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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 and the accompanying 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.

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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)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF RIGHT
TO RECEIVE THE DISTRIBUTABLE PROFIT
FROM THE E-SPORTS PLATFORM IN THE PRC
AND RE-ELECTION OF DIRECTORS**

Financial adviser to the Company in respect of the Acquisition



建銀國際金融有限公司
CCB International Capital Limited

**Independent financial adviser to the independent board committee
and the independent shareholders of the Company**

Nuada Limited

Corporate Finance Advisory

A letter of advice from the independent board committee of the Company is set out on page 17 of this circular. A letter of advice of Nuada Limited, the independent financial adviser, containing its opinion and advice to the independent board committee and the independent shareholders of the Company is set out on pages 18 to 27 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Monday, 9 July 2007 at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong is set out on pages 103 to 104 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th 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. The completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting in person if 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 Company at www.hk6.com.

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Acquisition”	the acquisition of the right to receive the Distributable Profit by Success Advantage from CCI pursuant to the Acquisition Agreement
“Acquisition Agreement”	the revised and restated agreement entered into between CCI and Success Advantage on 28 May 2007 in relation to the Acquisition which replaced and terminated the Cancelled Agreement
“Acquisition Conditions”	the conditions of the Acquisition Agreement as set out in the sub-section headed “Acquisition Conditions” under the section headed “Acquisition Agreement” in this circular
“Announcement”	the announcement of the Company dated 1 June 2007 in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong
“Cancelled Agreement”	the agreement entered into between CCI and Success Advantage on 17 May 2007 in relation to the Acquisition which has been replaced by and has become null and void immediately after the entering into of the Acquisition Agreement
“CCBI”	CCB International Capital Limited, a licensed corporation for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
“CCC”	神州通信有限公司 (China Communication Co., Ltd.), a company established under the laws of the PRC, a nationwide telecom operator and internet network operator in the PRC

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“CCI”	神州通信投资有限公司 (China Communication Investment Ltd.), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of CCC
“CCP”	神州奥美网络有限公司 (China Cyber Port Co., Ltd.), a company established under the laws of the PRC and an indirect wholly owned subsidiary of CCC
“CCID Consulting”	CCID Consulting Company Limited, a company listed on GEM, which specialises in the provision of consulting services for the information industry in the PRC
“Company”	China Cyber Port (International) Company Limited, a company incorporated in the Cayman Islands with limited liability and which securities are listed on GEM
“Completion”	completion of the Acquisition Agreement in accordance with the terms thereof
“Consideration”	HK\$304.5 million, being the consideration for the Acquisition
“Consideration Shares”	105 million new Shares to be allotted and issued for settling the Consideration pursuant to the Acquisition Agreement
“Directors”	the directors of the Company
“Distributable Profit”	the Distributable Profit payable by CCI to Success Advantage which is equivalent to 75% of the distributable profit (calculated as net profit after tax for the year after deducting 10% thereon as statutory reserve as required by the relevant PRC laws) derived from operating the e-Sports Platform in the PRC by CCP. Pursuant to the Acquisition Agreement, such Distributable Profit is determined based on the audited financial statements of the e-Sports Platform prepared according to the International Financial Reporting Standards
“EGM”	the extraordinary general meeting of the Company to be convened and held to approve the Acquisition and the transactions contemplated thereunder and re-election of Director
“Enlarged Group”	the Group immediately after Completion

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“e-Sports Platform”	a platform for computer and online game tournaments such as “Counter-Strike” (反恐精英), “WarCraft” (魔獸爭霸) and “StarCraft” (星際爭霸) etc., being one of the major components of the 24365 Entertainment Portal
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grant Sherman”	Grant Sherman Appraisal Limited, a professional firm of valuers independent of the Company and its connected persons (as defined in the GEM Listing Rules), appointed by Success Advantage to provide a valuation report on the fair value of the right to receive the Distributable Profit
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee, comprising all the independent non-executive Directors, established to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM
“Independent Financial Adviser”	Nuada Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activities as defined under the SFO, being independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholders”	Shareholders, other than CCI and its associates
“Issue Price”	the issue price of HK\$2.90 per Consideration Share
“Latest Practicable Date”	18 June 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein

DEFINITIONS

“Macau”	the Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which, for the purposes of this circular, shall exclude Hong Kong, Macau and Taiwan
“RSM Nelson Wheeler”	RSM Nelson Wheeler, the reporting accountants independent of the Company and its connected persons (as defined in the GEM Listing Rules), appointed by the Company in respect of the Acquisition
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Success Advantage”	Success Advantage Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company
“24365 Entertainment Portal”	an online interactive entertainment portal at www.24365pt.com
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

In this circular, unless otherwise specifies, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB1.00 = HK\$1.02.

LETTER FROM THE BOARD



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 (*Chairman*)

Mr. Xiao Haiping

Mr. Zhang Peng (*Managing Director*)

Ms. Zhang Jialin

Independent non-executive Directors:

Mr. Yip Tai Him

Dr. Liu Jie

Ms. Weng Pinger

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

22 June 2007

*To the Shareholders (and, for information
purpose only, the option holders of the Company)*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF RIGHT
TO RECEIVE THE DISTRIBUTABLE PROFIT
FROM THE E-SPORTS PLATFORM IN THE PRC
AND RE-ELECTION OF DIRECTORS**

THE ACQUISITION

The Board announced that on 17 May 2007, Success Advantage, a wholly owned subsidiary of the Company, entered into the Cancelled Agreement with CCI pursuant to which Success Advantage has agreed to acquire the right to receive the Distributable Profit from CCI at the Consideration of HK\$304.5 million. Subsequently, the parties to the Cancelled Agreement decided to clarify certain provisions in the Cancelled Agreement and agreed to enter into the Acquisition Agreement on 28 May 2007, pursuant to which all the provisions in the Cancelled Agreement were restated in the Acquisition Agreement with clarifications where applicable. Immediately after the entering into of the Acquisition Agreement, the Cancelled Agreement has become null and void.

* For identification purpose only

LETTER FROM THE BOARD

The Distributable Profit is derived from the e-Sports Platform, which is one of the major channels of the 24365 Entertainment Portal developed, operated and owned by CCP, and is equivalent to 75% of the distributable profit (calculated as net profit after tax for the year after deducting 10% thereon as statutory reserve as required by the relevant PRC laws) derived from operating the e-Sports Platform as set out in the audited financial statements relating to the e-Sports Platform prepared in accordance with the International Financial Reporting Standards. CCI will and procure CCP to deliver to Success Advantage such audited financial statements of the e-Sports Platform within 60 days after the end of each financial year of the e-Sports Platform. Success Advantage shall within 14 days thereafter confirm CCI in writing as to its satisfaction of the said audited financial statements or make any adjustments. CCI shall pay the Distributable Profit in cash to Success Advantage within 7 days thereafter.

The Acquisition constitutes a major and connected transaction of the Company under the GEM Listing Rules and is subject to approval of the Independent Shareholders at the EGM by way of poll. An Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Acquisition Agreement. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The purposes of this circular are: (i) to provide you with further details of the Acquisition; (ii) to set out the recommendations from the Independent Board Committee and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the terms of the Acquisition; (iii) to provide you with information regarding the Directors to be retired at the EGM and, being eligible, offered themselves for re-election at the EGM; and (iv) to give the Shareholders notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder and re-election of Directors.

THE ACQUISITION AGREEMENT DATED 28 MAY 2007

A. Parties to the Acquisition Agreement:

- (a) CCI (as vendor); and
- (b) Success Advantage (as purchaser).

B. Consideration

The Consideration for the Acquisition of HK\$304.5 million is agreed between CCI and Success Advantage on an arm's length basis and will be settled by the Company allotting and issuing the Consideration Shares upon Completion.

The Consideration was determined after arm's length negotiation between CCI and Success Advantage with reference to: (i) a preliminary valuation of the right to receive the Distributable Profit as at 30 April 2007 of approximately RMB305.3 million (equivalent to approximately HK\$311.4 million) prepared on a discounted cash flow basis by an independent valuer, Grant Sherman (which was subject to issuance of the final valuation report); and (ii) the future prospects of the online game industry in the PRC.

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The Consideration represents a discount of approximately 2.2% to the preliminary valuation of the right to receive the Distributable Profit as at 30 April 2007 of approximately RMB305.3 million (equivalent to approximately HK\$311.4 million).

The Board has been given to understand that the determination of the discount rate adopted under the discounted cash flow method for the preliminary and final valuation is derived using the Capital Asset Pricing Model ("CAPM"), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (known as "beta") times equity market premium in general. The cost of equity is then further adjusted by applying the small capitalization risk premium and start-up risk premium. As advised by Grant Sherman, the cost of equity for the Company is arrived at 14.25%. After taken into account of the small size premium of 6.27% and start-up risk premium of 3%, the discount rate adopted in the preliminary and final valuation is arrived at 23.52%. The Board considers that the preliminary and final valuation of the right to receive the Distributable Profit is prepared with an appropriate discount rate.

Having considered the preliminary valuation of the right to receive the Distributable Profit prepared by an independent valuer, the discount of the Consideration compared with such valuation and the future prospects of the online game industry in the PRC, the Board considers that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The final valuation report of the right to receive the Distributable Profit prepared by Grant Sherman as at 30 April 2007 of RMB306.1 million (equivalent to approximately HK\$312.2 million) is set out in the Appendix II to this circular. The Consideration represents a discount of approximately 2.5% to the final valuation of the right to receive the Distributable Profit as at 30 April 2007. 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 III to this circular.

The Consideration Shares, being 105 million new Shares, represent:

- approximately 15.10% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- approximately 13.12% of the Company's issued share capital as enlarged by the Consideration Shares.

The Issue Price, being HK\$2.90 per Consideration Share, represents:

- a premium of approximately 3.57% over the closing price of HK\$2.80 per Share as quoted on the Stock Exchange on 16 May 2007, being the last trading day immediately prior to the date of the Announcement;
- a premium of approximately 3.13% over the average closing price of HK\$2.812 per Share based on the closing prices as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Announcement; and
- a premium of approximately 8.61% over the closing price of HK\$2.67 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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The Issue Price is determined after arm's length negotiation between CCI and the Company. The Board considers that the Issue Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Application will be made by the Company to the GEM Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will be allotted and issued under the general mandate granted by the Shareholders to the Board on 28 July 2006. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares at the date of allotment.

C. Distributable Profit in relation to the e-Sports Platform

The Distributable Profit will be determined annually within 14 days after the audited financial statements of e-Sports Platform has been delivered to Success Advantage, and during such period Success Advantage shall confirm CCI in writing as to its satisfaction to the financial statements or make any adjustments. Such audited financial statements is required to be delivered to Success Advantage within 60 days after the end of each financial year of the e-Sports Platform, or after termination of the Acquisition Agreement.

Pursuant to the Acquisition Agreement, CCI has irrevocably undertaken to Success Advantage that, within 60 days after the end of each financial year, CCI will and procure CCP to submit a set of financial statements relating to the e-Sports Platform to Success Advantage for determination of the Distributable Profit. The financial statements shall be audited and prepared in accordance with the International Financial Reporting Standards. CCI shall, within 7 days after receipt of written satisfactory notice from Success Advantage, arrange payment to Success Advantage in cash for the amount equivalent to 75% of the distributable profit as set out in the financial statements.

Success Advantage has the right to appoint auditors or agents annually to verify the financial statements and to issue a certificate to confirm the amount of Distributable Profit to be received by Success Advantage. The amount of Distributable Profit to be received by Success Advantage, if to be confirmed by its auditors or agents, shall be final and binding on the parties to the Acquisition Agreement.

D. Conditions precedent

The Acquisition is conditional upon, among other things, the following conditions:

- (a) all necessary consents, authorisations, licenses and approvals required to be obtained on the part of CCI in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained;
- (b) the passing of an ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder by the Independent Shareholders at the EGM to be convened and held, including but not limited to the allotment and issue of the Consideration Shares, credited as fully paid, to CCI;

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- (c) the obtaining of legal opinions to be issued by a firm of PRC lawyers acceptable to Success Advantage covering such matters under the respective jurisdiction relevant to the transactions contemplated under the Acquisition Agreement in such form and substance to the satisfaction of Success Advantage;
- (d) the obtaining of a valuation report to be issued by a firm of valuers appointed by Success Advantage showing the fair market value of the right to receive the Distributable Profit as at 30 April 2007 to be not less than RMB305.3 million;
- (e) the GEM Listing Committee granting the listing of, and permission to deal in, the Consideration Shares;
- (f) the warranties and representations provided by the vendor under the Acquisition Agreement remaining true and accurate in all respects;
- (g) completion of a satisfactory due diligence review on the carrying out of the operation of the e-Sports Platform by the Company; and
- (h) all other matters reasonably requested by Success Advantage.

The Acquisition Conditions are required to be fulfilled by 30 September 2007 or such other date as may be agreed by CCI and Success Advantage. If the Acquisition Conditions are not fulfilled or waived by Success Advantage (except for conditions (a), (b), (d) and (e)) by such date, the Acquisition Agreement will lapse and all the obligations and liabilities of the parties to the Acquisition Agreement will cease and terminate save for any antecedent breaches of the terms thereof.

E. Completion

Completion of the Acquisition shall take place on the third Business Day after all the abovementioned conditions being fulfilled or waived by Success Advantage thereof (except for conditions (a), (b), (d) and (e) above which cannot be waived).

F. Provision of hardware and software for the operation of the e-Sports Platform

CCI has undertaken to Success Advantage that so long as Success Advantage remains interested in the right to receive the Distributable Profit, CCI will procure CCP to provide, amongst other things, the following services:

- (a) to provide the platform servers and related ancillary equipment of the 24365 Entertainment Portal located at Beijing, Guangzhou and Nanjing of the PRC and the relevant software necessary for the operation of the e-Sports Platform. CCI has further undertaken to procure CCP or other parties to provide up to standard technical support and maintenance services for the operation of the e-Sports Platform and will from time to time enhance and upgrade the platform servers, relevant hardware and software when necessary; and

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- (b) to provide games for the purpose of conducting game tournaments on the e-Sports Platform; provide up to standard technical support and maintenance services for the running of the games on the e-Sports Platform and will from time to time provide the enhanced or upgraded versions of the games; in the event that CCP obtains any licenses of new games in the future, CCP will provide such games to the e-Sports Platform for conducting game tournaments on a preferential basis, without additional cost to be incurred by Success Advantage.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) financial programs and video production services; and (iii) investor education on financial markets in Hong Kong. The Group is also engaged in the licensing of computer games in the PRC.

RELATIONSHIP BETWEEN CCC, CCI AND CCP

CCC is a nationwide telecom operator and Internet network operator in the PRC covering a wide range of value-added telecom services. Currently, 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” is designed to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees, etc.

CCI, a wholly owned subsidiary of CCC, is interested in 75% of the registered capital in CCP and approximately 16.61% in the issued share capital of the Company as at the Latest Practicable Date. CCI is principally engaged in investments in information technology related businesses, including the operation and distribution of computer games.

CCP, owned as to 75% by CCI and 25% by CCC, is principally engaged in the development, operation and distribution of computer games and online games in the PRC. CCP currently develops and operates nationwide game platforms such as battlenet platform, online game platform, mobile game platform, and casual game platform. CCP is licensed to distribute and operate a number of well-known computer games in the PRC market, including “Counter-Strike” (反恐精英), “WarCraft” (魔獸爭霸), “StarCraft” (星際爭霸), “Half Life” (半條命) and “Diablo” (暗黑破壞神).

The e-Sports Platform is developed, operated and owned by CCP. Given that CCI owns 75% equity interest in CCP and CCI controls the operations and running of CCP, CCI would be able to fulfill its obligation to the Company under the Acquisition Agreement.

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INFORMATION ON THE E-SPORTS PLATFORM

The e-Sports Platform, one of the major channels of the 24365 Entertainment Portal, is a platform developed, operated and owned by CCP for conducting nationwide tournaments for computer games and online games, including but not limited to “Counter-Strike” (反恐精英), “WarCraft” (魔獸爭霸) and “StarCraft” (星際爭霸) etc. The e-Sports Platform is part of the content of the 24365 Entertainment Portal (www.24365pt.com) while CCP operates and holds the intellectual properties of this portal (such as the domain name of www.24365pt.com). The e-Sports Platform was launched in April 2007 and the first tournament of the e-Sports Platform has commenced on 5 June 2007. After the completion of the Acquisition, CCP will still be responsible for the operation of the e-Sports Platform. As the e-Sports Platform had only launched in April 2007, there is no track record as to its financial performance.

REASONS AND BENEFITS OF THE ACQUISITION

The Board considers that the PRC multimedia and internet market is a fast growing sector with significant business potential. To capture the benefit of such potential, the Group has been seeking opportunities to be engaged in the business in relation to the multimedia and internet market in the PRC. According to the China Internet Industry Research Report 2007 compiled by iResearch, an independent consulting agent, the internet market size in the PRC is expected to increase from approximately RMB33.6 billion in 2006 to approximately RMB94 billion in 2010. As one of the major sectors in the Internet market, the online game market has also been growing with the internet market. According to CCID Consulting, an independent consulting agent, the PRC online game market size is expected to reach about RMB22.7 billion in 2010.

Electronic sports, abbreviated as e-sports or e-Sports, is used as a general term to describe computer and video games that are played as competitive sport. Games which are considered electronic sports normally belong to the first-person shooter, real-time strategy, or sports game genres. They are played competitively at both amateur and professional levels. The e-Sports has been officially listed as the 99th competitive sports in the PRC since 2003 by the General Administration of Sports of China (國家體育總局) and the government is promoting and supporting the development of e-Sports. Ever since then, e-Sports has gained a lot of participants in the PRC. Electronic games like Counter Strike, WarCraft entertain many game lovers in the PRC, which provides a solid base for a promising industry. CCP’s e-Sports Platform provides game lovers an online community to interact with other game lovers, to enjoy the fun of competition and also serves as the social activity place for game players. The management of the Company believes that the e-Sports industry will bloom as will other competitive sports. Capitalising CCP’s resources including its large number of exclusive license rights of computer games which enable future enhancement and enrichment of the content of the e-Sports Platform and its advanced payment system of “Shentong Card”, the Company believes that the e-Sports Platform will continue to develop as one of the major community for e-Sports participants.

LETTER FROM THE BOARD

By acquiring the right to receive the Distributable Profit derived from the e-Sports Platform, the Board considers that the Group will benefit from the fast growth in the PRC online game market as the platform currently holds nationwide computer and online game tournaments in various regions of the PRC based on widely distributed game titles. Initially, the e-Sports Platform will hold monthly tournaments for “Counter-Strike” (反恐精英), “WarCraft” (魔獸爭霸) and “StarCraft” (星際爭霸). Through the linkage with CCC’s Shengtong Card billing system, the e-Sports Platform has begun to generate revenue by charging online players at an hourly rate for online practice and playing at the tournaments. Apart from this, the e-Sports Platform also generates enrollment fees from online players for enrolling the said tournaments and advertising income from sponsors of the said tournaments. In addition, the capacity of the e-Sports Platform is scheduled for expansion in three phases. Currently, the platform is at the first phase of development with an estimated maximum capacity of 300,000 users, and the platform will continue to implement the second phase and third phase of development.

