.06%
Motor Vehicles	22.74	6.86%
Others	31.13	9.38%
Total	331.79	100%

Source: China Insurance Regulatory Commission (CIRC), http://www.circ.gov.cn

The total commission of China's concurrent-business insurance agencies as of the third quarter of 2009 reached RMB15.83 billion, a year-on-year increase of 10.41% according to CIRC.

Exhibit 7: Commissions of China's Concurrent-Business Insurance Agencies, 2009Q3

Category	Commissions *(RMB Billion)*	Percentage %
Banks	8.15	51.47%
Post Offices	1.63	10.32%
Railways	0.02	0.12%
Airlines	0.07	0.44%
Motor Vehicles	2.50	15.77%
Others	3.46	21.88%
Total	15.83	100%

Source: China Insurance Regulatory Commission (CIRC), http://www.circ.gov.cn

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business entity of Yijia on the basis of fair value. Fair value is defined as "*The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction*" according to IVSC.

Our investigation included site visits, discussions with the management of the company ("the Management") in relation to the nature of the business, a study of the financial projection of Yijia ("the Projections"), a review of the information provided by the Management in connection with the operating plan of Yijia. We have discussed with the Management the basis and assumptions upon which the Projections were made and other information related to Yijia. We have assumed that such information and representation provided to us are true and accurate. Before arriving at our opinion of value, we have considered the following principal factors:

– The nature and prospect of the electronic payment, online game industry, telecom businesses and insurance agency in PRC;

– The economic outlook in general and the specific economic and competitive elements affecting Yijia's business, the industries and its markets;

– The market-derived investment returns of entities engaged in a similar line of business;

– The risks relating to Yijia when implementing its operating plans; and

– The Projections.

Due to the changing environment in which Yijia operates, a number of assumptions have to be established in order to sufficiently support our concluded value of Yijia. The major assumptions adopted in this appraisal are:

- There will be no major changes in the existing political, legal, and economic conditions in PRC, in which Yijia will carry on its businesses;
- There will be no major changes in the current taxation law in PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- Exchange rates and interest rates will not differ materially from those presently prevailing;
- Industry trends and market conditions for related industries in PRC will not deviate significantly from the Management's forecasts;
- The Projections have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration by the Management;
- The availability of finance will not be a constraint on the forecast growth of Yijia's businesses in accordance to the Projections;
- Yijia will retain and have competent management, key personnel, and technical staff to implement its operating plans;
- Yijia can keep abreast of the latest development of the industry such that the competitiveness and profitability can be sustained;
- CCC's agreements with PICC Life, PICC Property and PICC Health will be renewed upon expiry; and
- The Service Contract between Yijia and CCC will be renewed upon expiry too.

VALUATION METHODOLOGY

In arriving at our concluded value of the business entity of Yijia, we have considered three generally accepted approached, namely income approach, market approach and cost approach.

Income Approach

In the income approach, the Discounted Cash Flow ("DCF") method will be used. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loans. Thus, an indication of value was developed by discounting future free cash flow available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate) associated with the comparable business.

Market Approach

The market approach uses direct comparisons to other enterprises and their equity securities to estimate the fair value of the enterprise being appraised. It bases the fair value measurement on what other similar enterprises or comparable transactions indicate the value to be. In the market approach, the Guideline Publicly Traded Company ("GPTC") method is one of the most commonly used methods. In this method, the value is based on prices at which stocks of similar companies are trading in a public market. A "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as of the calculation date by some relevant economic variable observed or calculated from the guideline company's financial statements. A major requirement in applying the market approach is to identify companies that are comparable to the subject company in terms of business nature and associated risk.

Cost Approach

This approach seeks to measure the future benefits of ownership by quantifying the amount of money that would be required to replace or reproduce the future service capability of the subject asset, less depreciation from physical deterioration, functional and economic/external obsolescence, if present and measurable. The assumption underlying this approach is that the cost to purchase or develop new property is commensurate with the economic value of the service that the property can provide during its lives. The cost approach does not directly consider the amount of economic benefits that can be achieved or the time period over which they might continue. It is an inherent assumption with this approach that economic benefits indeed exist and are of sufficient amount and duration to justify the developmental expenditures.