Based on the business prospect of the e-Sports Platform and the long-term outlook of the PRC online game market, the Board considers that the Acquisition represents a good opportunity for the Group and is in the interests of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE AFTER COMPLETION

To the best knowledge of the Directors, the existing shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company upon the allotment and issue of the Consideration Shares are as follows:

	As at the Latest Practicable Date and before Completion		After Completion	
	Number of Shares	%	Number of Shares	%
CCI (Note 1)	115,542,000	16.61	220,542,000	27.55
Superhero Limited (Note 2)	74,979,195	10.78	74,979,195	9.37
Public Shareholders:				
Supreme System Investments Limited (Note 3)	54,001,144	7.76	54,001,144	6.74
Ms. Chan Wong Kam Fung, Cecilia	51,500,798	7.40	51,500,798	6.43
Subscriber pursuant to the subscription as announced on 29 May 2007 and completed on 11 June 2007	20,000,000	2.88	20,000,000	2.50
Other public Shareholders	379,563,624	54.57	379,563,624	47.41
Total	<u>695,586,761</u>	<u>100.00</u>	<u>800,586,761</u>	<u>100.00</u>

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Notes:

1. CCC is deemed to be a substantial Shareholder (as defined under the GEM Listing Rules) as CCI is a wholly owned subsidiary of CCC.
2. Ms. Mi Hui Ying is deemed interested in the Shares held by Superhero Limited by virtue of her 100% beneficial interest in Superhero Limited, and they are both substantial Shareholders (as defined under the GEM Listing Rules) as at the Latest Practicable Date.
3. Mr. Ge Wen Bin is deemed interested in the Shares held by Supreme System Investments Limited by virtue of his 100% beneficial interest in Supreme System Investments Limited.

None of Ms. Mi Hui Ying, Mr. Ge Wen Bin and Ms. Chan Wong Kam Fung, Cecilia is involved in the management and operation of the Company and each of them is not acting in concert with each other.

IMPLICATIONS UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, CCI was interested in approximately 16.61% of the entire issued share capital of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under the GEM Listing Rules and is subject to approval of the Independent Shareholders at the EGM by way of poll. In addition, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. CCI and its associates will abstain from voting in respect of the ordinary resolution to be proposed at the EGM to consider and, if thought fit, to approve the Acquisition, including issue of the Consideration Shares, and the transactions contemplated thereunder.

If the ordinary resolution to be proposed at the EGM in relation to the Acquisition is not approved by the Independent Shareholders, the Acquisition Agreement will cease and terminate and the Acquisition will not proceed.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders to vote for or against the ordinary resolution to be proposed at the EGM.

EFFECT OF THE ACQUISITION TO THE GROUP

Earnings

Upon completion of the Acquisition, the Group will be entitled to the Distributable Profit derived from the operations of the e-Sports Platform, which has begun to generate revenue by charging online players at an hourly rate for online practice as well as

LETTER FROM THE BOARD

enrollment fees from online players and advertising income from sponsors for enrolling and sponsoring the online game tournaments, respectively. Hence, the Board considers that the Acquisition will enhance the Group's financial performance and broaden its earnings base.

Asset and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, the unaudited pro forma total assets and total liabilities of the Enlarged Group will be approximately HK\$1,084.04 million and HK\$402.99 million respectively. The gearing ratio, defined as the ratio of total liabilities to total assets, will be approximately 37.17% compared to approximately 52.12% as at 30 September 2006 as previously disclosed in the circular of the Company dated 30 November 2006. The unaudited pro forma consolidated net assets of the Enlarged Group will increase to approximately HK\$681.05 million as a result of the Acquisition, representing an increase of approximately 84.99% from the Group's unaudited pro forma consolidated net assets as at 30 September 2006 as previously disclosed in the circular of the Company dated 30 November 2006. The Board considers that the Acquisition will improve the Group's overall financial position.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a multimedia financial information services provider offering a comprehensive range of financial information services which include the provision of real-time financial news and up-to-date financial market commentaries and recommendations through multimedia and investor education of financial markets in Hong Kong. The Group is also engaged in the licensing of computer games in the PRC. For the financial year ended 31 March 2006, the Group recorded net loss attributable to Shareholders of approximately HK\$6,260,540 (2005: approximately HK\$3,270,173) and basic loss per Share was approximately HK1.48 cents (2005: HK0.82 cent).

The Board considers that the PRC multimedia and Internet market is a fast growing sector with significant business potential. The Board also believes that the computer games and electronic sports industry in the PRC will expand rapidly in the foreseeable future given the industrial policy supports from the PRC government. The Board is of the opinion that the Acquisition will enable the Group to participate in PRC's promising online game market and the Board is optimistic about the financial and trading prospects of the Group.

RE-ELECTION OF DIRECTORS

In accordance with Article 95 of the Articles of Association of the Company, Dr. Liu Jie and Ms. Weng Pinger, being independent non-executive Directors appointed by the Board to fill a casual vacancy with effect from 27 February 2007 and 16 May 2007, respectively, shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Dr. Liu Jie and Ms. Weng Pinger shall retire at the EGM and, being eligible, offer themselves for re-election at the EGM.

LETTER FROM THE BOARD

Biographical details of Dr. Liu Jie and Ms. Weng Pinger are set out in the section headed “Biographical details of Directors to be re-elected in the EGM” in Appendix V to this circular on pages 97 to 98.

EGM

The EGM will be held at 11:00 a.m. on Monday, 9 July 2007, at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong or any adjournments thereof, for the purpose of considering and, if thought fit, passing the resolutions to approve, among other matters, the Acquisition, the allotment and issue of the Consideration Shares and the re-election of Directors. A notice convening the EGM is set out on pages 103 to 104 of this circular.

In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be completed in accordance with the instructions printed thereon and delivered to the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th 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. The completion and return of the form of proxy will not preclude the Shareholders from attending and voting at the EGM or any adjourned meeting in person if they so wish.

PROCEDURES FOR DEMANDING A POLL

Pursuant to article 76 of the Articles of Association, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the GEM Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote; or
- (c) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (d) any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

LETTER FROM THE BOARD

- (e) if required by the GEM Listing Rules, by any Director or Directors who, individually and collectively, hold proxies in respect of Shares representing 5% or more of the total voting rights at such meeting.

RECOMMENDATIONS

The Directors consider the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

The Directors consider the re-election of Dr. Liu Jie and Ms. Weng Pinger as independent non-executive Directors are in the interest of the Company and the Shareholders as a whole and therefore recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to re-elect Dr. Liu Jie and Ms. Weng Pinger as independent non-executive Directors.

ADDITIONAL INFORMATION

Your attention is also 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

22 June 2007

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION OF RIGHT TO RECEIVE THE DISTRIBUTABLE PROFIT FROM THE E-SPORTS PLATFORM IN THE PRC

We refer to the circular dated 22 June 2007 issued by the Company (the “Circular”), of which this letter forms part. Terms used in this letter shall bear the same meanings as given to them in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders as to the fairness and reasonableness of the Acquisition Agreement and the transactions contemplated thereunder and to recommend how the Independent Shareholders should vote at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee in this regard.

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 16 of the Circular, and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Acquisition Agreement and the transactions contemplated thereunder as set out on pages 18 to 27 of the Circular.

Having taken into account the terms of the Acquisition Agreement and the advice of the Independent Financial Adviser, we are of the view that the terms of the Acquisition Agreement are fair and reasonable 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 resolution to be proposed at the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully
Independent Board Committee of
China Cyber Port (International) Company Limited
Yip Tai Him Dr. Liu Jie Weng Pinger

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 terms of the Acquisition Agreement prepared for the purpose of incorporation in this circular.

Nuada Limited

Corporate Finance Advisory

7th Floor, New York House
60 Connaught Road Central
Hong Kong

22 June 2007

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

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE PROPOSED ACQUISITION OF
RIGHT TO RECEIVE THE DISTRIBUTABLE PROFIT FROM
THE E-SPORTS PLATFORM IN THE PRC**

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the terms of the Acquisition Agreement, details of which are set out in the letter from the Board (the “Letter”) contained in the circular of the Company dated 22 June 2007 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.

The Acquisition Agreement was entered into between Success Advantage (a wholly-owned subsidiary of the Company) as purchaser and CCI as vendor, pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK\$304.5 million, the right to receive the Distributable Profit from CCI. Pursuant to the Acquisition Agreement, the Distributable Profit refers to 75% of the distributable profit (calculated as net profit after tax for the year after deducting 10% thereon as statutory reserve as required by the relevant PRC laws) derived from operating the e-Sports Platform in the PRC by CCP.

As at the Latest Practicable Date, CCI was interested in approximately 16.61% of the entire issued share capital of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under the GEM Listing Rules and is thus subject to approval of the Independent Shareholders at the EGM by way of poll. In addition, the Acquisition constitutes a major transaction for the Company under the GEM Listing Rules. CCI and its associates will abstain from voting in respect of the ordinary resolutions to be proposed at the EGM to approve the Acquisition.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Acquisition Agreement. Relevant information and documents included, among other things, (i) the Acquisition Agreement; (ii) the valuation report by Grant Sherman Appraisal Limited (the “Valuer”) in respect of the valuation of the right to receive the Distributable Profit (the “Valuation Report”); and (iii) the annual report and accounts of the Company for the year ended 31 March 2006, the first quarterly report of the Company for the three months ended 30 June 2006, the second quarterly report of the Company for the six months ended 30 September 2006 and the third quarterly report of the Company for the nine months ended 31 December 2006. We have also made reference to certain market research information available to us. 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.

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, CCI, CCP and/or their respective subsidiaries or associates and/or any of their partners and/or the operation and prospects of the e-Sports Platform in the PRC market. Neither have we carried out any independent verification or investigation of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. 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 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.

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. 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 in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

I. Background and benefits of the Acquisition Agreement

The Group is principally engaged in the provision of (i) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (ii) financial programs and video production services; and (iii) investor education on financial markets in Hong Kong. The Group is also engaged in the licensing of computer games in the PRC.

Pursuant to the Acquisition Agreement, the Group agrees to acquire from CCI the right to receive the Distributable Profit which is equivalent to 75% of the distributable profit (calculated as net profit after tax for the year after deducting 10% thereon as statutory reserve as required by the relevant PRC laws) derived from operating the e-Sports Platform in the PRC by CCP. As advised by the Company and according to the information provided by CCP, the e-Sports Platform is one of the major channels of the 24365 Entertainment Portal which conduct nationwide tournaments for online games, including but not limited to Counter-Strike, WarCraft and StarCraft, etc.. The 24365 Entertainment Portal offers a variety of online entertainments including provision of news and information, music, movies as well as online games and competitions, etc..

The e-Sports Platform was launched in April 2007 and as at the Latest Practicable Date, there had been over 290,000 applicants joining the first e-sports tournament held by the e-Sports Platform which commenced on 5 June 2007 according to the information provided by CCP. Currently, the e-Sports Platform is at the first

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

phase of development which can support a maximum of 300,000 concurrent users and will continue to implement the second phase and third phase of development. The revenue sources for the e-Sports Platform are in threefold, namely enrollment fees from online players for joining the e-sports tournaments, hourly charges for playing at the e-sports tournaments through CCC's Shentong Card billing system and advertising income from sponsors of the e-sports tournaments. The e-Sports Platform, through the linkage with CCC's Shentong Card billing system, is currently generating revenue by charging online players at an hourly rate for online practice of playing at the tournaments as well as enrollment fees for joining the e-sports tournaments. In addition, as advised by the Company, CCP had secured an advertising contract for the e-Sports Platform.

As stated in the third quarterly report 2006 of the Company, the Company considers that the PRC multimedia and internet market is a fast growing sector with significant business potential. To capture the benefit of this fast growing market, the Group has been seeking opportunities to form alliances or to cooperate with partners that have well developed multimedia networks in the PRC. By acquiring the right to receive the Distributable Profit under the Acquisition Agreement, the Board considers that the Group will benefit from the fast growth in the PRC online game markets as the e-Sports Platform currently holds nationwide computer and online game tournaments in various regions of the PRC. We consider that the Acquisition is in line with the Group's business development in the PRC online game market and would broaden the revenue base of the Group with the right to receive the Distributable Profit under the Acquisition Agreement.

According to the Statistical Survey Report on the Internet Development in China (January 2007) conducted by China Internet Network Information Centre, the state network information centre of China, as at 31 December 2006, the number of Internet users in China has been increasing and reached the historical high of 137 million, representing an increase of approximately 23.4% as compared to the previous year end. According to iResearch Consulting Group ("iResearch"), a market research company which focuses on the Internet industry in China, the revenue size of online game operators in China amounted to RMB7.68 billion in 2006, representing an annual growth rate of 60%, and it is expected that the online game industry in China would continue to grow with the revenue size of online game operators reaching RMB10.80 billion in 2007 and RMB19.80 billion in 2010. In addition, according to the China Online Advertising Research Report 2006 conducted by iResearch, the online advertising market size in China in 2006 amounted to RMB4.66 billion, representing an increase of 48.8% as compared to the previous year, and is expected to reach RMB6.20 billion in 2007 and RMB9.80 billion in 2008. As such, we consider that the Acquisition represents a business opportunity for the Group to capture the growth potentials of the PRC online game and advertising sector.

Given the Acquisition is in line with the Group's business development in the PRC online game market, broadens the revenue base of the Group and provides an opportunity for the Group to benefit from the potential growth of the online game market in the PRC, we consider that the entering into of the Acquisition Agreement is in the ordinary course of business and in the interest of the Company and the Independent Shareholders as a whole.

II. Principal terms of the Acquisition Agreement

Consideration and payment terms

Pursuant to the Acquisition Agreement, Success Advantage conditionally agrees to acquire the right to receive the Distributable Profit from CCI at a consideration of HK\$304.5 million. The Consideration shall be settled by the Company allotting and issuing 105 million Consideration Shares at the Issue Price of HK\$2.90 per Consideration Share to CCI at the date of completion of the Acquisition.

The consideration was determined after arm's length negotiation between CCI and Success Advantage with reference to (i) the preliminary valuation of the right to receive the Distributable Profit as at 30 April 2007 of approximately RMB305.3 million (equivalent to approximately HK\$311.4 million) prepared on a discounted cash flow basis by the Valuer (which was subject to issuance of the Valuation Report); and (ii) the future prospects of the online game industry in the PRC.

We have reviewed 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 right to receive the Distributable Profit and had selected the income approach with the adoption of the discounted cash flow method based on the financial projections provided by CCP. We understand from the Valuer that the income approach was selected taking into consideration that the market approach and the cost approach rely on data from public trading markets or game developers which are rarely available in most of valuation practice of game industry and that it is not generally appropriate to apply the market or cost approach to value a right to receive distributable profit related to operating an Internet portal due to the uniqueness of the platform and when there is a reasonable base to estimate the future income to be generated by the e-Sports Platform.

We have also discussed with the Valuer regarding the determination of the discount rate adopted under the discounted cash flow method by the Valuer had been derived using the Capital Asset Pricing Model ("CAPM") with reference to the required rate of return demanded by investors for similar projects. We are given to understand that the rate of return is the sum of the risk-free return, which is the yield of the long term bond issued in the PRC, and the equity risk premium, which is arrived at taking into account the stock data of eight comparable companies (the "Comparables"), with adjustments by adding the small capitalization 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 which the e-Sports Platform exposed to as compared to the Comparables and the respective rates of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Adjustment Premium is 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 right to receive the Distributable Profit. Given the above, we consider that the discount rate adopted in the Valuation and the further discount for lack of marketability 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 and the financial projections of the e-Sports Platform, the worksheet prepared by the Valuer in respect of the parameters of the Comparables and the computation of the net present value of the projected Distributable Profit of the e-Sports Platform, we consider the basis, assumptions and methodologies adopted for the valuation of the right to receive the Distributable Profit appropriate.

Accordingly to the Valuation Report included as Appendix II in this Circular, the valuation for the right to receive the Distributable Profit amounted to approximately RMB306.1 million (equivalent to approximately HK\$312.2 million) as at 30 April 2007. The Consideration of HK\$304.5 million thus represents a discount of approximately 2.5% to the valuation of the right to receive the Distributable Profit as at 30 April 2007 by the Valuer. As such, we consider that the Consideration is fair and reasonable so far as the Company and the Independent Shareholders are concerned, in particular given the Acquisition would not cause any cash outlay of the Group as the Consideration would be fully settled by the issue and allotment of the Consideration Shares and the premium represented by the Issue Price of the Consideration Shares over the prevailing market price of the Shares as detailed below.

Issue and allotment of the Consideration Shares

As mentioned above, the Consideration for the Acquisition shall be fully settled by the Company allotting and issuing the Consideration Shares at the Issue Price pursuant to the Acquisition Agreement. The Consideration Shares, comprising 105 million new Shares, represent approximately 15.10% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 13.12% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares.

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The Issue Price of HK\$2.900 per Consideration Share represents:

- (i) a premium of approximately 3.57% over the closing price of HK\$2.800 per Share as quoted on the Stock Exchange on 16 May 2007, being the last trading day immediately prior to the date of the Announcement (the “Last Trading Day”);
- (ii) a premium of approximately 3.13% over the average closing price of approximately HK\$2.812 per Share based on the closing prices as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Announcement;
- (iii) a premium of approximately 1.93% over the average closing price of approximately HK\$2.845 per Share based on the closing prices as quoted on the Stock Exchange for the 10 consecutive trading days of the Shares immediately prior to the date of the Announcement;
- (iv) a premium of approximately 757.99% over the consolidated net asset value per Share of HK\$0.338 (the “NAV per Share”), calculated based on the unaudited consolidated net assets of the Company of approximately HK\$235.15 million as at 30 September 2006 and the 695,586,761 Shares in issue as at the Latest Practicable Date;
- (v) a premium of approximately 1,986.33% over the consolidated net tangible asset value per Share of HK\$0.139 (the “NTA per Share”), calculated based on the unaudited consolidated net tangible assets of the Company of approximately HK\$96.40 million as at 30 September 2006 and the 695,586,761 Shares in issue as at the Latest Practicable Date; and
- (vi) a premium of approximately 8.61% over the closing price of HK\$2.670 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

We set out in the table below the highest and lowest trading prices of the Shares for each of the calendar month during the period from 1 June 2006 up to and including the Latest Practicable Date, being the 12-month period

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prior to the month of the Announcement and thereafter up to and including the Latest Practicable Date (the “Review Period”):

Trading price	Highest trading price (HK\$)	Lowest trading price (HK\$)
2006		
June	1.760	1.510
July	2.125	1.740
August	2.200	1.850
September	3.060	2.230
October (<i>Note 1</i>)	4.180	2.880
November	4.180	3.430
December	3.960	2.200
2007		
January	4.020	2.720
February	4.050	3.650
March	3.800	3.280
April	3.380	2.610
May (<i>Note 2</i>)	2.920	2.500
June (up to the Latest Practicable Date) (<i>Note 2</i>)	3.500	2.570

Notes:

1. Trading of the Shares was suspended from 23 October 2006 to 26 October 2006.
2. Trading of the Shares was suspended from 17 May 2007 to 1 June 2007.

As illustrated in the above table, the trading prices of the Shares ranged from the lowest of HK\$1.510 to the highest of HK\$4.180 per Share during the Review Period (the “Range”). The Issue price of HK\$2.900 per Consideration Share is within the Range. Given that and the Issue Price of the Consideration Shares represents a premium to the closing price of the Shares on the Last Trading Day, the average closing price of the Share for the five consecutive trading days and the 10 consecutive trading days of the Shares immediately prior to the date of the Announcement, the closing price of the Shares on the Latest Practicable Date, the NAV per Share as well as the NTA per Share, we consider that the Issue Price is acceptable.

We, however, would like to draw the Shareholders’ attention that the allotment and issue of the Consideration Shares will affect the shareholding structure of the Company. As at the Latest Practicable Date, CCI was interested in approximately 16.61% of the entire issued share capital of the Company. Upon the issue and allotment of the Consideration Shares, assuming other things remain constant, the shareholding of CCI would be increased to approximately 27.55% of the issued share capital of the Company as enlarged

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by the issue and allotment of the Consideration Shares, while the aggregate shareholding of existing public shareholders would be diluted from approximately 72.61% of the issued share capital of the Company as at the Latest Practicable Date to approximately 63.08% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares. Please refer to the Letter for details of the effects on the shareholding structure of the Company upon the issue and allotment of the Consideration Shares. We are of the view that given the premium represented by the Issue Price over the prevailing market price of the Shares, the NAV per Share and the NTA per Share as detailed above, the issue and allotment of the Consideration Shares for settlement of the Consideration is in the interest of the Company and the Shareholders as a whole in that the Acquisition would cause no cash outlay but broaden the revenue base of the Group and the Group could retain more cash resources and working capital for its day-to-day operations and future developments.

Provision of hardware and software for the operation of the e-Sports Platform

Pursuant to the Acquisition Agreement, CCI has undertaken to Success Advantage that so long as Success Advantage remains interested in the right to receive the Distributable Profit, CCI will procure CCP to provide, amongst other things, the following services:

- (a) to provide the platform servers and related ancillary equipment of the 24365 Entertainment Portal located at Beijing, Guangzhou and Nanjing of the PRC and the relevant software necessary for the operation of the e-Sports Platform. CCI has further undertaken to procure CCP or other parties to provide up to standard technical support and maintenance services for the operation of the e-Sports Platform and will from time to time enhance and upgrade the platform servers, relevant hardware and software when necessary; and
- (b) to provide games for the purpose of conducting game tournaments on the e-Sports Platform; provide up to standard technical support and maintenance services for the running of the games on the e-Sports Platform and will from time to time provide the enhanced or upgraded versions of the games; in the event that CCP obtains any licenses of new games in the future, CCP will provide such games to the e-Sports Platform for conducting game tournaments on a preferential basis, without additional cost to be incurred by Success Advantage.

We consider that such terms in relation to the provision of hardware and software for the operation of the e-Sports Platform are in place to ensure proper operation and development of the e-Sports Platform without additional cost to be incurred by Success Advantage and thus in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. Financial effects

The unaudited net assets of the Group amounted to approximately HK\$235.15 million as at 30 September 2006. According to the unaudited pro forma statement of assets and liabilities the Enlarged Group as shown in the section headed “Pro forma financial information of the Enlarged Group” in Appendix IV of this Circular (the “Proforma Assets and Liabilities Statement”), the previous published pro forma net assets of the Group as at 30 September 2006 as extracted from the circular of the Company issued on 30 November 2006 was approximately HK\$368.15 million and the unaudited pro forma net assets of the Enlarged Group as at 30 September 2006 after making certain pro forma adjustments resulting from the Acquisition shall be approximately HK\$681.05 million.

As the e-Sports Platform had just launched in April 2007 and there is no track record as to its financial performance, there shall have no material effect on the earnings of the Group immediately upon completion of the Acquisition. The Acquisition would broaden the revenue base of the Group in that the Group would be entitled to receive the Distributable Profit on a yearly basis upon Completion. As no additional cost would be incurred by the Group in relation to the operation of the e-Sports Platform, the Acquisition shall have no material adverse effect on the earnings of the Group. Given the Consideration shall be fully settled by the allotment and issue of the Consideration Shares, there shall have no material effect on the working capital of the Group immediately upon completion of the Acquisition.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the Acquisition is in the ordinary course of business of the Group 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. Accordingly, we recommend the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM in respect of the Acquisition Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited

Bernard Chan
Executive Director

Po Chan
Executive Director

1. SUMMARY OF FINANCIAL STATEMENTS

Set out below is a summary of the audited consolidated income statements of the Group for the years ended 31 March 2004, 2005 and 2006, the unaudited consolidated income statements of the Group for the six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005, the audited consolidated balance sheets of the Group as at 31 March 2004, 2005 and 2006 as extracted from the Company's annual report for the year 2005 and 2006, and the unaudited consolidated balance sheet of the Group as at 30 September 2006 as extracted from the Company's the interim report for the six months ended 30 September 2006. 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 2004, 2005 and 2006.

CONSOLIDATED INCOME STATEMENT

	Unaudited For the six months ended 30 September		Audited For the year ended 31 March		
	2006	2005	2006	2005	2004
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	10,411,138	1,286,907	7,765,796	4,569,961	2,693,048
Cost of sales	(7,541,790)	(226,500)	(4,322,010)	(1,451,860)	(487,022)
Gross profit	2,869,348	1,060,407	3,443,786	3,118,101	2,206,026
Gain on derecognition of promissory note	693,818	–	–	–	–
Other revenue	1,020,855	158,674	396,208	33,481	62,594
Selling expenses	–	(154,348)	(263,100)	(331,496)	(245,119)
Administrative expenses	(5,773,781)	(2,279,851)	(5,881,756)	(3,889,804)	(3,575,242)
Other operating expenses	(3,361,540)	(632,855)	(3,066,841)	(1,648,508)	(1,786,878)
Operating profit	(4,551,300)	(1,847,973)	(5,371,703)	(2,718,226)	(3,338,619)
Finance costs	(880,261)	(70,968)	(353,524)	–	–
Share of loss of associated company	(496,846)	(838,364)	(1,650,448)	(551,947)	–
Loss before income tax	(5,928,407)	(2,757,305)	(7,375,675)	(3,270,173)	(3,338,619)
Income tax	–	–	1,115,135	–	–
Loss attributable to shareholders	(5,928,407)	(2,757,305)	(6,260,540)	(3,270,173)	(3,338,619)
Loss per share – basic	(HK0.99 cent)	(HK0.66 cent)	(HK1.48 cent)	(HK0.82 cent)	(HK0.83 cent)
Loss per share – diluted	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 September 2006 HK\$	2006 HK\$	Audited As at 31 March 2005 HK\$	2004 HK\$
NON-CURRENT ASSETS				
Fixed assets	277,623	452,388	103,621	250,989
Deferred tax assets	1,115,135	1,115,135	–	–
Intangible assets	138,750,000	146,250,000	–	–
Investments in an associated company	3,529,162	4,026,008	5,569,353	4,622,641
	<u>143,671,920</u>	<u>151,843,531</u>	<u>5,672,974</u>	<u>4,873,630</u>
CURRENT ASSETS				
Loan receivable from an associated company	1,884,615	1,884,615	1,850,436	–
Accounts receivable	29,760	21,360	30,080	18,440
Amount due from a related Company	14,423,077	4,807,692	–	–
Deposits and prepayments	2,543,594	412,164	221,945	746,594
Cash and bank balances	72,803,677	2,850,589	4,683,667	9,486,992
	<u>91,684,723</u>	<u>9,976,420</u>	<u>6,786,128</u>	<u>10,252,026</u>
CURRENT LIABILITIES				
Accounts payable	–	–	5,370	6,866
Accrued expenses	160,221	147,189	239,287	144,187
Convertible bonds	–	4,805,083	–	–
Receipts in advance and other payables	41,497	41,497	124,905	1,113,549
	<u>201,718</u>	<u>4,993,769</u>	<u>369,562</u>	<u>1,264,602</u>
NET CURRENT ASSETS	<u>91,483,005</u>	<u>4,982,651</u>	<u>6,416,566</u>	<u>8,987,424</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>235,154,925</u>	<u>156,826,182</u>	<u>12,089,540</u>	<u>13,861,054</u>
NON-CURRENT LIABILITIES				
Promissory Note	–	69,733,626	–	–
TOTAL NET ASSETS	<u>235,154,925</u>	<u>87,092,556</u>	<u>12,089,540</u>	<u>13,861,054</u>
FINANCED BY				
Share capital	6,350,868	5,135,520	4,000,000	4,000,000
Reserves	228,804,057	81,957,036	8,089,540	9,861,054
	<u>235,154,925</u>	<u>87,092,556</u>	<u>12,089,540</u>	<u>13,861,054</u>

2. AUDITED FINANCIAL STATEMENTS FOR THE TWO YEARS ENDED 31 MARCH 2006

Set out below are the audited consolidated financial statements of the Group for the two years ended 31 March 2006, which are extracted from the annual report of the Company for the year ended 31 March 2006. The auditors of the Company have given an unqualified opinion on each of the Group's financial statements for each of the two years ended 31 March 2006.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	2006 HK\$	2005 HK\$
Turnover	5	7,765,796	4,569,961
Cost of sales		<u>(4,322,010)</u>	<u>(1,451,860)</u>
Gross profit		3,443,786	3,118,101
Other revenue		396,208	33,481
Selling expenses		(263,100)	(331,496)
Administrative expenses		(5,881,756)	(3,889,804)
Other operating expenses		<u>(3,066,841)</u>	<u>(1,648,508)</u>
Operating loss	6	(5,371,703)	(2,718,226)
Finance costs	7	(353,524)	–
Share of loss of associated company		<u>(1,650,448)</u>	<u>(551,947)</u>
Loss before income tax		(7,375,675)	(3,270,173)
Income tax	8	<u>1,115,135</u>	<u>–</u>
Loss attributable to shareholders		<u><u>(6,260,540)</u></u>	<u><u>(3,270,173)</u></u>
Loss per share for loss attributable to shareholders of the Company during the year	10		
– Basic		<u><u>(HK1.48 cents)</u></u>	<u><u>(HK0.82 cent)</u></u>
– Diluted		<u><u>N/A</u></u>	<u><u>N/A</u></u>

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
NON-CURRENT ASSETS			
Fixed assets	13	452,388	103,621
Deferred tax assets	14	1,115,135	–
Intangible assets	15	146,250,000	–
Investments in associated company	16(a)	4,026,008	5,569,353
		<u>151,843,531</u>	<u>5,672,974</u>
CURRENT ASSETS			
Loan receivable from associated company	16(b)	1,884,615	1,850,436
Accounts receivable	18	21,360	30,080
Amount due from a related company	19	4,807,692	–
Deposits and prepayments		412,164	221,945
Cash and bank balances		2,850,589	4,683,667
		<u>9,976,420</u>	<u>6,786,128</u>
CURRENT LIABILITIES			
Accounts payable	20	–	5,370
Accrued expenses		147,189	239,287
Convertible bonds	21	4,805,083	–
Receipts in advance and other payables		41,497	124,905
		<u>4,993,769</u>	<u>369,562</u>
NET CURRENT ASSETS		<u>4,982,651</u>	<u>6,416,566</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		156,826,182	12,089,540
NON-CURRENT LIABILITIES			
Promissory notes	23	69,733,626	–
NET ASSETS		<u>87,092,556</u>	<u>12,089,540</u>
FINANCED BY			
Share capital	22	5,135,520	4,000,000
Reserves		81,957,036	8,089,540
TOTAL EQUITY		<u>87,092,556</u>	<u>12,089,540</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
BALANCE SHEET
AS AT 31 MARCH 2006

	<i>Notes</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
NON-CURRENT ASSETS			
Investments in subsidiary companies	17	<u>48,134,229</u>	<u>10,585,794</u>
CURRENT ASSETS			
Cash and bank balances		<u>479,556</u>	<u>3,922,647</u>
CURRENT LIABILITIES			
Accrued expenses		22,969	24,000
Convertible bonds		<u>4,805,083</u>	<u>–</u>
		<u>4,828,052</u>	<u>24,000</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(4,348,496)</u>	<u>3,898,647</u>
TOTAL NET ASSETS		<u><u>43,785,733</u></u>	<u><u>14,484,441</u></u>
FINANCED BY			
Share capital	22	5,135,520	4,000,000
Reserves		<u>38,650,213</u>	<u>10,484,441</u>
TOTAL EQUITY		<u><u>43,785,733</u></u>	<u><u>14,484,441</u></u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

STATEMENTS OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY FOR THE YEAR ENDED 31 MARCH 2006

Group

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Capital surplus HK\$	Asset revaluation reserve HK\$	Exchange revaluation reserve HK\$	Convertible bond reserve HK\$	Employee share-based compensation reserve HK\$	Accumul- ated losses HK\$	Total HK\$
Balance as at										
1 April 2004	4,000,000	15,195,487	8,320,333	-	-	-	-	-	(13,654,766)	13,861,054
Loss for the year	-	-	-	-	-	-	-	-	(3,270,173)	(3,270,173)
Excess amount contributed by the major investor of the associated company	-	-	-	1,498,659	-	-	-	-	-	1,498,659
Balance as at										
1 April 2005	4,000,000	15,195,487	8,320,333	1,498,659	-	-	-	-	(16,924,939)	12,089,540
Loss for the year	-	-	-	-	-	-	-	-	(6,260,540)	(6,260,540)
Issue of shares	1,118,420	33,353,340	-	-	-	-	-	-	-	34,471,760
Currency translation differences										
- Group	-	-	-	-	-	34,179	-	-	-	34,179
- Associate	-	-	-	-	-	107,103	-	-	-	107,103
Employee share option scheme										
- Value of employee services	-	-	-	-	-	-	-	317,241	-	317,241
- Proceed from shares issued	20,000	74,000	-	-	-	-	-	-	-	94,000
Convertible bond issuing expenses	-	-	-	-	-	-	(100,000)	-	-	(100,000)
Share issue expenses	-	(329,582)	-	-	-	-	-	-	-	(329,582)
Repurchase of shares	(2,900)	(91,300)	-	-	-	-	-	-	-	(94,200)
Equity component for the convertible bonds issued during the year	-	-	-	-	-	-	448,441	-	-	448,441
Revaluation										
-intangible assets	-	-	-	-	46,314,614	-	-	-	-	46,314,614
Balance as at										
31 March 2006	5,135,520	48,201,945	8,320,333	1,498,659	46,314,614	141,282	348,441	317,241	(23,185,479)	87,092,556

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
Company

	Share capital HK\$	Share premium HK\$	Convertible bond reserve HK\$	Employee share-based compensation reserve HK\$	Accumulated losses HK\$	Total HK\$
Balance as at 1 April 2004	4,000,000	15,195,487	–	–	(2,143,313)	17,052,174
Loss for the year	–	–	–	–	(2,567,733)	(2,567,733)
Balance as at 1 April 2005	4,000,000	15,195,487	–	–	(4,711,046)	14,484,441
Loss for the year	–	–	–	–	(5,506,368)	(5,506,368)
Issue of shares	1,118,420	33,353,340	–	–	–	34,471,760
Employees share option scheme						
– value of employee services	–	–	–	317,241	–	317,241
– proceeds from shares issued	20,000	74,000	–	–	–	94,000
Convertible bonds issuing expenses	–	–	(100,000)	–	–	(100,000)
Share issue expenses	–	(329,582)	–	–	–	(329,582)
Repurchases of shares	(2,900)	(91,300)	–	–	–	(94,200)
Equity component for the convertible bonds issued during the year	–	–	448,441	–	–	448,441
Balance as at 31 March 2006	<u>5,135,520</u>	<u>48,201,945</u>	<u>348,441</u>	<u>317,241</u>	<u>(10,217,414)</u>	<u>43,785,733</u>

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2006

	<i>Note</i>	2006 <i>HK\$</i>	2005 <i>HK\$</i>
Cash flows from operating activities	25	(6,433,824)	(2,910,158)
Interest paid		(100,000)	–
Net cash used in operating activities		(6,533,824)	(2,910,158)
Cash flows from investing activities			
Purchases of fixed assets		(465,588)	(44,361)
Purchases of intangible assets		(10,000,000)	–
Loan advance to an associated company		–	(1,850,436)
Interest received		76,116	1,630
Net cash used in investing activities		(10,389,472)	(1,893,167)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		263,000	–
Repurchase of shares		(94,200)	–
Issue of shares on placing		10,257,000	–
Issue of shares on exercise of share options		94,000	–
Issuing expenses paid		(429,582)	–
Proceeds from issuance of convertible bonds		5,000,000	–
Net cash generated from financing activities		15,090,218	–
Net decrease in cash and cash equivalents		(1,833,078)	(4,803,325)
Cash and cash equivalents at beginning of the year		4,683,667	9,486,992
Cash and cash equivalents at end of the year		<u>2,850,589</u>	<u>4,683,667</u>
Analysis of cash and cash equivalents			
Cash and bank balances		<u>2,850,589</u>	<u>4,683,667</u>

Non-cash transactions

- During the year, the license was acquired for a consideration of HK\$150,000,000, of which an amount of HK\$116,048,240 was financed by the issue of promissory note and an amount of HK\$23,951,760 was financed by the issue of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated in the Cayman Islands on 23 May 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were successfully listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 November 2002.

The principal activities of the Company is investment holding. The Group was principally engaged in the licensing of licensed rights, operation of financial website, and the provision of financial information and investor education.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Adoption of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“New HKFRSs”)

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention.

The HKICPA has issued a number of New HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The Group has adopted the New HKFRSs in the preparation of accounts for the period from 1 April 2005 onward. The comparative financial statements for the year ended 31 March 2005 have been restated in accordance with the relevant requirements of the New HKFRSs, if applicable.

The adoption of New HKFRSs does not result in substantial changes to the Group’s accounting policies except for the presentation and disclosure of the financial statements.

At the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	(Note a)	Capital disclosures
HKAS 19 (Amendment)	(Note b)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	(Note b)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	(Note b)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	(Note b)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	(Note b)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	(Note b)	Exploration for and evaluation of mineral resources
HKFRS 7	(Note a)	Financial Instruments: Disclosures
HKFRS-Int 4	(Note b)	Determining whether an arrangement contains a lease
HKFRS-Int 5	(Note b)	Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
HK (IFRIC)-Int 6	(Note c)	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC)-Int 7	(Note d)	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 January 2006

Note c: effective for annual periods beginning on or after 1 December 2005

Note d: effective for annual periods beginning on or after 1 March 2006

The Group has commenced considering the potential impact of the above new HKFRS but is not yet in a position to determine whether these HKFRS would have a significant impact on how its result of operations and financial position are prepared and presented. These HKFRS may result in changes in the future as to how the results and financial position are prepared and presented.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March.

(a) *Subsidiaries*

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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 unamortised goodwill or goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

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

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill net of any accumulated impairment loss identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in 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 recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized 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 associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognized as a separate component of equity (the exchange revaluation reserve). Such exchange differences are recognized in income statement in the period in which the foreign operation is disposed of.

2.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Cost represents purchase price and any directly attributable costs of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as expenses in the period in which it is incurred.

Depreciation is calculated to write off the cost of fixed assets over their estimated useful lives, on a straight-line basis, at the following annual rates:

Computer equipment	33 $\frac{1}{3}$ % – 50%
Leasehold improvements	Shorter of unexpired lease period or useful life
Equipment, furniture and fixtures	25% – 33 $\frac{1}{3}$ %

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising from the retirement or disposal of fixed assets, representing the difference between the estimated net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

2.6 Intangible assets

Licenses have a definite useful life and are carried at their revalued amounts, being the fair value at the date of the revaluation less any subsequent accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the carrying amounts of the licenses over their estimated useful lives.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Accounts receivable

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision 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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.10 Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the financial liabilities using the effective interest method.

(a) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax effects.

(b) Promissory note

The note is initially recognized at the fair value of the consideration received less directly attributable costs. After initial recognition, the note is carried at amortized cost using the effective interest method, i.e. by discounting the expected cash flows at prevailing interest rate.