Selection of Valuation Approach

For the appraisal of Yijia, we have selected the income approach to derive the fair value of the business entity of Yijia. First, the market approach relies heavily on data from public trading comparable companies that are located in the same business segments and have revenue generating and profit making history which are not the case with Yijia. Secondly, the cost approach was not appropriate as it does not directly incorporate information about the economic benefits that would be generated from the business of Yijia and most companies have greater value as a going concern than they would if liquidated.

As such, we have selected income approach. The fair value of the 100% equity interest in Yijia is developed through the application of the income approach technique known as the Discounted Cash Flow Method. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loans. Thus, an indication of value was developed by discounting future free cash flow available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate) associated with the comparable business.

The Discount Rate Development

A discount rate is the expected rate of return that an investor would have to give up by investing in the subject investment instead of in available alternative investments that are comparable in terms of risk and other investment characteristics. When developing a discount rate to apply to the free cash flow from operation, the discount rate is base on a weighted average cost of capital ("WACC") developed through the application of the Capital Asset Pricing Model ("CAPM"). In determining an appropriate discount rate utilizing the WACC analysis, a study was made of short-term interest rates, the yields of long-term corporate and government bonds, and other alternative investment instruments, as well as the typical capital structure of the companies in the industry. WACC is the weighted sum of cost of equity and after tax cost of debt.

The cost of equity was developed using CAPM, a model widely used by the investment community. CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated with the return from the stock market are referred to as systematic; other risks are referred to as nonsystematic. Under CAPM, the appropriate cost of equity is the sum of the risk-free rate and the equity premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of the company being valued versus those of the comparable companies, which include adjustment for company size (the "Small Capitalization Risk Premium").

The risk-free rate associated with the subject company is the yield on bonds issued by the government of the country in which the subject company locates. Our analysis suggested a discount rate of 21.98% was appropriate for valuing the equity interest in Yijia.

We were furnished by the Management for the purpose of this appraisal, with the Projections as well as other records and documents. In arriving at our opinion of value, we have relied upon such projection, records and documents, as well as financial and business information from other sources.

Additional Valuation Consideration

Small Capitalization Risk Premium

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. This premium reflects the fact that the cost of capital increases with decreasing size of the company. A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model. We concluded that a small capitalization risk premium of 5.81% is appropriate for Yijia.

Company Specific Premium

The company specific risks associated with Yijia are ones typically associated with a start-up business, mainly related to the successful establishment and implementation of the Business Plan. Uncertainty results from the lack of historical data to support the projected data in the Projections. To reflect the start-up risk, a company specific risk premium of 5% is added in developing the discount rate.

The readers of this report should carefully consider the start-up nature of the business and the risks associated.

Discount for Lack of Marketability

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in a closely held corporation. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

A number of studies were conducted in the U.S. in an attempt to determine average levels of discounts for lack of marketability. These studies all fall into one of two basic categories, depending on the type of market transaction data on which they are based:

- Restricted ("letter") stock studies.
- Studies of transactions in closely held stocks prior to initial public offerings (IPOs).

In this case, a lack of marketability discount of 35% is deemed to be reasonable for Yijia.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that as of 31 December 2009 the fair value of a 100% equity interest in Yijia is reasonably stated by the amount of **HONG KONG DOLLAR THREE HUNDRED FIVE MILLION AND SEVENTY THOUSAND (HK$305,070,000) ONLY**.

This appraisal was performed in accordance with the International Valuation Standards issued by IVSC and generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. We have not investigated the title to or any liabilities against the property appraised.

This appraisal has been prepared solely for the purpose stated herein. This appraisal report should not be referred to, in whole or part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any party without our prior written consent. We hereby certify that we have neither present nor prospective interests in Yijia, CCC, China Cyber Port (International) Company Limited, PICC Life, PICC Property, PICC Health, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA	**Jacqueline W. Huang, Ph.D**
Managing Director	*Director*

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) and he has been conducting business and intangible assets valuation in the Greater China region for various purposes since 1988. Jacqueline W. Huang is a Ph.D in real estate economics from the University of Hong Kong. She has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services.