2.11 Taxation

The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowable. Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date is used to determine deferred taxation.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available offset against which the temporary differences can be utilized.

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2.12 Employee benefits*(a) Employee leave entitlements*

Employee entitlements to annual 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.

(b) Pension scheme

The Group contributes to defined contribution retirement schemes. The assets are held separately from those of the Group in an independently administered fund. Contributions to these retirement schemes are charged to the income statement as they become payable in accordance with the rules of these schemes.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.13 Revenue recognition

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

Revenue from the provision of services is recognised when the services are rendered.

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

Licensing income is recognized on pro-rata and accruals basis as stipulated in the relevant agreements.

2.14 Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of incentives received from the leasing company, are charged to the income statement on a straight-line basis over the lease periods.

2.15 Related parties

Two parties are considered to be related within the Group if one party has the ability, directly or indirectly, to control the other parties or exercise significant influence over the other parties in making financial and operating decisions. Parties are considered to be related if they are subject to common control or common significant influence.

3. FINANCIAL RISK MANAGEMENT**3.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow 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) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and provision of services are made to customers with an appropriate credit history.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

(c) Fair value interest rate risk

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

The Group's interest-rate risk arises from promissory note which is interest free, will expose the Group to fair value interest-rate risk. At the year end, 9% of borrowings were at fixed rates.

3.2 Fair value estimation

The nominal value less estimated credit adjustments of accounts receivable and accounts payable are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are mainly share-based payments.

The fair value of option granted is estimated by independent professional valuers based on various assumptions on volatility, life of options, dividend paid out rate and annual risk-free interest rate, excluding the impact of any non-market vesting conditions, which generally represent the best estimates of the fair value of the share options at date of grant.

5. SEGMENT INFORMATION

The Group is principally engaged in licensing the licensed rights, providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia and financial seminars and courses. In accordance with the Group's operating activities, the primary segment reporting is by business segments.

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FINANCIAL INFORMATION ON THE GROUP

(a) Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments for the years ended 31 March 2006 and 31 March 2005:

Segment Revenue and Results

	Licensing income		Financial information		Financial seminars and courses		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	<u>4,807,692</u>	<u>–</u>	<u>1,482,712</u>	<u>1,344,068</u>	<u>1,381,392</u>	<u>2,572,493</u>	<u>94,000</u>	<u>653,400</u>	<u>7,765,796</u>	<u>4,569,961</u>
Segment results	<u>1,057,692</u>	<u>–</u>	<u>1,334,792</u>	<u>1,153,408</u>	<u>1,059,742</u>	<u>1,928,693</u>	<u>(8,440)</u>	<u>36,000</u>	<u>3,443,786</u>	<u>3,118,101</u>
Other revenue									396,208	33,481
Unallocated costs									(9,211,697)	(5,869,808)
Operating loss									(5,371,703)	(2,718,226)
Finance costs									(353,524)	–
Share of loss of associated company									(1,650,448)	(551,947)
Loss before taxation									(7,375,675)	(3,270,173)
Taxation									<u>1,115,135</u>	<u>–</u>
Loss attributable to shareholders									<u>(6,260,540)</u>	<u>(3,270,173)</u>

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

The licensing income is receivable from the licensee, net of all taxes.

For the year ended 31 March 2006, others mainly comprise the provision of corporate public relations services to independent third parties and production of financial books.

For the year ended 31 March 2005, others mainly comprise the production of financial programme and video.

Unallocated costs represent corporate expenses including selling expenses, administrative expenses and other expenses. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

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FINANCIAL INFORMATION ON THE GROUP

Segment assets and liabilities as at 31 March 2006 and 31 March 2005

	Licensing income		Financial information		Financial seminars and courses		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	<u>151,057,692</u>	<u>–</u>	<u>21,360</u>	<u>30,080</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	151,079,052	30,080
Unallocated assets									<u>10,740,899</u>	<u>12,429,022</u>
Total assets									<u>161,819,951</u>	<u>12,459,102</u>
Segment liabilities	<u>69,733,626</u>	<u>–</u>	<u>41,497</u>	<u>69,276</u>	<u>1,800</u>	<u>87,100</u>	<u>–</u>	<u>–</u>	69,776,923	156,376
Unallocated liabilities									<u>4,950,472</u>	<u>213,186</u>
Total liabilities									<u>74,727,395</u>	<u>369,562</u>
Other information:										
Unallocated capital expenditure									465,588	44,361
Depreciation									<u>116,821</u>	<u>191,297</u>

Segment assets consist primarily of intangible assets, amount due from a related party and accounts receivable.

Segment liabilities comprise promissory note, accrued expenses and receipts in advance and other payable.

(b) Geographical segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's geographical segments for the years ended 31 March 2006 and 31 March 2005:

Segment Revenue and Results

	Hong Kong		PRC		Total	
	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover	<u>2,958,104</u>	<u>4,569,961</u>	<u>4,807,692</u>	<u>–</u>	<u>7,765,796</u>	<u>4,569,961</u>
Segment results	<u>2,386,094</u>	<u>3,118,101</u>	<u>1,057,692</u>	<u>–</u>	<u>3,443,786</u>	<u>3,118,101</u>
Other revenue					396,208	33,481
Unallocated costs					(9,211,697)	(5,869,808)
Operating loss					(5,371,703)	(2,718,226)
Finance costs					(353,524)	–
Share of loss of associated company					(1,650,448)	(551,947)
Loss before taxation					(7,375,675)	(3,270,173)
Taxation					<u>1,115,135</u>	<u>–</u>
Loss attributable to shareholders					<u>(6,260,540)</u>	<u>(3,270,173)</u>

Segment assets and liabilities as at 31 March 2006 and 31 March 2005

	Hong Kong		PRC		Total	
	2006	2005	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	<u>4,650,420</u>	<u>4,838,042</u>	<u>157,169,531</u>	<u>7,621,060</u>	161,819,951	12,459,102
Segment liabilities	<u>4,993,769</u>	<u>369,562</u>	<u>69,733,626</u>	<u>–</u>	74,727,395	369,562
Other information:						
Unallocated capital expenditure					465,588	44,361
Depreciation					<u>116,821</u>	<u>191,297</u>

6. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	2006 HK\$	2005 HK\$
Crediting:		
Interest income	76,116	1,630
Charging:		
Auditors' remuneration	90,000	100,000
Depreciation (Note 13)	116,821	191,729
Amortization (Note 15)	3,750,000	–
Operating leases in land and buildings	934,297	300,362
Employee benefit expense (Note 12)	4,472,375	3,403,943
	<u> </u>	<u> </u>

7. FINANCE COSTS

	2006 HK\$	2005 HK\$
Interest expense for convertible bonds wholly repayable within five years	353,524	–
	<u> </u>	<u> </u>

8. TAXATION

The Group's business is operated in Hong Kong and is subject to Hong Kong profits tax at the rate of 17.5% (2005: 17.5%).

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated companies as follows:

	2006 HK\$	2005 HK\$
Loss before taxation	(7,375,675)	(3,270,173)
Tax at the domestic tax rate of 17.5%	(1,290,743)	(572,280)
Expenses not deductible for tax purposes	–	34,423
Income not subject to tax	(854,666)	(42)
Utilisation of previously unrecognized tax losses	–	(289,520)
Recognition of previously unrecognized tax losses	(1,305,442)	–
Tax effect of unused tax losses not recognized	2,336,804	837,888
Others	(1,088)	(10,469)
	<u> </u>	<u> </u>
Tax (credit)/expense for the year	(1,115,135)	–
	<u> </u>	<u> </u>

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$5,506,368 (2005: HK\$2,567,733).

10. LOSS PER SHARE

The calculation of the basic loss per share for the year ended 31 March 2006 is based on the consolidated net loss attributable to shareholders of HK\$6,260,540 (2005: HK\$3,270,173) and the weighted average number of 423,933,836 (2005: 400,000,000) ordinary shares in issue during the year.

	2006 HK\$	2005 HK\$
Loss attributable to equity holders of the Company	(6,260,540)	(3,270,173)
Weighted average number of ordinary shares in issue	423,933,836	400,000,000
Basic loss per share (cents per share)	(1.48)	(0.82)

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year (2005: Nil).

12. EMPLOYEE BENEFIT EXPENSE

	2006 HK\$	2005 HK\$
Wages and salaries	4,041,733	3,299,139
Share options granted	317,241	–
Pension costs – defined contribution plans	113,401	104,804
	4,472,375	3,403,943

(a) Pensions – defined contribution plans

No forfeited contributions were utilized during the year nor available at year end to reduce future contributions (2005: Nil).

(b) Directors' emoluments

The remuneration of the director for the year ended 31 March 2006 is set out below:

Name of Director	Fees HK\$	Salary HK\$	Employer's contribution to pension scheme HK\$	Total HK\$
He Chenguang (a)	–	–	–	–
Xiao Haiping (b)	–	198,710	3,000	201,710
Chan Tan Lui, Danielle	–	1,200,000	12,000	1,212,000
Zhang Peng (c)	–	–	–	–
Choo Kwok How	–	342,000	12,000	354,000
Zhang Jialin (d)	–	500,000	10,000	510,000
Yip Tai Him	–	–	–	–
Guo Qi	–	–	–	–
Chiu Kwok Ching	–	–	–	–
	–	2,240,710	37,000	2,277,710

The remuneration of every Director for the year ended 31 March 2005 is set out below:

Name of Director	Fees HK\$	Salary HK\$	Discretionary bonuses HK\$	Employer's contribution to pension scheme	Total HK\$
				HK\$	
Chan Tan Lui, Danielle	–	1,200,000	100,000	12,000	1,312,000
Choo Kwok How	–	240,400	24,000	9,920	274,320
Wu Wing Kin (e)	–	68,000	–	2,400	70,400
Kwok Chi Kin (f)	–	66,000	–	2,000	68,000
Yip Tai Him	–	–	–	–	–
Guo Qi	–	–	–	–	–
Chiu Kwok Ching	–	–	–	–	–
	–	1,574,400	124,000	26,320	1,724,720

- Notes: (a) Appointed on 28 April 2006.
(b) Appointed on 17 January 2006.
(c) Appointed on 16 June 2006.
(d) Appointed on 1 June 2005.
(e) Resigned on 8 June 2004.
(f) Resigned on 18 May 2004.

During the year, no directors waived any emoluments and no emoluments have been paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or joining the Group as compensation for loss of office.

(c) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2005: three) individual during the year are as follows:

	2006 HK\$	2005 HK\$
Basic salaries, allowances and benefit in kinds	201,290	472,233
Bonuses	–	–
Retirement benefit costs	3,000	21,160
	<u>204,290</u>	<u>493,393</u>

The emoluments of the employee fell within the following bands:

Emolument bands	Number of Individuals	
	2006	2005
HK\$Nil to HK\$1,000,000	<u>1</u>	<u>3</u>

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FINANCIAL INFORMATION ON THE GROUP

13. FIXED ASSETS

	Computer equipment HK\$	Leasehold improvements HK\$	Group Equipment, furniture and fixtures HK\$	Total HK\$
Cost				
At 1 April 2005	1,941,915	250,058	166,500	2,358,473
Additions	45,557	361,271	58,760	465,588
Disposals	(55,930)	(250,059)	(57,053)	(363,042)
At 31 March 2006	1,931,542	361,270	168,207	2,461,019
Accumulated depreciation				
At 1 April 2005	1,868,381	250,058	136,413	2,254,852
Charge for the year	54,541	41,280	21,000	116,821
Disposals	(55,930)	(250,059)	(57,053)	(363,042)
At 31 March 2006	1,866,992	41,279	100,360	2,008,631
Net book value				
At 31 March 2006	64,550	319,991	67,847	452,388
At 31 March 2005	73,534	–	30,087	103,621

14. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The gross movement on the deferred income tax account is as follows:

	Group 2006 HK\$	2005 HK\$
Beginning of the year	–	–
Recognised in the income statement (<i>Note 8</i>)	(1,115,135)	–
End of the year	(1,115,135)	–

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group Accelerated tax HK\$
At 1 April 2005	–
Recognised in the income statement	9,204
At 31 March 2006	9,204

Deferred tax assets:

	Group Tax losses HK\$
At 1 April 2005	–
Recognised in the income statement	(1,124,339)
At 31 March 2006	<u>(1,124,339)</u>

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. In the previous year, no deferred tax is recognized as the Group has not received the confirmation from the Inland Revenue on the exact amount of tax loss. In the current year, the Group has received the assessment for one of the subsidiary from the Inland Revenue that tax loss HK\$7,304,000 can be carried forward to offset the chargeable profits in the future, therefore deferred tax assets of HK\$1,124,000 are recognized.

Apart from the above, the Group did not recognize deferred income tax assets of HK\$2,713,000 (2005: HK\$2,696,000) in respect of losses of the Company and other subsidiaries amounting to HK\$15,505,000 (2005: HK\$15,409,000) that can be carried forward against future taxable income.

15. INTANGIBLE ASSETS

	Licences HK\$
At 1 April 2005	
Revalued amount	–
Accumulated amortization and impairment	–
Net book amount	<u>–</u>
Year ended 31 March 2006	
Opening net book amount	–
Additions	150,000,000
Amortization expense (Note 6)	(3,750,000)
Closing net book amount	<u>146,250,000</u>
At 31 March 2006	
Revalued amount	150,000,000
Accumulated amortization and impairment	(3,750,000)
Net book amount	<u>146,250,000</u>

Amortization expense of HK\$3,750,000 (2005: Nil) has been expensed in the cost of sales.

The licenses has been revalued by the independent valuer, Grant Sherman Appraisal Limited, as at 31 December 2005.

Details on the licensed right has been included in the circular of the Company dated 15 March 2006.

16. INVESTMENTS IN ASSOCIATED COMPANY

(a) Interests in associated company

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
At 1 April	5,569,353	4,622,641
Share of capital surplus	–	1,498,659
Share of associate's results		
– loss before taxation	(1,650,448)	(551,947)
Exchange difference	107,103	–
	<u>4,026,008</u>	<u>5,569,353</u>
At 31 March		

Details of the Group's associated company are as follows:

Name	Percentage of equity interest	Principal activities	Place of operation
神州速達導航通信資訊 (北京) 有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

(b) Loan receivable from associated company

The balance is unsecured, bearing interest at the rate of 5% per annum. During the year, a supplemental agreement was signed on 4 November 2005 pursuant to which the repayment date of the loan and the interests incurred therein has been extended to 4 November 2006.

17. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	3,293,008	3,293,008
Amounts due from subsidiary companies	45,019,015	8,157,816
Amounts due to subsidiary companies	(177,794)	(865,030)
	<u>48,134,229</u>	<u>10,585,794</u>

Amounts due from/(to) subsidiary companies are unsecured, interest-free and have no fixed terms of repayment.

Details of the Company's subsidiary companies at 31 March 2006 are as follows:

Name	Place of incorporation and type of legal entity	Issued and fully paid up share capital	Percentage of equity interest	Principal activities and place of operation
* HK6 Investment Limited	British Virgin Islands, limited liability company	US\$2,614.00	100%	Investment holding in British Virgin Islands
Hong Kong Financial Institute Limited	Hong Kong, limited liability company	HK\$1,307.00	100%	Production of financial programmes and videos and provision of investor education in Hong Kong
hk6.com Limited	Hong Kong, limited liability company	HK\$2.00	100%	Operation of financial websites and provision of financial information in Hong Kong
HK6 Media Limited	Hong Kong, limited liability company	HK\$2.00	100%	Development of business alliances with media channels in Hong Kong
* HK6 Investment China (BVI) Limited	British Virgin Islands, limited liability company	US\$1.00	100%	Investment holding in British Virgin Islands
Sino Key International Ltd.	British Virgin Islands, limited liability company	US\$1.00	100%	Investment holding in British Virgin Islands
Pro-Concept Development Ltd.	British Virgin Islands, limited liability company	US\$1.00	100%	Investment holding in British Virgin Islands
神州資訊 (深圳) 有限公司	People's Republic of China, limited liability company	HK\$1,000,000.00	100%	Business has not yet been commenced

* *shares held directly by the Company*

18. ACCOUNTS RECEIVABLE

The balances at year ends are all aged less than 30 days.

The Group generally granted its customers credit period ranging between 7 days and 30 days.

19. AMOUNT DUE FROM A RELATED COMPANY

The balance relates to the outstanding of the licensing fee receivable, and is unsecured, interest free and is repayable by 31 December 2006.

20. ACCOUNTS PAYABLE

The balances at year ends are all aged less than 30 days.

21. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a nominal value of HK\$5 million bearing an interest at a rate of 4.0% per annum and mature in May 2007.

The bondholder has the right to convert the whole or part of the nominal value of the convertible bonds into the shares of the Company before maturity at the conversion price of HK\$0.42 per share.

The fair values of the liability component and the equity conversion component were determined at the date of issuance of the convertible bonds based on the discounted rate of 9% per annum.

The fair value of the liability component, included in long-term borrowings, was calculated using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in other reserves in shareholder' equity.

The convertible bonds recognised in the balance sheet is calculated as follows:

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Nominal value of convertible bonds issued in May 2005	5,000,000	–
Equity component upon initial recognition	(448,441)	–
Liability component upon initial recognition	4,551,559	–
Interest expense (<i>Note 7</i>)	353,524	–
Interest repaid	(100,000)	–
Liability component, at fair value, at the end of the year	<u>4,805,083</u>	<u>–</u>

22. SHARE CAPITAL

(a) Share capital

	Company	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
<i>Authorised:</i>		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>		
513,552,000 ordinary shares of HK\$0.01 each	<u>5,135,520</u>	<u>4,000,000</u>

(b) Share option scheme

The fair value of the share option granted during the year was calculated based on the Black-Scholes option pricing model.

23. PROMISSORY NOTES

	Group	
	2006	2005
	<i>HK\$</i>	<i>HK\$</i>
Promissory note, nominal amount	116,048,240	–
Designated as fair value through assets revaluation reserve	<u>46,314,614</u>	<u>–</u>
	<u>69,733,626</u>	<u>–</u>

The note is interest free, unsecured and mature on 30 June 2016.

The carrying amount of the note approximate to its fair value. The fair value of the note is calculated by discounting the expected future cash flows at the company's borrowing rate of 5% per annum.

24. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	2006 HK\$	2005 HK\$
Amounts due from a related company	4,807,692	–
Loan receivable from associated company (<i>Note 16 (b)</i>)	1,884,615	1,850,436
Promissory note payable to a shareholder (<i>Note 23</i>)	69,733,626	–
Licensing income from a related company (<i>Note 5</i>)	4,807,692	–
	<u>4,807,692</u>	<u>–</u>

The Directors are of the opinion that the above transactions were conducted at arm's length in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

25. CASH GENERATED FROM OPERATIONS

	2006 HK\$	2005 HK\$
Loss before taxation	(7,375,675)	(3,270,173)
Adjustments for:		
Depreciation (<i>Note 13</i>)	116,821	191,729
Amortization (<i>Note 15</i>)	3,750,000	–
Fair value for share options granted	317,241	–
Interest income (<i>Note 6</i>)	(76,116)	(1,630)
Interest expense (<i>Note 7</i>)	353,524	–
Share of loss from associates (<i>Note 16(a)</i>)	1,650,448	551,947
	<u>(1,263,757)</u>	<u>(2,528,127)</u>
Changes in working capital:		
Accounts receivable	8,720	(11,640)
Amount due from a related company	(4,807,692)	–
Deposits and prepayments	(190,219)	524,649
Accounts payable	(5,370)	(1,496)
Accrued expenses	(92,098)	95,100
Receipts in advance and other payables	(83,408)	(988,644)
	<u>(6,433,824)</u>	<u>(2,910,158)</u>

26. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group was committed to make rental payments in respect of land and buildings after the balance sheet date under operating leases falling due as follows:

	Group 2006 HK\$	2005 HK\$
Within one year	806,598	551,845
In the second to fifth year inclusive	288,552	–
	<u>1,095,150</u>	<u>551,845</u>

27. CAPITAL COMMITMENTS

As at 31 March 2006, the Group has a capital commitment to contribute remaining amount of HK\$800,000 for the capital of its wholly owned subsidiary, 神州資訊(深圳)有限公司.

28. POST BALANCE SHEET EVENTS

- (a) On 13 April 2006, the registered holder of the convertible bonds has elected to exercise the conversion rights attached to the convertible bonds to convert the whole principal amount of HK\$5,000,000 into the shares of the Company at the conversion price of HK\$0.42 per share. 11,904,761 shares of the Company were therefore issued and allotted to the holder of the convertible bonds.
- (b) On 15 May 2006, China Communication Investment Limited (“CCI”) and Superhero Limited (“Superhero”) entered into a placing and subscription agreement with VC Brokerage Limited (the “Placing Agent”) pursuant to which the Placing Agent agreed with CCI and Superhero to place up to a total of 100,000,000 existing shares, out of which 85,540,000 existing shares beneficially owned by CCI to be placed to the exclusion and before 14,460,000 existing shares beneficially owned by Superhero, at the placing price of HK\$1.50 per existing share to not less than six placees who will be third parties independent of the Group and its connected persons on a best effort basis (the “Placing and Subscription Agreement”).

Under the Placing and Subscription Agreement, CCI and Superhero agreed to subscribe for the subscription shares, which are equal to the number of the placing shares that they placed respectively under the placing.

The Placing Agent has successfully placed a total of 97,230,000 existing shares on behalf of CCI and Superhero to sixteen placees, comprising institutional and individual investors who are independent of and not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or an associate of any of them, at the placing price of HK\$1.50 per existing share. Completion of the placing took place on 19 May 2006.

The Company has obtained approval from the GEM Listing Committee for the listing of, and permission to deal in, the 97,230,000 subscription shares.

The subscription was completed on 26 May 2006.

29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on 16 June 2006.

3. UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006

Set out below is the unaudited consolidated financial statements of the Group for the six months ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005, which is extracted from the interim report of the Group for the six months ended 30 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2006

		Six months ended 30 September	
		2006	2005
		(Unaudited)	(Unaudited)
	Notes	HK\$	HK\$
Turnover	3	10,411,138	1,286,907
Cost of sales		(7,541,790)	(226,500)
Gross profit		2,869,348	1,060,407
Gain on derecognition of an financial liabilities		693,818	–
Other revenue	3	1,020,855	158,674
Selling expenses		–	(154,348)
Administrative expenses		(5,773,781)	(2,279,851)
Other operating expenses		(3,361,540)	(632,855)
Operating loss	4	(4,551,300)	(1,847,973)
Finance costs	5	(880,261)	(70,968)
Share of loss of associated company		(496,846)	(838,364)
Loss before income tax		(5,928,407)	(2,757,305)
Income tax	6	–	–
Loss attributable to shareholders		(5,928,407)	(2,757,305)
Loss per share			
– basic	7	(HK0.99 cent)	(HK0.66 cent)
– diluted	7	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2006

		30 September 2006 (Unaudited) HK\$	31 March 2006 (Audited) HK\$
	Notes		
Non-current assets			
Fixed assets	9	277,623	452,388
Deferred tax assets		1,115,135	1,115,135
Intangible assets	10	138,750,000	146,250,000
Investment in an associated company	11(a)	3,529,162	4,026,008
		<u>143,671,920</u>	<u>151,843,531</u>
Current assets			
Loan receivable from an associated company	11(b)	1,884,615	1,884,615
Accounts receivable	12	29,760	21,360
Amounts due from a related company		14,423,077	4,807,692
Deposits and prepayments		2,543,594	412,164
Cash and bank balances		72,803,677	2,850,589
		<u>91,684,723</u>	<u>9,976,420</u>
Current liabilities			
Accrued expenses		160,221	147,189
Convertible bonds	13	–	4,805,083
Receipts in advance and other payables		41,497	41,497
		<u>201,718</u>	<u>4,993,769</u>
Net current assets		<u>91,483,005</u>	<u>4,982,651</u>
Total assets less current liabilities		<u>235,154,925</u>	<u>156,826,182</u>
Promissory note	14	<u>–</u>	<u>69,733,626</u>
Total net assets		<u><u>235,154,925</u></u>	<u><u>87,092,556</u></u>
Capital and reserves			
Share capital	15	6,350,868	5,135,520
Reserves		228,804,057	81,957,036
Total equity		<u><u>235,154,925</u></u>	<u><u>87,092,556</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2006

	Six months ended	
	30 September	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$	HK\$
Net cash used in operating activities	(6,850,721)	(12,969,240)
Net cash generated from investing activities	1,020,827	814,297
Net cash generated from financing activities	75,782,982	15,076,118
Increase in cash and cash equivalents	69,953,088	2,921,175
Cash and cash equivalents at beginning of the period	2,850,589	4,683,667
Cash and cash equivalents at end of the period	<u>72,803,677</u>	<u>7,604,842</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>72,803,677</u>	<u>7,604,842</u>

APPENDIX I

FINANCIAL INFORMATION ON THE GROUP

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2006

	Share capital (Unaudited) HK\$	Share premium (Unaudited) HK\$	Merger reserve (Unaudited) HK\$	Capital surplus (Unaudited) HK\$	Asset revaluation reserve (Unaudited) HK\$	Exchange revaluation reserve (Unaudited) HK\$	Convertible bond reserve (Unaudited) HK\$	Share-based compensation reserve (Unaudited) HK\$	Accumulated losses (Unaudited) HK\$	Total (Unaudited) HK\$
Balance as at										
1 April 2005	4,000,000	15,195,487	8,320,333	1,498,659	-	-	-	-	(16,924,939)	12,089,540
Loss for the period	-	-	-	-	-	-	-	-	(2,757,305)	(2,757,305)
Issue of shares	263,000	10,257,000	-	-	-	-	-	-	-	10,520,000
Employees share option scheme - proceeds from share issue	17,000	62,900	-	-	-	-	-	-	-	79,900
Convertible bond issuing expenses	-	-	-	-	-	-	(100,000)	-	-	(100,000)
Share issue expenses	-	(329,582)	-	-	-	-	-	-	-	(329,582)
Repurchase of shares	(2,900)	(91,300)	-	-	-	-	-	-	-	(94,200)
Equity component of convertible bonds issued during the period	-	-	-	-	-	-	448,441	-	-	448,441
Balance as at										
30 September 2005	<u>4,277,100</u>	<u>25,094,505</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>-</u>	<u>-</u>	<u>348,441</u>	<u>-</u>	<u>(19,682,244)</u>	<u>19,856,794</u>
Balance as at										
1 April 2006	5,135,520	48,201,945	8,320,333	1,498,659	46,314,614	141,282	348,441	317,241	(23,185,479)	87,092,556
Loss for the period	-	-	-	-	-	-	-	-	(5,928,407)	(5,928,407)
Conversion of convertible bonds (Note 13)	119,048	4,963,509	-	-	-	-	(348,441)	-	-	4,734,116
Issue of shares	972,300	144,872,700	-	-	-	-	-	-	-	145,845,000
Share issue expenses	-	(3,077,340)	-	-	-	-	-	-	-	(3,077,340)
Share option scheme - recognition of share-based payment - proceeds from share issue	-	-	-	-	-	-	-	3,562,200	-	3,562,200
	124,000	4,071,763	-	-	-	-	-	(1,268,963)	-	2,926,800
Balance as at										
30 September 2006	<u>6,350,868</u>	<u>199,032,577</u>	<u>8,320,333</u>	<u>1,498,659</u>	<u>46,314,614</u>	<u>141,282</u>	<u>-</u>	<u>2,610,478</u>	<u>(29,113,886)</u>	<u>235,154,925</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENT

1. GENERAL

Chinainfo Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 23 May 2002 with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. The shares of the Company were successfully listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 15 November 2002.

The principal activity of the Company is investment holding. The Group was principally engaged in the licensing of licensed rights, the operation of a financial website, and the provision of financial information and investor education.

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

2. BASIS OF PRESENTATION

The unaudited condensed financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Hong Kong Stock Exchange.

This condensed consolidated financial information should be read in conjunction with the 2006 annual financial statements. The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 March 2006. This condensed consolidated financial information has been prepared under the historical cost convention. The condensed consolidated financial information are unaudited but have been reviewed by the Company’s audit committee.

During the period, the Group adopted the following new Hong Kong Financial Reporting Standards (the “New HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretation (“HK (SIC)-Ints”) (collectively the “new HKFRSs”) issued by the HKICPA, which are effective for accounting periods commencing on or after 1 December 2005/1 January 2006/1 March 2006:

HKAS 19 (Amendment)	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effect of changes in foreign exchange rates – Net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedges of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option
HKAS 39 and HKFRS 4 (Amendments)	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS-Int 4	Determining whether an arrangement contains a lease
HKFRS-Int 5	Rights to interests arising from decommissioning, restoration and environment rehabilitation funds
HK(IFRIC)-Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC)-Int 7	Applying the restatement approach under HKAS 29 – Financial reporting in hyperinflationary economies

The adoption of these New HKFRSs did not result in substantial changes to the accounting policies and the methods of computation used in the condensed consolidated financial information. As there is no material effect on the results for the current or prior accounting periods, no prior period adjustment is required.

As at the date of this report, the following standards and interpretations were in issue but not yet effective:

HKAS 1 (Amendment)	Note a	Capital disclosures
HKFRS 7	Note a	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Note b	Scope of HKFRS 2
HK(IFRIC)-Int 9	Note c	Reassessment of embedded derivatives
HK(IFRIC)-Int 10	Note c	Interim Financial Reporting and Impairment

Note a: effective for annual periods beginning on or after 1 January 2007

Note b: effective for annual periods beginning on or after 1 May 2006

Note c: effective for annual periods beginning on or after 1 November 2006

The Group has commenced considering the potential impact of the above new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how results of operations and the financial position are prepared and presented. These HKFRSs may result in future changes as to how the results and financial position are prepared and presented.

The condensed consolidated financial information is presented in Hong Kong dollars ("HKD") unless otherwise stated.

3. SEGMENT INFORMATION

The Group is principally engaged in licensing the licensed rights and providing real-time financial news and up-to-date financial market commentaries and recommendations through multimedia.

(a) Primary reporting format – business segments

The following tables present revenue and operating results for the Group's business segments for the six months period ended 30 September 2006 and 30 September 2005:

	Licensing income		Financial information		Financial seminars and courses		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD	HKD
Turnover	9,615,385	-	766,581	725,947	-	560,960	29,172	-	10,411,138	1,286,907
Segment results	2,115,385	-	724,791	631,747	-	428,660	29,172	-	2,869,348	1,060,407
Gain on derecognition of promissory note									693,818	-
Other revenue									1,020,855	158,674
Unallocated costs									(9,135,321)	(3,067,054)
Operating loss									(4,551,300)	(1,847,973)
Finance costs									(880,261)	(70,968)
Share of loss of associated company									(496,846)	(838,364)
Loss before income tax									(5,928,407)	(2,757,305)
Income tax									-	-
Loss attributable to shareholders									(5,928,407)	(2,757,305)

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

(b) Secondary reporting format – geographical segments

The following tables present revenue and operating results for the Group's geographical segments for the six months period ended 30 September 2006 and 30 September 2005:

	Hong Kong		PRC		Total	
	2006 (Unaudited) HKD	2005 (Unaudited) HKD	2006 (Unaudited) HKD	2005 (Unaudited) HKD	2006 (Unaudited) HKD	2005 (Unaudited) HKD
Turnover	<u>795,753</u>	<u>1,286,907</u>	<u>9,615,385</u>	<u>-</u>	<u>10,411,138</u>	<u>1,286,907</u>
Segment results	<u>753,963</u>	<u>1,060,407</u>	<u>2,115,385</u>	<u>-</u>	<u>2,869,348</u>	<u>1,060,407</u>
Gain on derecognition of promissory note					693,818	-
Other revenue					1,020,855	158,674
Unallocated costs					<u>(9,135,321)</u>	<u>(3,067,054)</u>
Operating loss					(4,551,300)	(1,847,973)
Finance costs					(880,261)	(70,968)
Share of loss of associated company					<u>(496,846)</u>	<u>(838,364)</u>
Loss before income tax					(5,928,407)	(2,757,305)
Income tax					<u>-</u>	<u>-</u>
Loss attributable to shareholders					<u>(5,928,407)</u>	<u>(2,757,305)</u>

4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	Three months ended 30 September		Six months ended 30 September	
	2006 (Unaudited) HKD	2005 (Unaudited) HKD	2006 (Unaudited) HKD	2005 (Unaudited) HKD
Crediting:				
Interest income	558,810	25,971	1,020,827	34,174
Gain on derecognition of promissory note	-	-	693,818	-
Management fees	<u>-</u>	<u>66,500</u>	<u>-</u>	<u>124,500</u>
Charging:				
Amortisation of intangible assets	3,750,000	-	7,500,000	-
Auditors' remuneration	30,000	22,500	60,000	45,000
Depreciation of fixed assets	86,027	17,161	174,765	34,055
Directors' remuneration	2,137,203	535,000	4,168,002	972,000
Operating leases in buildings	196,728	142,560	373,770	285,120
Staff costs	<u>336,102</u>	<u>382,679</u>	<u>913,655</u>	<u>824,812</u>

5. FINANCE COSTS

	Three months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD
Fair value changes on promissory note	–	–	871,671	–
Interest expense for convertible bonds wholly repayable within five years	–	50,000	8,590	70,968
	–	50,000	880,261	70,968

6. INCOME TAX

The Group business operations are in Hong Kong and subject to Hong Kong profits tax at the rate of 17.5%. No provision for Hong Kong profits tax has been made, as the Group had an estimated loss for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

There is no significant unprovided deferred taxation for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

7. LOSS PER SHARE

The calculation of the basic loss per share for the three months and six months ended 30 September 2006 is based on the unaudited consolidated net loss attributable to shareholders of HK\$4,020,480 (2005: HK\$1,348,549) and HK\$5,928,407 (2005: HK\$2,757,305) respectively and on the weighted average number of 629,865,022 (2005: 427,885,109) and 597,073,417 (2005: 420,148,798) issued ordinary shares for the three months and six months ended 30 September 2006 respectively.

No diluted loss per share for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006 has been presented as any exercise of the Company's share options would have had an anti-dilutive effect on the loss per share during the three months and six months ended 30 September 2006.

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the three months (2005: Nil) and six months (2005: Nil) ended 30 September 2006.

9. FIXED ASSETS

	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
Net book amount, beginning of the period/year	452,388	103,621
Additions	–	465,588
Depreciation charge	(174,765)	(116,821)
Net book amount, end of the period/year	277,623	452,388

10. INTANGIBLE ASSETS

	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
Net book amount, beginning of the period/year	146,250,000	–
Additions	–	150,000,000
Amortisation	(7,500,000)	(3,750,000)
	<u>138,750,000</u>	<u>146,250,000</u>
Net book amount, end of the period/year	<u>138,750,000</u>	<u>146,250,000</u>

11. INVESTMENT IN AN ASSOCIATED COMPANY

(a) Interest in an associated company

This represents the share of net assets of the unlisted associated company. Details of the Group's associated company are as follows: –

Name	Percentage of equity interest	Principal activities	Place of operation
神州速達導航 通信資訊(北京) 有限公司	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC	People's Republic of China

(b) Loan receivable from an associated company

The loan receivable is unsecured and bears interest at the rate of 5% per annum. On 4 November 2006, a supplemental agreement was signed pursuant to which the repayment date of the loan, and the interest accrued thereon, has been extended to 4 May 2007.

12. ACCOUNTS RECEIVABLE

The balances at 30 September 2006 are all aged less than 30 days (31 March 2006: less than 30 days).

The Group generally grants credit periods to customers range from 7 to 30 days (31 March 2006: 7 days to 30 days).

13. CONVERTIBLE BONDS

In May 2005, the Company issued convertible bonds with a value of HK\$5,000,000 bearing interest at a rate of 4.0% per annum, and which mature in May 2007.

The fair values of the liability component and the equity conversion component were determined at the date of issuance of the convertible bonds based on the discounted rate of 9% per annum.

The movement of the liabilities component of the convertible bond for the period/year is set out below:

	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
At the beginning of the period/year	4,805,083	–
New convertible bonds issued	–	4,551,559
Interest	–	353,524
Interest repaid	(70,967)	(100,000)
Conversion	(4,734,116)	–
At the end of the period/year	<u>–</u>	<u>4,805,083</u>

On 13 April 2006, the convertible bonds, with a principal amount of HK\$5,000,000, were converted into 11,904,761 shares at the conversion price of HK\$0.42 per share.

14. PROMISSORY NOTE

	30 September 2006 (Unaudited) HKD	31 March 2006 (Audited) HKD
At the beginning of the period/year	69,733,626	–
New promissory note issued, nominal amount	–	116,048,240
Changes in fair value	871,671	(46,314,614)
Repayments	(69,911,479)	–
Gain on derecognition	(693,818)	–
At the end of the period/year	<u>–</u>	<u>69,733,626</u>

The promissory note was interest free, unsecured and matured on 30 June 2016. The fair value of the note is calculated by discounting the expected future cash flows at the Company's borrowing rate of 5% per annum.

On 22 June 2006, a wholly owned subsidiary of the Company entered into an agreement with China Communication Investment Limited ("CCI") to terminate the promissory note with a cash repayment amounting to HK\$69,911,479. The repayment amount was determined by discounting the expected future cash flows at the agreed borrowing rate with CCI.

15. SHARE CAPITAL

	30 September 2006 (Unaudited)		31 March 2006 (Audited)	
	Number of Shares	Nominal value HKD	Number of Shares	Nominal value HKD
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.01 each	<u>635,086,761</u>	<u>6,350,868</u>	<u>513,552,000</u>	<u>5,135,520</u>

16. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2006	2005	2006	2005
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HKD	HKD	HKD	HKD
License income received from a related company	4,807,692	–	9,615,385	–

The Directors are of the opinion that the above transactions were conducted at arm's length in the ordinary course of business and on normal commercial terms or on terms that are fair and reasonable and in the interests of the Group and the shareholders of the Company as a whole.

17. POST BALANCE SHEET EVENTS

On 26 October 2006, Success Advantage Investments Limited ("Success Advantage"), a wholly-owned subsidiary of the Company, entered into the SA Agreement with CCI and China Communication Co., Ltd ("CCC") pursuant to which Success Advantage has conditionally agreed to acquire, at a consideration of HK\$620,000,000, the right to receive the net revenue from CCI for the period between 1 January 2007 and 10 August 2009.

STATEMENT OF INDEBTEDNESS

As at the close of business on 30 April 2007, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$425,000,000, which represents the principal amount of unsecured promissory note payable.

Save as aforesaid or otherwise disclosed in the paragraphs above, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at 30 April 2007, the Group had no 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.

MATERIAL CHANGES

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 April 2007.