Analyze and report by:
Keith C.C. Yan, ASA
Jacqueline W. Huang, Ph.D.
Ralph W.Y. Cheong, MBA
Cindy S.K. Ho, MBA

The Company has received from its reporting accountants, CCIF CPA Limited, Certified Public Accountants, Hong Kong, and its financial adviser, Grand Cathay Securities (Hong Kong) Limited, the following letters prepared for the inclusions of in this circular in respect of the Business Valuation Report prepared by Grant Sherman.

A. REPORT FROM CCIF CPA LIMITED

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

5 February 2010

The Board of Directors
China Cyber Port (International) Company Limited
Units 2115-2116, 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

China Cyber Port (International) Company Limited (the "Company")

We have examined the arithmetical accuracy of the calculations of the valuation report of 北京神通益家科技服務有限公司 dated 5 February 2010 (the "Valuation Report") prepared by Grant Sherman Appraisal Limited (the "Valuer"). The Valuation Report is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited. The Valuation Report is set out in Appendix IV of the circular of the Company dated 5 February 2010 (the "Circular") in connection with the major transaction of the subsidiary.

Respective responsibilities of the directors of the Company, the Valuer and the auditors of the Company

The Valuer is solely responsible for the preparation of the Valuation Report while the Valuer and the directors of the Company are responsible for the reasonableness and validity of the assumptions based on which the Valuation Report is prepared (the "Assumptions").

It is our responsibility to form an opinion, based on our work on the arithmetical accuracy of the calculation of the Valuation Report and to report our opinion solely to you, as a body, solely for the purpose of reporting under paragraph 29(2) of Appendix 1B of the GEM Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising our of, or in connection with our work.

We were informed by the directors of the Company that as the valuation is discounted cash flow model, the Company's accounting policies are not applicable to the preparation of the Valuation Report. The Assumptions include hypothetical assumptions about future events as details in Appendix IV to the Circular and management actions that cannot be confirmed and verified in the same way as past results, and these assumptions may or may nor occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation Report and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express opinion whatsoever thereon.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the procedures under the Auditing guideline 3.341 "Accountants' Report on Profit Forecasts" issued by the Hong Kong Institute of Certified Public Accountants. We examined the arithmetical accuracy of the Valuation. Our work has been undertaken solely to assist the directors of the Company in evaluating whether the Valuation, so far as the calculations are concerned, has been properly compiled and for no other purpose. Our work does not constitute any valuation of the subsidiary.

Opinion

Based on the foregoing, in our opinion, the Valuation, so far the calculations are concerned, has been properly compiled in accordance with the based and assumptions made by the Valuer and the directors of the Company as set out in Appendix IV to the Circular dated 5 February 2010.

Yours faithfully
For and on behalf of
CCIF CPA Limited

Alvin Yeung
Director

B. REPORT FROM GRAND CATHAY SECURITIES (HONG KONG) LIMITED

大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

5 February 2010

The Board of Directors
China Cyber Port (International) Company Limited
Units 2115-2116
21st Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

China Cyber Port (International) Company Limited (the "Company") and its subsidiaries (collectively, the "Group")

Comfort letter on forecast underlying the valuation on 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#) as contained in the Company's circular dated 5 February 2010 (the "Circular") – Acquisition of entire share capital of Beijing Shentong Yijia Technology Service Company Limited

We refer to the discount cash flow forecasts underlying the business valuation report (the "Valuation Report") prepared by Grant Sherman Appraisal Limited ("Grant Sherman") in relation to the appraisal of the valuation of a 100% equity interest in Beijing Shentong Yijia Technology Service Company Limited (the "Valuation"). The Valuation Report is regarded as a profit forecast under paragraph 29(2) of Appendix 1B of the GEM Listing Rules and the Valuation is set out in Appendix IV to the Circular, of which this letter forms part of. Capitalised terms used in the letter have the same meanings as defined in the Circular unless the context otherwise requires.

We have reviewed the forecasts upon which the Valuation Report has been made for which you as the Directors are solely responsible, and have discussed with you and Grant Sherman the information and documents provided by you which formed part of the basis and assumptions upon which the forecasts have been prepared. We have also considered the letter from CCIF CPA Limited dated 5

English translation of the name for identification purpose only

February 2010 addressed to yourselves as set out in part A of this Appendix to the Circular regarding the calculations upon which the forecasts have been made. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation related only to cashflows.

On the basis of the foregoing, we are satisfied that the forecast upon which the Valuation Report has been made, for which you as the Directors are solely responsible, have been made after due and careful enquiry by you.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan
Director

Kevin Wong
Vice President

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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:

(a) the information concerned in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. SHARE CAPITAL

Authorised		*HK$*
1,000,000,000	Shares	10,000,000.00
Issued and to be issued, fully paid or credited as fully paid		
802,286,761	Shares in issue as at the Latest Practicable Date	8,022,867.61
328,307,692	the maximum amount of Consideration Shares to be allotted and issued under the Acquisition Agreement	3,283,076.92
1,130,594,453	Total maximum number of Shares upon Completion	11,305,944.53

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

As at the Latest Practicable Date, 4,500,000 Options had been granted by the Company to the full-time employees of the Group and other eligible participants entitling them the right to subscribe for a total of 4,500,000 Shares under the share option scheme adopted by the Company on 28 October 2002.

Save as disclosed above, the Company has no other options, warrants and conversion or exchange rights convertible or exchangeable into Shares. No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

(a) Director's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Number of the Shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Xiao Haiping	1,000,000(L)	Beneficial	0.12

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	**Number or attributable number of Shares held or short positions**	**Nature of interests**	**Approximate percentage or attributable percentage of shareholding** *(%)*
CCC *(Note (1))*	220,542,000(L)	Interests in controlled corporation	27.49
	328,307,692(L)	Beneficial	40.92
CCI *(Note (1))*	220,542,000(L)	Beneficial	27.49
Ge Wen Bin *(Note (2))*	54,001,144(L)	Interests in controlled corporation	6.73
Supreme System Investments Limited *(Note (2))*	54,001,144(L)	Beneficial	6.73

(L) denotes long position

Notes:

(1) Among the 548,849,692 Shares, CCC is deemed to be interested in 328,307,692 new Shares to be issued upon Completion by virtue of the SFO. As CCI is a wholly-owned subsidiary of CCC, CCC is also deemed to be interested in the 220,542,000 Shares held by CCI by virtue of the SFO.

(2) Mr. Ge Wen Bin is interested in the entire share capital of Supreme System Investments Limited and is deemed to be interested in 54,001,144 Shares held by Supreme System Investments Limited by virtue of the SFO.

(c) Substantial shareholders of other members of the Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACT

Save for the Acquisition Agreement, the Company and its subsidiaries and the Target Company have not entered into any contracts (not being contracts in the ordinary course of business) within the two years immediately preceding the date of this circular and are or may be material.

5. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. EXPERTS

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
CCIF CPA Limited ("**CCIF**")	Certified Public Accountants
Grand Cathay Securities (Hong Kong) Limited ("**Grand Cathay Securities**")	A licensed corporation to carry out type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (assets management) regulated activities pursuant to the SFO
Grant Sherman Appraisal Limited ("**Grant Sherman**")	Independent Valuer
Nuada Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities pursuant to the SFO

Each of CCIF, Grand Cathay Securities, Grant Sherman and Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of CCIF, Grand Cathay Securities, Grant Sherman and Nuada Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, as at the Latest Practicable Date, each of CCIF, Grand Cathay Securities, Grant Sherman and Nuada Limited did not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, any member of the Group since 31 March 2009.