WORKING CAPITAL

As at the Latest Practicable Date, the Directors were of the opinion that, after taking into account the Group's internal resources, the Group has sufficient working capital for its present requirements in the next 12 months from the date of this circular.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2006, being the date to which the latest published audited financial statements of Group were made up.

The following is the text of the letter and valuation report received from Grant Sherman and addressed to Success Advantage in connection with its valuation as at 30 April 2007 of the right to receive the Distributable Profit, which has been prepared for the purpose of incorporation in this circular.



GRANT SHERMAN APPRAISAL LIMITED

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Hong Kong

22 June 2007

Success Advantage Investments Limited
Unit 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 market value of the right to receive 75% of the distributable profit of the e-Sports Platform ("the Right") developed and operated by China Cyber Port Co., Ltd. ("CCP"). The principal business of the e-Sports Platform is online e-Sports games, e-Sports tournaments and online advertisements.

This letter identifies the property appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. Excluded from this appraisal are all real estate property, machinery, equipment, supplies, stocks, spare parts, materials on hand, computer software, inventories, current assets, current liabilities or any intangible assets that may exist.

The purpose of this appraisal is to express an independent opinion of the fair market value of the Right as of 30 April 2007. It is our understanding that this appraisal is used for acquisition purposes.

BACKGROUND

The e-Sports Platform, one of the major developments of the 24365 Online Interactive Entertainment Platform, is a platform for online game tournaments of famous contest games such as Counter-Strike (反恐精英), WarCraft (魔獸爭霸), StarCraft (星際爭霸), etc. 24365 Online Interactive Entertainment Platform ("24365 Platform") is an internet portal developed and operated by China Cyber Port Co., Ltd ("CCP" or "the Company") that primarily engages in the provision of news and information, music, movies, e-Sports,

word games, auctions, entertainments, online games, and advertisements. The payment gateway for 24365 Platform's service is the Shentong Card (神通卡) billing system, a real name and real time smart IC card that acts as a debit card of the users developed by China Communication Co., Ltd. ("CCC"). Shentong Card is also designed to act as an electronic wallet for payment of transportation fees, bank charges, IP phone fees, online trading fees and home utility fees etc.

CCP is a sino-foreign equity joint venture established in the PRC. Currently, its shares are owned as to 25% by CCC and 75% by China Communication Investment Ltd. ("CCI"). CCI is a wholly-owned subsidiary of CCC and is interested in approximately 17.10% shareholding interest in China Cyber Port (International) Company Ltd. ("CCP International") as of the Appraisal Date. CCP's core business includes the development and operation of 24365 Platform, and development, operation, and distribution of computer games and online games in the PRC. CCC is a nationwide telecom operator and internet network operator in China. It is one of the three state-owned telecom operators, who own a public telecommunication network (DWDM/SDH) that covers a wide range of areas and offers communication and value-added telecom services.

CCP International entered into an Acquisition Agreement to acquire the Right to receive the distributable profit (calculated as the net profit after tax for the year after deducting 10% thereon as statutory reserve as required by the relevant PRC laws) derived from operating the e-Sports Platform in PRC by CCP. CCP International is currently listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong (stock code: 8206). It primarily engages in the provision of (1) real-time financial news and up-to-date financial market commentaries and recommendations through multimedia; (2) financial programs and video production services; and (3) investor education on financial market in Hong Kong. CCP International is also engaged in investment in the right to receive net revenue linked to the operation of the online game Sudden Attack and investment in the licensed rights of thirty-four computer game software and computer game guide books.

THE E-SPORTS PLATFORM

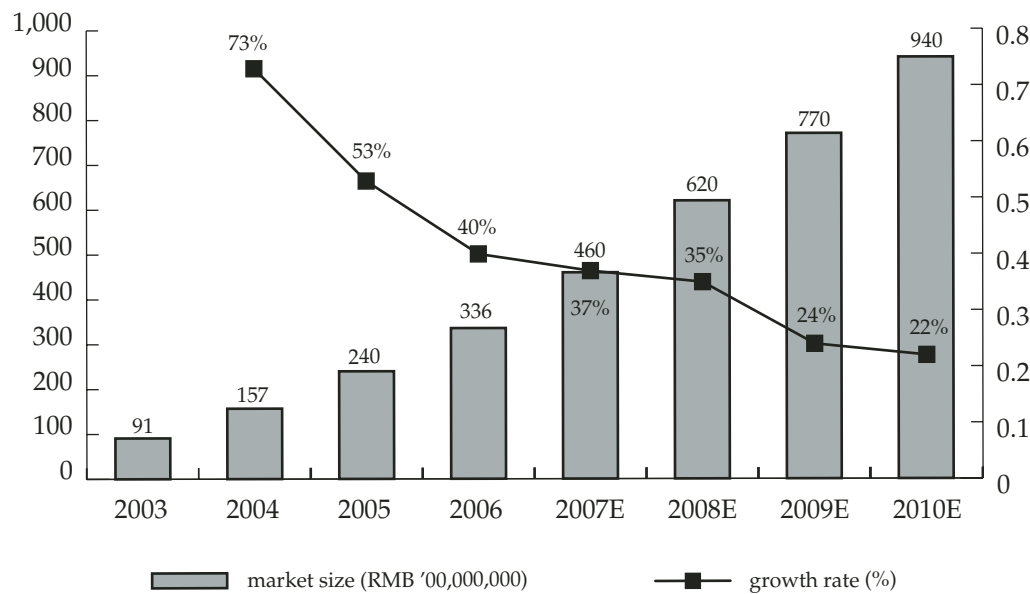
The e-Sports Platform, one of the major component of the 24365 Online Interactive Entertainment Platform, is a platform for online game tournaments such as Counter-Strike (反恐精英), WarCraft (魔獸爭霸), StarCraft (星際爭霸), etc. The Platform is operated through CCC's Shengtong Card (神通卡), a billing system implemented under the real name regulation. The e-Sports Platform players will be charged at a rate of RMB0.4 per hour. The Company will develop the e-Sports Platform in three phases, according to its business plan. During the first phase, the Platform can support a maximum of 300 thousand concurrent users. To cope with business expansion, CCP will implement the second and third phase of development to support the increasing number of concurrent users.

Through the e-Sports Platform, the Company will hold national online game tournaments for Counter-Strike, WarCraft, StarCraft, etc. in six main regions. The six regions are: (1) the North Eastern region which includes the provinces of Heilongjiang, Jilin, and Liaoning, (2) the Northern region which includes the provinces or autonomous region or cities of Beijing, Tianjin, Heibei, Shanxi, and Inner Mongolia, (3) the Eastern region which includes the provinces or cities of Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shangdong, (4) the North Western region which includes the provinces or autonomous region of Shanxi, Gansu, Ningxia, Chinghai, and Xinjiang, (5) the South Western region which includes the provinces or autonomous region of Sichuan, Chongqing, Yunnan, Guizhou, and Tibet, and (6) the South Central region which includes the provinces of Henan, Hubei, Hunan, Guangdong, Guangxi, and Hainan. The six main regions will hold monthly tournaments for the selected games, and the registration fee is RMB20 per contestant per contest. The tournament will be conducted online and offline that contestants will be assigned into teams to compete online in the first round of the contest, and the winners will gather and compete offline in the final round monthly in one of the six regions. There will also be a year-end competition for all monthly winners according to the management of the Company. The winning prize for the contestants will range from RMB50 to RMB50,000, depending on the contest and ranking of the contestant.

CHINA'S INTERNET PORTAL INDUSTRY

China is the world's fastest growing economy and China's internet is among its fastest growing industries. China's internet penetration rate is only about 10% of the total population, or 137 million netizens. The penetration rate is higher than the level of equivalent developing countries, but lower than the 70% enjoyed by developed nations such as Japan, Korea, and the USA according to iResearch, an independent consulting agent. With an increasing internet adoption rate and a growing user base, the number of netizens is expected to reach 163 million by 2007. Internet market size in China has reached RMB33.6 billion in 2006, with a growth rate of 40%. According to iResearch, about 69% of the internet market size is accounted for by personal spending such as online games, trip reservation, online shopping (B2C and C2C e-commerce), wireless value-added services, etc; the remaining 31% is from business enterprises spending on online brand advertising, online search advertising, online recruitment, B2B e-commerce, etc. With China's internet users expected to grow rapidly and the economy poised to see strong growth in the long run, the internet market is expected to reach RMB94 billion by 2010, and a large portion, 40%, will be comprised of spending by business enterprises according to iResearch.

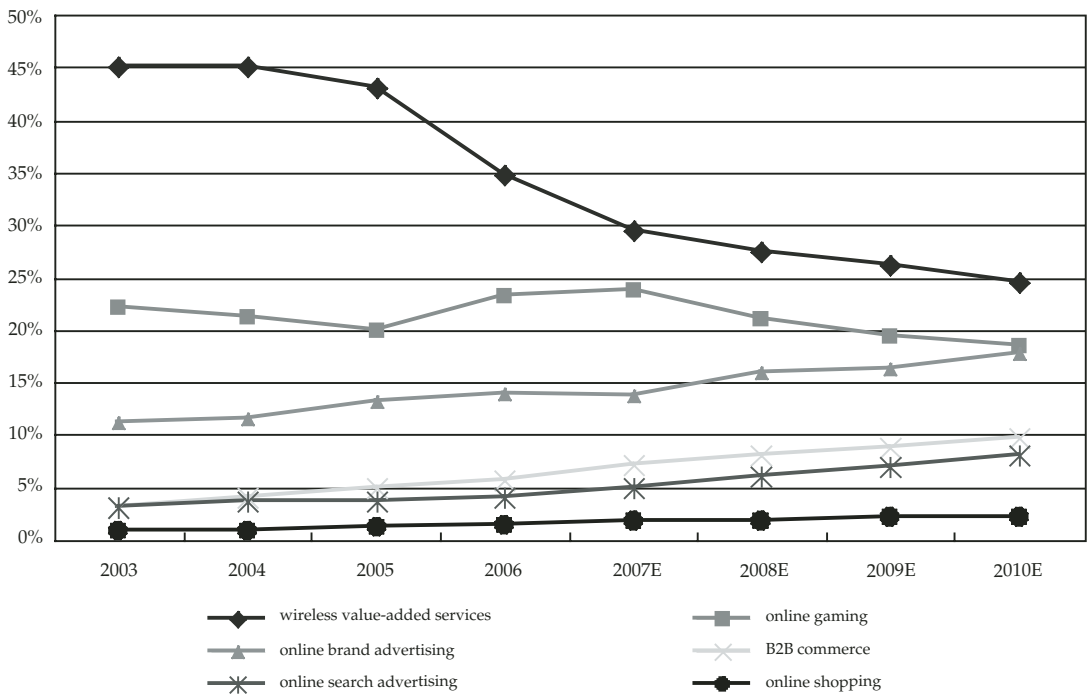
Exhibit 1
2003–2010 China’s Internet Market Size



Source: iResearch, China Internet Industry Research Report 2007, p.7
Note: Online Market Size includes all kinds of income from internet operators and services such as, online games, online brand advertising, online search advertising, online shopping, B2B e-commerce, wireless value-added service, travel services, online recruitment, web hosting, etc.

Currently, the rapid growth in internet market is mainly from online game, online brand advertising, e-commerce, online reservation, etc. In 2006, except for online brand advertising market which is growing at a rate of 49%, all other online markets are growing at a rate above 60%. About 72% of the revenue in China’s Internet Market is comprised of wireless value-added services, online games, and online brand advertising. According to iResearch, from 2003 to 2010, wireless value-added services will lose its importance in the Internet market. Internet market’s proportion for online games will also start to show a decreasing trend in 2007, while online brand advertising, B2B e-commerce, online search advertising, online shopping, and travel services will be on an increasing trend with online brand advertising showing the greatest increase.

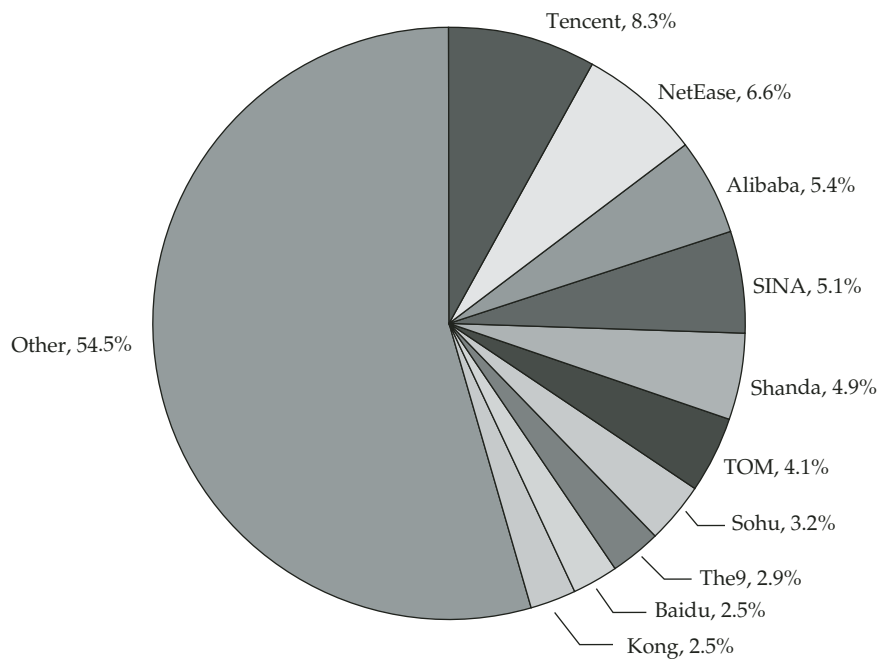
Exhibit 2
2003–2010 Major Components of China’s Internet Market



Source: iResearch, China Internet Industry Research Report 2007, p.9

Currently, the four leading portals in China – Tencent, SINA, Sohu, and NetEase – have all seen strong profit growth over the past years. These portals have evolved from being pure portals and advertising business models in the early 2000s, to offer high-margin wireless value-added services over the past couple years. With the internet population gaining critical mass, these companies have built solid businesses on wireless value-added services, online advertising, and online games. In 2006, Tencent accounts for the highest portion, 8.3% of China’s Internet Market, and the major portals together accounts for only 25.7% according to iResearch. Market concentration is low, which means there is still no signs of monopolization in China and internet portals are undergoing severe competitions.

Exhibit 3
2006 China’s Major Internet Portals

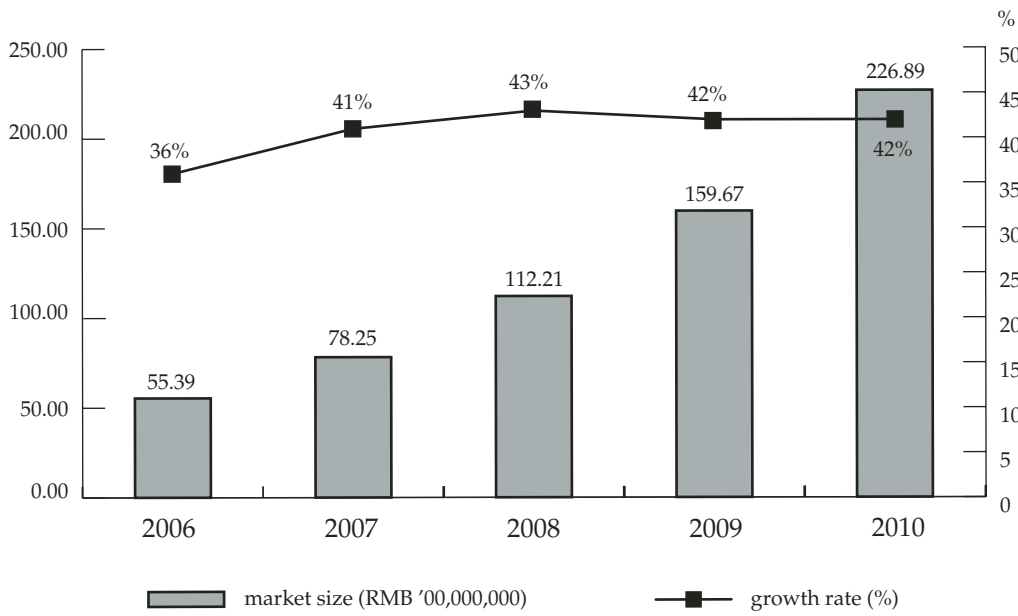


Source: iResearch, China Internet Industry Research Report 2007, p.12

ONLINE GAMES

Online games have been well accepted by China’s internet users. Though the online game industry came into full existence in China only 3–4 years ago, it now ranks No. 2 in terms of industry revenue among all online businesses in China (Exhibit 2, 2003–2010 Major Components of China’s Internet Market). Online games will continue to gain popularity in China due to increased promotions by operators and a wider range of games to address tastes of a larger audience. According to market researcher CCID, revenue from China’s online gaming industry reached RMB5.54 billion, up 36% from a year earlier, and could quadruple by 2010 as Internet access becomes more widespread. Online game revenue will grow more than 40% annually to reach RMB22.6 billion by 2010.

Exhibit 4
Growth Forecast for Online Game Industry in China



Source: CCID Consulting, 2005–2006, 中國網際遊戲市場及投資機會研究每度報告, p.44

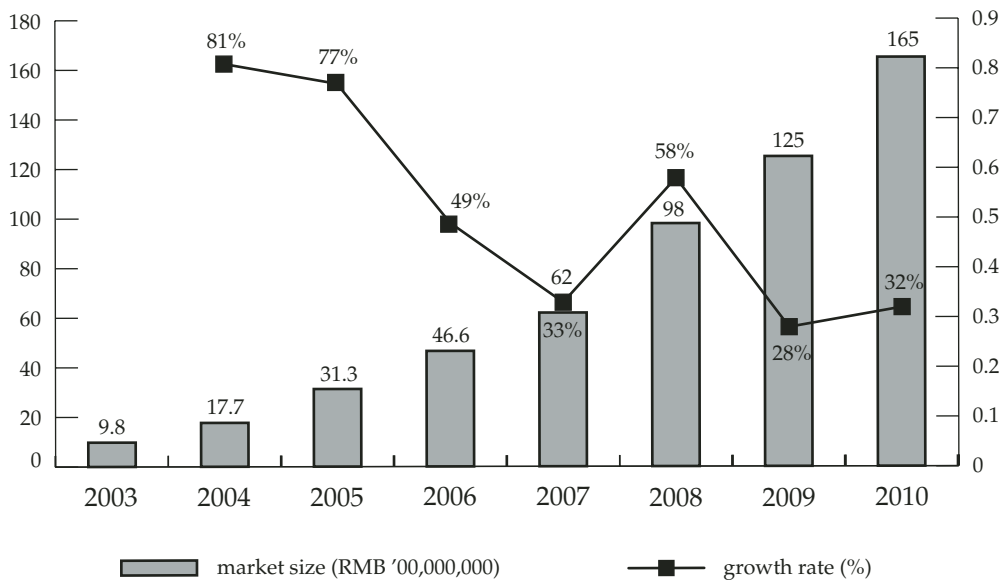
Currently, the leading game developers whose games are operated in China include Shanda, NetEase, Webzen, and NCSoft. Shanda has already developed and operated three of the major online games in China – “Legend of MirII”, “WOOL” and “Magic Land” – in 2006. NCSoft is a Korean software developer that develops utilities software and single PC games.

In mid-2005, the government took action on preventing under-aged kids from getting addicted to online games. The “fatigue system” has already rolled out nationwide on 15 April 2007, with full implementation for both massively multiplayer online role playing game and casual games by 16 July 2007. The “fatigue system” is designed to limit the amount of continuous time that players could spend within game worlds. The “real-name system” will also be implemented requiring online players to register with their real names. Game operators expect little impact with regard to the regulation due to monetization relies on games buying virtual items rather than game time. Some even expects the fatigue system will benefit as players may be more willing to spend money to buy virtual items, as the number of experience points (that may be used to buy virtual items) earned is reduced after prolonged hours of play. CCP has responded to the fatigue and real-name systems by requiring players to use Shentong Card as the only settlement tool.

ONLINE BRAND ADVERTISING

Online brand advertising provides relatively stable and sustainable revenues to the internet market in China. The growth is driving by an increase in overall brand advertising spending in China and advertisers increase allocation in online brand advertising. The internet has become a formal advertising channel. The most common advertisement (“ad”) displays are banner ads, buttons and pop-up windows. In China, display ads are typically charged on the basis of time, rather than by cost per thousand or per impression. Online brand advertising reached RMB4.7 billion in 2006, accounted for about 4.7% of the total advertising market in China, including newspaper, magazine, television, broadcasting, films and outdoor advertising¹. Advertisers have begun to increase the portion of online brand advertising allocation, and it is estimated that online brand advertising will continue to increase, reaching 5% of the total brand advertising market in China in 2007.

Exhibit 5
2003–2010 China’s Online Brand Advertising Market



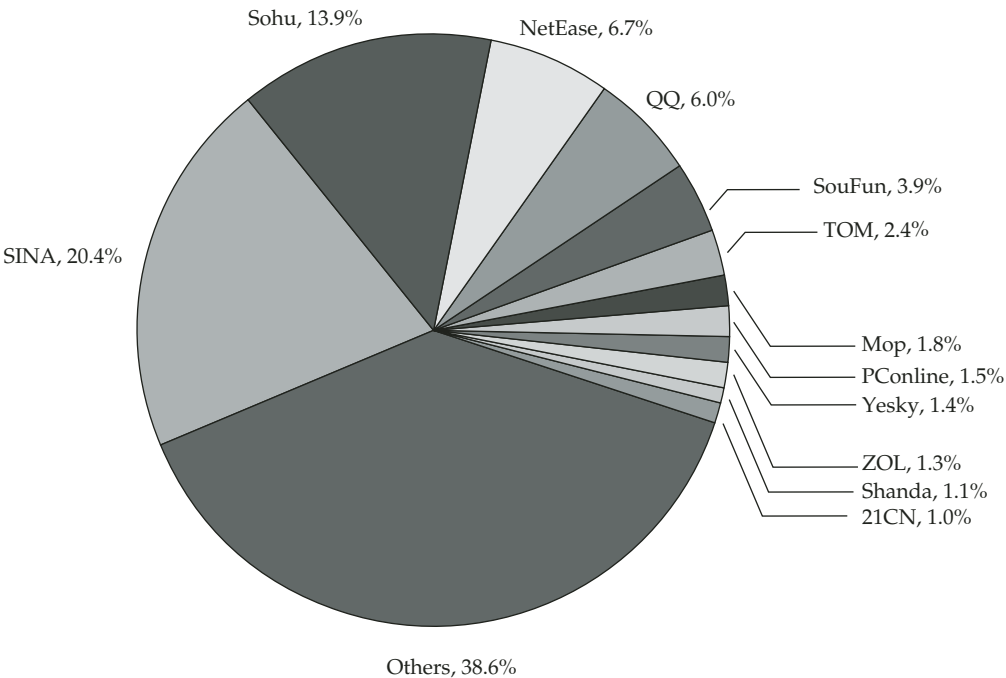
Source: iResearch, China Internet Industry Research Report 2007, p.12
Note: Online Advertising Market includes advertising revenue from internet media, email, networking software, e-magazine, etc.

The leading portals – SINA, Sohu, and NetEase account for 70% of the total online brand advertising revenue in 2003, with SINA accounting for about one third of the online brand advertising market.² By 2006, these three leading portals has lost a portion of their market share and only account for 40% of the total online brand advertising revenue, with SINA accounting for about one fifth of the market according to iResearch’s 2006 Internet Portal’s Share in China’s Online Brand Advertising Market. Even though these leading portals

¹ Source: www.zenithoptimedia.com; Guotai Junan Securities, 機遇大於挑戰, P.9
² Source: JP Morgan, China Internet Sector, 4 May 2004, P.43

are losing some of their market shares, it is still expected that they will continue to take a significant portion of the overall online brand advertising revenue as their high traffic volume, maintain through strategic acquisition of vertical portals, will continue to draw large online advertisers and command premium prices.

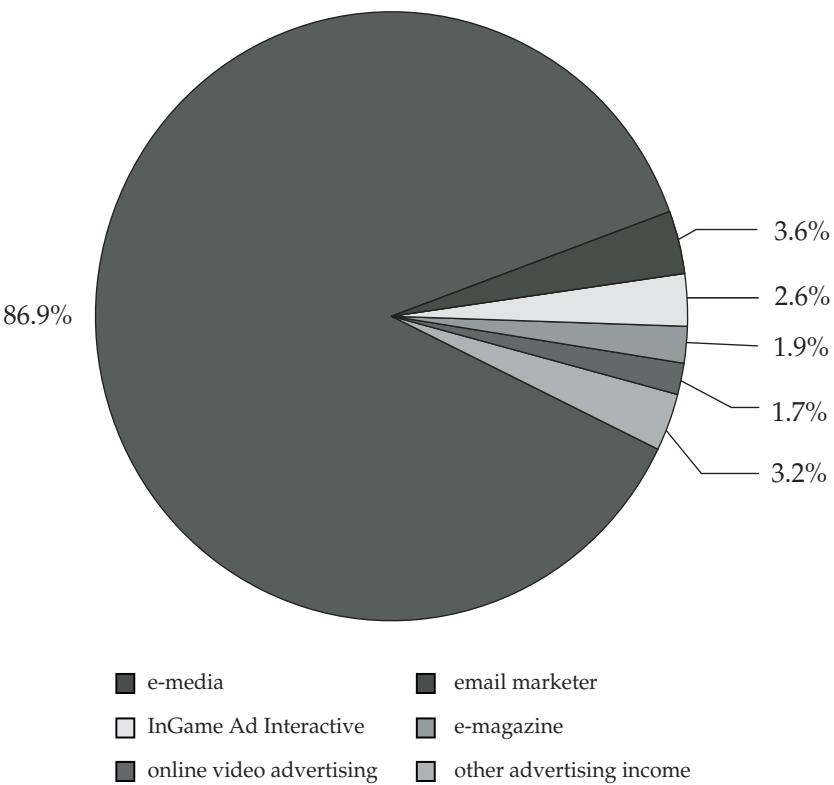
Exhibit 6
2006 Internet Portal’s Share in China’s Online Brand Advertising Market



Source: iResearch, China Internet Industry Research Report 2007, p.24

In 2006, most online brand advertisements are from web media with RMB4 billion, accounting for 86.9% of the total online advertising revenue. Other means of online brand advertisements include email, online game, digital magazine, online video, etc.

Exhibit 7
2006 Medium of China’s Online Advertising



Source: iResearch, China Online Advertising Research Report 2006, p.12

IT product merchants are the largest online advertisers in China, and are responsible for about a quarter of the country’s online ads. Consumer electronics, especially handsets, rely on large advertising campaigns, and handset makes will likely to continue to invest in brand-building advertising. Over the past year, there is also a significant growth in advertising sales in real estate and automobile sectors and these two sectors now account for about 32% of online advertisements. China has recorded a strong recovery in auto sales with an increase in the number of new model launches, and advertising spending is co-related to new car launches. Government’s restriction on foreign ownership of property, the implementation of property taxes and enforcement of affordable housing rules are having a negative impact on real-estate advertising, however, it is the offline space which has mostly impacted while the more efficient online brand advertising has been less affected. As internet users are perceived to be more affluent, it is expected that advertisers targeting their type of audience will continue to use online brand advertising.

E-SPORTS

The rise of the world’s e-Sports is marked by the establishment of e-Sports tournaments ProGam League (PGL), Cyber Athlete Professional League (CPL), and Electronic Sports World Cup (ESWC). PGL and CPL are both organized in the United States in 1997, with CPL being the first international league. ESWC is an international gaming league organized by France in 2003.

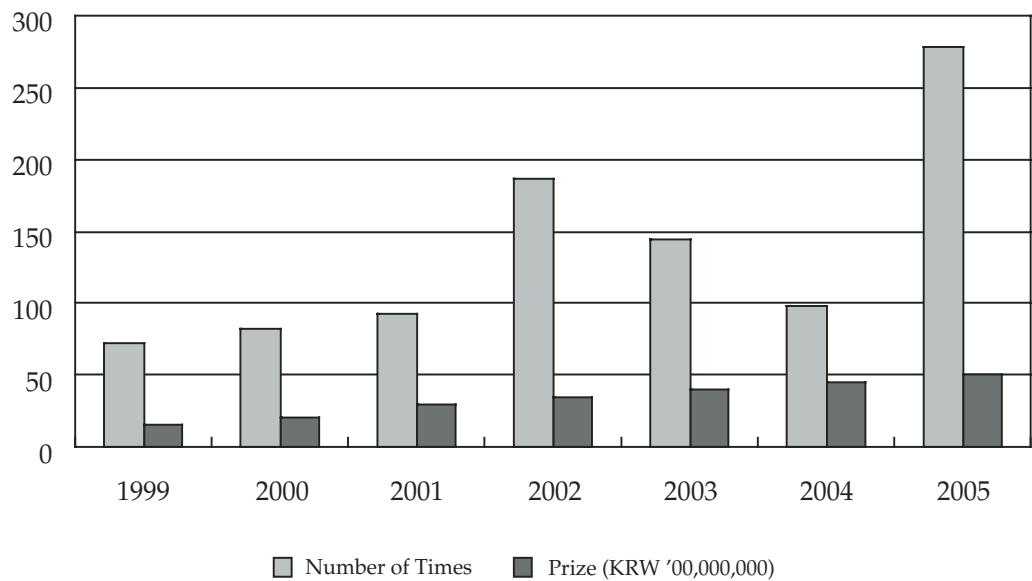
Exhibit 8
World’s Three Biggest e-Sports Events

	WCG	ESWC	CPL
Organizing Country	Korea	France	United States
Year	2001	2003	1997
Tournament Mode	First round competition in each country from March to October, Final in November	First round competition in each country, Final in July	Summer/Winter Final competition, monthly (3-12) worldtour
Size	70 countries/800 participants	50 countries/800 participants	1,300 participants
Sponsors	Samsung	nVidia	Intel
Games	Counter-Strike, StarCraft, etc.	Counter-Strike, Warcraft 3, Pro Evolution Soccer 4	Counter-Strike, Warcraft 3, Pain Killer, Halo 2

Source: U.I. Pacific Games Inc.

In Asia, Korea’s e-Sports is currently in its mature stage of development. e-Sports began in Korea with the popularity of StarCraft and game tournaments in 1998. In 2000, e-Sports tournaments On Game Net and MBC Game have started to be broadcasted live on television, and people started to recognize the business potential of e-Sports. Corporations like KT, KTF, SK Telecom, Samsung, LG, CJ, etc., sponsored e-Sports tournaments, and government has already spent KRW14 billion into supporting e-Sports in Korea. e-Sports has gained a lot of participants in China as well. In August 2005, Korea and China government have organized the first e-Sports tournament, China Korea Cyber Game (CKCG).

Exhibit 9
Korea’s e-Sports Tournaments



Source: U.I. Pacific Games Inc.

Currently, China has plans to develop its e-Sports Industry. CCP will organize a ProGame league as the pioneer for China’s e-Sports development according to the management of CCP. ProGame league is a very important event in e-Sports activity. In Korea, the leading ProGamer Lim Yo Huan has about 700,000 members in his Game Forum. CCP targets to increase public awareness and advertise its e-Sports Platform by promoting the champions of its e-Sports tournaments to become a well-known ProGamer in China. Ultimately, CCP’s ProGame league will represent China to participate in the world’s major e-Sports tournaments.

BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the Right on the basis of fair market value. Fair market value is defined as the estimated amount at which the asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the business at its present location for continuation of current operations unless the break-up of the business or the sale of its assets would yield greater investment returns.

Our investigation included site visits and discussions with members of CCP International’s and CCI’s managements in relation to the history and nature of the business, members of CCP’s management in relation to the operations and prospects of the e-Sports Platform and CCP, and other information of the online game industry. 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 development of e-Sports Platform and the nature of the business of the operation of the platform as presented by CCP's management;
- the e-Sports Platform's business plan and financial projection prepared by CCP's management;
- the regional economic outlook in general and specific economic and competitive elements affecting the e-Sports Platform's business operation, its industry and its markets;
- the market prices of shares of companies engaged in the same or similar lines of business as the e-Sports Platform and whose shares are actively traded in a free and open market on a stock exchange; and
- CCP's past operating results and future plans.

Due to the changing environment in which the e-Sports Platform is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the Right. The major assumptions adopted in this appraisal are:

- there will be no major changes in the existing political, legal, and economic conditions in the PRC;
- 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;
- the business plan and the projection have been prepared on a reasonable basis, reflecting estimates which have been arrived at after due and careful consideration;
- the availability of finance will not be a constraint on the forecast growth of the Company's operation in accordance to the business plan and the projection;
- exchange rates and interest rates will not differ materially from those presently prevailing;
- competent management, key personnel, and technical staff will be recruited to support the ongoing operation of the e-Sports Platform; and
- industry trends and market conditions for related industries in the PRC and around the world will not deviate significantly from forecasts and the industry is expected to grow at a long term inflation rate of 3%.

VALUATION METHODOLOGY

We have considered the following approaches in determining the fair market value of the Right:

- Market approach
- Income approach
- Cost approach

Selection of Valuation Method

After a review of the above approaches, it is our opinion that the most appropriate approach for appraising the fair market value of the Right is the income approach. The rationale behind is that income approach relies on data from a forecast of future economic benefits of ownership of the Right prepared by the management of CCP. On the contrary, the market approach and cost approach rely on data from public trading markets or game operators which are rarely available in the valuation practice. More importantly, it is not generally appropriate to apply the cost or market approach to value a right to receive distributable profit related to operating an internet portal due to the uniqueness of the platform and when there is a reasonable base to estimate the future income to be generated by the e-Sports Platform.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the ownership of the Right than an amount equal to the present worth of anticipated future benefits (income) from owning the same or equivalent right with similar risk.

The income approach explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. We have applied the discounted cash flow method ("DCF") in appraising the economic benefits of ownership of the Right. In practice, the discounted cash flow approach consists of estimating future annual distributable profit and individually discounting them to present value with a discount rate.

Discount Rate Development

A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of available alternative investments that are comparable in terms of risk and other investment characteristics. When developing the discount rate to apply to the future economic income streams attributable to the right owner, the discount rate is the cost of equity. The cost of equity was developed using Capital Asset Pricing Model ("CAPM") with reference to the required rates of return demanded by investors for similar projects.

The cost of equity was developed through the application of the CAPM. The 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 to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under the CAPM, the appropriate rate of return is the sum of the risk-free return and the equity risk premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of the Right being valued versus those of the comparative companies, which include risk adjustments for the underlying asset size (the "Small Capitalization Risk Premium") and other risk factors in relation to start-up of a new business (the "Start-up Risk Premium"). Our analysis suggested that a discount rate of 23.52 percent was appropriate for valuing the Right.

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 capitalization company. This premium reflects the fact that the cost of capital increases with decreasing size of the e-Sports Platform. 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 e-Sports Platform's systematic risk derived from the CAPM model. We concluded that a small capitalization risk premium of 6.27 percent is appropriate for the e-Sports Platform.

Start-up Risk Premium

The risks associated with the e-Sports Platform are typically associated with a start-up business, mainly related to the successful establishment and implementation of the CCP's business plan on the e-Sports Platform. Uncertainty results from the business of the e-Sports Platform related to CCP's lack of long historical financial records. Therefore, the readers of this report should carefully consider the start-up nature of the business and the risks associated. To reflect the startup risk associated with the e-Sports Platform, we have added an additional risk premium of 3 percent in developing the discount rate. This valuation is based on numerous assumptions which are inherently subject to significant economic and uncertainties beyond CCP's control.

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 the Right owned by a closely held corporation. Ownership interests of rights to receive distributable profit from closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a right to receive distributable profit from a privately held company is usually worth less than an otherwise comparable 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 30 percent is deemed to be reasonable for the Right.

Sensitivity Analysis

We have identified the discount rate and the industry growth rate as the variables in our model whose sensitivities on the fair market value of the Right is being tested. Our conclusion of the fair market value of the Right falls in the range between RMB290.9 million and RMB322.8 million as the discount rate decreases from 24.52% to 22.52%. Moreover, the fair market value of the Right will fall in the range between RMB306.1 million and RMB318.1 million as the industry growth rate increases from 3% to 5%.

CONCLUSION

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that as of 30 April 2007, the Right is reasonably stated by the amount of RMB THREE HUNDRED AND SIX MILLION ONE HUNDRED THOUSAND (RMB306,100,000) ONLY.

This conclusion of value was based on 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.

We hereby certify that we have neither present nor prospective interests in the Group, the Right or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED
Keith C.C. Yan, ASA
Managing 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.

Analyze and report by:

Keith C.C. Yan, ASA

Jacqueline W. Huang, Ph.D.

Helena M.C. Lee, MA

The Company has received from its reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong, and its financial adviser, CCB International Capital Limited, the following letters prepared for the inclusions of in this circular in respect of the appraisal valuation on the fair market value of the right to receive the Distributable Profit prepared by Grant Sherman.

A. REPORT FROM RSM NELSON WHEELER

RSM Nelson Wheeler

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Certified Public Accountants

22 June 2007

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,

REPORT OF FACTUAL FINDINGS

In accordance with our engagement letter dated 30 May 2007, we have performed the procedures agreed with you which are set out below with respect to the appraisal valuation (“Valuation Report”) of right to receive the Distributable Profit derived from the operation of a platform for computer and online game tournaments in the People’s Republic of China (“the Right”) as at 30 April 2007 prepared by Grant Sherman Appraisal Limited dated 22 June 2007 in connection with Success Advantage’s entering into Acquisition Agreement with CCI dated 28 May 2007. Capitalised terms used in this letter shall have the same meanings as defined in the circular (“Circular”) of China Cyber Port (International) Company Limited (the “Company”) dated 22 June 2007 unless the context requires otherwise.

Our engagement was conducted in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” (“HKSRs 4400”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The procedures were performed solely to assist you in complying with Rule 19.62(2) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

For the purpose of this report, we have:

1. obtained the supporting worksheets of the Valuation Report provided by the Company;
2. checked the arithmetic accuracy of the calculations of the value of the Right contained in the supporting worksheets of the Valuation Report;
3. made inquiry of Grant Sherman Appraisal Limited whether the accounting policies of the Company have been adopted in the preparation of the Valuation Report.

Based on the information and documents made available to us, we report our findings below:

- a. With respect to item 1, we obtained the supporting worksheets of the Valuation Report provided by the Company;
- b. With respect to item 2, we found that the calculations of the value of the Right contained in the supporting worksheets of the Valuation Report are arithmetically accurate;
- c. We were informed by Grant Sherman Appraisal Limited that as this is a discounted cash flow model, no accounting policies of the Company have been adopted in the preparation of the supporting worksheets of the Valuation Report.