7. LITIGATION

So far as the Directors are aware, no member of the Enlarged Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Enlarged Group as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2009, being the date to which the latest published audited financial statements of the Group was made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, compliance adviser or substantial Shareholder or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

10. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

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

(d) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The company secretary and the qualified accountant of the Company is Ms. Chan Mei Yee. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

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

(g) An audit committee has been established on 28 October 2002. Currently the audit committee comprise all the 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.

(h) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, during 10:00 a.m. to 4:00 p.m. on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2008 and 31 March 2009;

(c) the material contract referred to in the paragraph headed "Material contract" in this Appendix;

(d) each of the CCT Agreements as referred to in this circular;

(e) drafts of the Supplemental Agreements;

(f) the written consents of the experts referred to in the paragraph headed "Experts" in this Appendix;

(g) the accountants' report on the Target Company prepared by CCIF CPA Limited, the text of which is set out in Appendix II to this circular;

(h) the letter from CCIF CPA Limited in respect of the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(i) the letter from the Independent Board Committee, the text of which is set out on pages 32 to 33 in this circular;

(j) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 47 in this circular;

(k) the Business Valuation Report, the text of which is set out in Appendix IV to this circular;

(l) the reports issued by CCIF CPA Limited and Grand Cathay Securities (Hong Kong) Limited in connection with the Business Valuation Report, the text of which is set out in Appendix V to this circular; and

(m) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of China Cyber Port (International) Company Limited (the "**Company**") will be held at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 11 March 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the Acquisition Agreement, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) (all as defined in the circular of the Company dated 5 February 2010, a copy of each of the Acquisition Agreement, the CCT Agreements and the final drafts of the Supplemental Agreements have been produced to this meeting marked "A", "B" and "C" respectively and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated respectively thereunder be and are hereby approved, confirmed and ratified;

(b) the annual caps in relation to the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) as stated in the circular of the Company dated 5 February 2010, for each of the years ending respectively 31 March 2011, 2012 and 2013, be and are hereby approved;

(c) the allotment and issue of up to 328,307,692 shares (the "**Consideration Shares**" and each a "**Consideration Share**") of HK$0.01 each in the share capital of the Company credited as fully paid at an issue price of HK$0.78 per Consideration Share to China Communication Group Co. Ltd, being the vendor in the Acquisition Agreement, or its nominee(s) in accordance with the terms and conditions of the Acquisition Agreement and the transactions contemplated thereunder be and is hereby approved; and

(d) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Acquisition Agreement, the CCT Agreements (to be supplemented by the Supplemental CCT Agreements) and the transactions contemplated respectively thereunder, including but not limited to the allotment and issue of the Consideration Shares."

* *For identification purpose only*

2. "**THAT** the resignation of RSM Nelson Wheeler as auditors of the Company and its subsidiaries (the "**Group**") be and is hereby approved and CCIF CPA Limited be and is hereby appointed as auditors of the Group to fill the casual vacancy created by the resignation of RSM Nelson Wheeler and to hold office until the conclusion of the next annual general meeting of the Company and the board of directors of the Company be authorised to fix their remuneration."

SPECIAL RESOLUTION

"**THAT** subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands, the name of the Company be and is hereby changed from "China Cyber Port (International) Company Limited" to "China Communication Telecom Services Company Limited" and the new Chinese name "神通電信服務有限公司" be adopted as secondary name of the Company to replace "神州奧美網絡(國際)有限公司" which is currently adopted by the Company for identification purpose, with effect from the date of entry of the new name on the register maintained by the Registrar of Companies in the Cayman Islands, and the directors of the Company be and are hereby authorised to do all such acts, deeds and things and execute all documents they consider necessary or expedient to give effect to the aforesaid change of name of the Company."

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

Hong Kong, 5 February 2010

Registered office:
P.O. Box 309 GT
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

Notes:

1. Subject to the provisions of the articles of association of the Company, any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent and vote on his behalf at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. On a poll, votes may be given either personally or by proxy.

2. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited at www.hkgem.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed (or a copy which has been certified by a notary) to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.

3. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

5. Pursuant to the Rules Governing the Listing of Securities on GEM, the voting on all the resolutions at the EGM will be conducted by way of poll.