Because the above procedures did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA (collectively referred to as Hong Kong Assurance Standards), we do not express any assurance on the Valuation Report.

Had we performed additional procedures or had we performed an assurance engagement in respect of the Valuation Report in accordance with Hong Kong Assurance Standards, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the second paragraph of this report and is for your information only, and is not to be used for any other purpose or to be distributed to any other parties, without our prior written consent, except that we understand a copy of this report will be distributed to the Stock Exchange. We expressly disclaim any liability or duty to any other party (including the Stock Exchange) in this respect. This report relates only to the items specified above and does not extend to the Valuation Report or any financial statements of the Company taken as a whole.

Yours faithfully
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

B. REPORT FROM CCB INTERNATIONAL CAPITAL LIMITED



22 June 2007

The 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,

We refer to the valuation report prepared by Grant Sherman Appraisal Limited (“Grant Sherman”) in relation to the appraisal of the fair market value of a right to receive the Distributable Profit derived from the operation of a platform for computer and online game tournaments (the e-Sports Platform) by 神州奥美網絡有限公司 (China Cyber Port Co., Ltd.) (“CCP”) in the PRC as at 30 April 2007 (the “Valuation”) as set out in Appendix II to the circular issued by China Cyber Port (International) Company Limited (the “Company”) dated 22 June 2007 (the “Circular”) and the requirements under the Rules 19.62(3) and 19.64(3) of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Terms used herein, unless otherwise defined, shall have the same meanings as defined in the Circular.

We note that the Valuation has been developed by Grant Sherman through the application of the income approach known as the discounted cash flow method. We also note that Grant Sherman, in preparing the Valuation, took account of financial projections (the “Projections”) prepared by the management of CCP and the Company.

We have discussed with Grant Sherman, management of CCP and the Company the bases and assumptions upon which the Projections have been made. The preparation of the Projections is the responsibility of, and has been approved by, the directors of the Company.

We have also considered the letter dated 22 June 2007 addressed to you from RSM Nelson Wheeler regarding the calculations upon which the Projections have been made.

On the basis above, we are of the opinion that the Projections, for which you are solely responsible, have been made after your due and careful enquiry.

Yours faithfully
For and on behalf of
CCB International Capital Limited
Lai Voon Wai
Managing Director – Corporate Finance

**A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF
THE ENLARGED GROUP**

The following unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “Statement”) has been prepared to illustrate the effect of the Acquisition, assuming the transaction had been completed as at 30 September 2006, might have affected the financial position of the Group.

The Statement is prepared based on the unaudited pro forma information of the Group extracted from the circular of the Company issued on 30 November 2006, after making certain pro forma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 September 2006. Furthermore, the Statement does not purport to predict the Group’s future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular and other financial information included elsewhere in this circular.

APPENDIX IV
**PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Previously Published Pro Forma Group as at 30 September 2006 (Unaudited) HK\$	Note	Pro forma adjustment HK\$	Adjusted balance HK\$
Non-current assets				
Fixed assets	277,623			277,623
Deferred tax assets	1,115,135			1,115,135
Intangible assets	138,750,000	(a) (c) (d)	312,900,000 2,200,000 55,000	453,905,000
Investments in an associated company	3,529,162			3,529,162
Available-for-sale financial asset	553,529,000			553,529,000
	<u>697,200,920</u>			<u>1,012,355,920</u>
Current assets				
Loan receivable from associated company	1,884,615			1,884,615
Accounts receivable	29,760			29,760
Amount due from a related company	14,423,077			14,423,077
Deposits and prepayment	2,543,594			2,543,594
Cash and bank balances	52,803,677			52,803,677
	<u>71,684,723</u>			<u>71,684,723</u>
Current liabilities				
Accrued expenses	2,167,721	(c) (d)	2,200,000 55,000	4,422,721
Receipts in advance and other payables	40,041,497			40,041,497
	<u>42,209,218</u>			<u>44,464,218</u>
Net current assets	<u>29,475,505</u>			<u>27,220,505</u>
Total assets less current liabilities	<u>726,676,425</u>			<u>1,039,576,425</u>
Non-current liabilities				
Promissory note	358,529,000			358,529,000
NET ASSETS	<u><u>368,147,425</u></u>			<u><u>681,047,425</u></u>
CAPITAL AND RESERVES				
Share capital	6,650,868	(b)	1,050,000	7,700,868
Reserves	361,496,557	(b)	311,850,000	673,346,557
	<u><u>368,147,425</u></u>			<u><u>681,047,425</u></u>

Notes:

According to the Acquisition Agreement, Success Advantage has conditionally agreed to acquire the right to receive the Distributable Profit from CCI. The Consideration will be settled by Consideration Shares allotted and issued by the Company upon Completion.

For the purpose of this Statement, it is assumed that all the Acquisition Conditions were fulfilled and the Completion has taken place on 30 September 2006.

Upon Completion, the Group will account for the right to receive the Distributable Profit as an intangible asset ("Intangible Asset") in accordance with the Group's accounting policies, such that it would be carried at cost, being the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire it at the time of its acquisition, less any subsequent accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the cost of the Intangible Asset over its estimated useful lives of 10 years.

The following pro forma adjustments are made:

- (a) This adjustment is made to reflect part of the cost of the Intangible Asset. The closing price of the Company's share at 29 September 2006 was HK\$2.98 per share. Assuming 105,000,000 Consideration Shares were allotted and issued, the fair value of the Consideration Shares would be HK\$312,900,000.

For information purpose, if the Issue Price (as defined in page 3 of the Circular) of HK\$2.90 is used, the fair value of Consideration Shares would be HK\$304,500,000 and form part of the cost of the Intangible Asset.

- (b) This adjustment is made to reflect the Consideration Share to be issued upon Completion. 105,000,000 new ordinary shares of HK\$0.01 each will be allotted and issued at a premium of HK\$311,850,000.
- (c) This adjustment is made to reflect the professional fee incurred directly for the Acquisition, which will be accounted for as part of the cost of acquisition of the Intangible Asset.
- (d) This adjustment is made to reflect the share issuance cost associated with the Consideration Shares, which will be accounted for as part of the cost of acquisition of the Intangible Asset.

B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong.

RSM Nelson Wheeler

羅 申 美 會 計 師 行

Certified Public Accountants

22 June 2007

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,

We report on the unaudited pro forma statement of assets and liabilities (the “Statement”) of China Cyber Port (International) Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed acquisition of the right to receive the Distributable Profit might have affected the assets and liabilities of the Group presented, for inclusion in Appendix IV to the circular of the Company dated 22 June 2007 (the “Circular”). The basis of preparation of the Statement is set out on pages 88 to 90 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibilities solely of the directors of the Company to prepare the Statement in accordance with paragraph 31 of Chapter 7 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 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 31(7) of Chapter 7 of the GEM Listing Rules, on the Statement 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 Statement 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 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 Statement with the directors of the Company. The 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 Statement has been properly compiled by the directors of the Company 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 Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The Statement is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, 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 2006 or at any future date.

Opinion

In our opinion:

- (a) the Statement has been properly compiled by the directors of the Company 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 Statement as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (1) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (2) there are no other matters the omission of which would make any statement in this circular misleading; and
- (3) 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.

SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
<i>Issued, fully paid or credited as fully paid:</i>		
695,586,761	Shares in issue as at the Latest Practicable Date	6,955,867.61
105,000,000	Consideration Shares to be allotted and issued pursuant to the Acquisition Agreement	1,050,000.00
<u>800,586,761</u>	Total number of Shares upon Completion	<u>8,005,867.61</u>

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.

The Company has on 17 March 2004, 14 February 2006, 3 April 2006, 28 June 2006, 13 July 2006, 17 August 2006, 4 December 2006, 15 December 2006 and 28 February 2007 respectively granted options to certain Directors, full-time employees of the Group and other eligible participants entitling them the right to subscribe for a total of 40,900,000 Shares under the share option scheme adopted by the Company on 28 October 2002. As at the Latest Practicable Date, a total of 11,200,000 options were in issue.

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.

DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

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

Long positions in the Shares and share options:

Name of Directors	Number of Shares, held, capacity and nature of interest			Total	Approximate percentage of the Company's issued share capital (%)	Date of grant of share option	Exercise Period	Exercise price per share HK\$	Number of share option	Approximate percentage of the Company's issued share capital (%)
	Personal	Family	Corporate							
Xiao Haiping	-	-	-	-	-	3 April 2006	3 October 2006 to 2 April 2009	1.09	2,000,000	0.29
Zhang Jialin	-	-	-	-	-	3 April 2006	3 October 2006 to 2 April 2009	1.09	2,000,000	0.29
Yip Tai Him	-	-	-	-	-	17 March 2004	17 September 2004 to 16 March 2014	0.047	400,000	0.06

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 and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

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 of the Company 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 is, 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 other member of the Group:

(i) Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital (%)
CCI (Note 1)	Beneficial owner	220,542,000	31.71%
CCC (Note 1)	Interest of a controlled corporation	220,542,000	31.71%
Superhero Limited (Note 2)	Beneficial owner	74,979,195	10.78%
Mi Hui Ying (Note 2)	Interest of a controlled corporation	74,979,195	10.78%
Supreme System Investments Limited (Note 3)	Beneficial owner	54,001,144	7.76%
Ge Wen Bin (Note 3)	Interest of a controlled corporation	54,001,144	7.76%
Chan Wong Kum Fung, Cecilia	Beneficial owner	51,500,798	7.40%

Notes:

- (1) Among the 220,542,000 Shares, CCI beneficially owns 115,542,000 Shares and is deemed to be interested in 105,000,000 new Shares to be issued upon Completion by virtue of the SFO. CCC is a wholly-owned subsidiary of CCI and is deemed to be interested in the 115,542,000 Shares held by CCI and the 105,000,000 new Shares to be issued to CCI upon Completion by virtue of the SFO.
- (2) Ms. Mi Hui Ying is interested in the entire share capital of Superhero Limited and is deemed to be interested in the 74,979,195 Shares held by Superhero Limited by virtue of the SFO.
- (3) 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.

Save as the above, 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, interest or short positions in the shares or underlying shares (including any interests in options in respect of such capital), 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 are, 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 other member of the Group.

QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
CCBI	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Grant Sherman	Independent Valuer
Nuada Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO
RSM Nelson Wheeler	Certified Public Accountants

Each of CCBI, Grant Sherman, Nuada Limited and RSM Nelson Wheeler has given and has not withdrawn its written consent to the issue of this circular with the expert's statement included in the form and context in which it is included and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of CCBI, Grant Sherman, Nuada Limited and RSM Nelson Wheeler did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

MANAGEMENT

As at the Latest Practicable Date, the executive Directors were Mr. He Chenguang, Mr. Xiao Haiping, Mr. Zhang Peng and Ms. Zhang Jialin, and the independent non-executive Directors are Mr. Yip Tai Him, Dr. Liu Jie and Ms. Weng Pinger.

BIOGRAPHICAL DETAILS OF DIRECTORS TO BE RE-ELECTED IN THE EGM

The biography of the Directors who will retire from office at the EGM and, being eligible, offer themselves for re-election at the EGM are set out as follows:-

Dr. Liu Jie, aged 43, holds a Bachelor Degree of Electrical Engineering and Its Automation, a Master Degree of Electrical System and Automation and a Doctoral Degree of Management Science and Engineering, all from Tongji University. Dr. Liu completed his postdoctoral research program of Management Science and Engineering in Fudan University. Dr. Liu has over 20 years of economic research and corporate management experience. He is the Professor of School of Management, Fudan University, Part-time Professor of School of Economics and Management, Tongji University and Honorary Professor in the Faculty of Business and Economics, Hong Kong University.

There is no service contract entered into between the Company and Dr. Liu. Dr. Liu's appointment is initially for one year and can be terminated by one month's prior notice in writing served by either party. His appointment is also subject to retirement by rotation and/or re-election at the annual general meeting of the Company according to the Articles of Association of the Company. The director's emoluments, which are determined based on the estimated time to be spent by him on the Company's matters, are HK\$100,000 per annum. The emoluments will be reviewed on an annual basis. Dr. Liu previously held Directorships in Shanghai Tongji Science & Technology Industrial Co., Ltd as director and assistant general manager and resigned in June 2004. Dr. Liu is independent director of Shanghai Material Trading Co., Ltd.. Save as disclosed herein, Dr. Liu had not held any other directorship in any listed public company in the last three years. He did not hold any position in the Company or any subsidiary of the Company.

Dr. Liu has no interest in Shares of the Company within the meaning of Part XV of the SFO. Save for his appointment as the independent non-executive director of the Company as set out herein, Dr. Liu does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the GEM Listing Rules. Save for disclosed herein, the Board is not aware of any other matters which need to be brought to the attention of the Shareholders of the Company and there is no information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h)-(v) of the GEM Listing Rules.

Ms. Weng Pinger, aged 63, has over 30 years' of corporate financial management experience and extensive experience in various aspects such as corporate governance, strategic investment and general management. She had been Managing Director of China Travel Insurance Advice Hong Kong Limited before her retirement in 2001. Ms. Weng holds a Bachelor Degree from Faculty of Economics of Beijing Commercial College (now is known as Beijing Technology and Business University), China, majoring in Accounting and Finance.

There is no service contract entered into between the Company and Ms. Weng. Ms. Weng's appointment is initially for one year and can be terminated by one month's prior notice in writing served by either party. Her appointment is also subject to retirement by rotation and/or re-election at the annual general meeting of the Company according to the Articles of Association of the Company. The director's emoluments, which are determined based on the estimated time to be spent by her on the Company's matters, are HK\$100,000 per annum. The emoluments will be reviewed on an annual basis. Ms. Weng had not held any directorship in any listed public company in the last three years. She did not hold any position in the Company or any subsidiary of the Company.

Ms. Weng has no interest in Shares of the Company within the meaning of Part XV of the SFO. Save for her appointment as the independent non-executive director of the Company as set out herein, Ms. Weng does not have any relationship with any directors, senior management, management shareholders, substantial shareholders or controlling shareholders of the Company within the meaning of the GEM Listing Rules. Save for disclosed herein, the Board is not aware of any other matters which need to be brought to the attention of the Shareholders of the Company and there is no information which is discloseable pursuant to any of the requirements set out in Rule 17.50(2)(h)-(v) of the GEM Listing Rules.

AUDIT COMMITTEE

An audit committee has been established on 28 October 2002. Currently the audit committee comprising all the independent non-executive Directors, namely, Mr. Yip Tai Him, Dr. Liu Jie and Ms. Weng Pinger.

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.

COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors and employees of the Group or their respective associates had any interests in a business which competes or may compete with the business of the Group or any other conflicts of interests with the Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any member of the Group which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

INTERESTS IN ASSETS

The Directors confirm that none of the Directors, CCBI, Grant Sherman, Nuada Limited and RSM Nelson Wheeler has any interest, direct or indirect, in any assets which had been, since 31 March 2006, being the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTEREST IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the agreement dated 1 February 2006 and entered into between CCI and Pro-Concept Development Limited ("**Pro-Concept**"), a wholly owned subsidiary of the Company, for the assignment of the license of the rights to publish,

- replicate, reproduce, manufacture, distribute and sell the thirty-four computer game softwares and computer game guide books modified into Chinese language in the retail stores, cyber cafes and on-line servers located in the PRC and the use of the trade marks pertaining to such products and all the rights and benefits in relation to the organisation of electronic sports tournaments in respect of such products;
- (b) the license agreement dated 1 February 2006 and entered into between Pro-Concept, CCP and CCI for the license of the rights to publish, replicate, reproduce, manufacture, distribute and sell the thirty-four computer game softwares and computer game guide books modified into Chinese language in the retail stores, cyber cafes and on-line servers located in the PRC and the use of the trade marks pertaining to such products and all the rights and benefits in relation to the organization of electronic sports tournaments in respect of such products by Pro-Concept to CCP;
 - (c) the placing and subscription agreement dated 15 May 2006 and entered into between CCI, Superhero, the Company and VC Brokerage Limited as placing agent relating to a top-up and placing of up to a total of 100,000,000 Shares at HK\$1.50 per Share on a best effort basis. Completion took place on 26 May 2006 and a total of 97,230,000 Shares were successfully placed and topped up;
 - (d) the sale and purchase agreement dated 20 October 2006 between Success Advantage, CCI and CCC as guarantor, pursuant to which Success Advantage has agreed to acquire, at a consideration of HK\$620,000,000, the right to receive the Net Revenue. The Net Revenue payable by CCI to Success Advantage which is equivalent to 40% of the net sales revenue derived from operating "Sudden Attack" in the PRC by CCP from CCI for the period between 1 January 2007 and 10 August 2009;
 - (e) the subscription agreement dated 28 May 2007 between the Company and Sparkly Moon Continental S A (the "Subscriber"), pursuant to which the Subscriber agreed to subscribe for 20,000,000 new Shares at the subscription price of HK\$ 2.70 per Share. The subscription was completed on 11 June 2007; and
 - (f) the Acquisition Agreement.

CORPORATE INFORMATION

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

- (c) The principal share registrar and transfer office of the Company is Bank of Butterfield International (Cayman) Limited at Butterfield House, 68 Fort Street P.O. Box 705, George Town, Grand Cayman, Cayman Islands;
- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong;
- (e) The secretary and qualified accountant of the Company is Ms. Chan Mei Yee, CPA; and
- (f) The compliance officer of the Company is Ms. Zhang Jialin appointed pursuant to Rule 5.19 of the GEM Listing Rules.

GENERAL

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong 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 letter from the Independent Board Committee, the text of which is set out on page 17 of this circular;
- (c) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 18 to 27 of this circular;
- (d) the valuation report prepared by Grant Sherman in connection with the valuation of the right to receive the Distributable Profit, the text of which is set out in Appendix II to this circular;
- (e) the reports from RSM Nelson Wheeler and CCBI in connection with the valuation of the right to receive the Distributable Profit, the texts of which are set out in Appendix III to this circular;
- (f) the letter from RSM Nelson Wheeler in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

- (g) the annual reports of the Company for the three financial years ended 31 March 2004, 2005 and 2006;
- (h) the consent letters from CCBI, Grant Sherman, Nuada Limited and RSM Nelson Wheeler referred to in the paragraph headed “Qualification and consent of experts” in this appendix;
- (i) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (j) the Company’s circular dated 30 November 2006 in respect of a very substantial acquisition and connected transaction; and
- (k) this circular.

NOTICE OF EGM



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 China Cyber Port (International) Company Limited (the “**Company**”) will be held at 11:00 a.m. on Monday, 9 July 2007 at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (i) the revised and restated agreement (the “**Acquisition Agreement**”) dated 28 May 2007 entered into between Success Advantage Investments Limited (“**Success Advantage**”), an indirect wholly owned subsidiary of the Company, and China Communication Investment Ltd. (神州通信投資有限公司) (“**CCI**”) pursuant to which Success Advantage has agreed to acquire, at a consideration of HK\$304.5 million, the right to receive the distributable profit payable by CCI (a copy of the Acquisition Agreement has been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (ii) any one or more of the directors (the “**Directors**”) of the Company be and is/are hereby authorised to do all other acts and things and execute all documents which they consider necessary or expedient for the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder.”

- 2. To re-elect Dr. Liu Jie as independent non-executive Director.
- 3. To re-elect Ms. Wang Pinger as independent non-executive Director.

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

Hong Kong, 22 June 2007

* for identification purpose only

NOTICE OF EGM

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 (the “**Stock Exchange**”) 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 and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th 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 of the Stock Exchange, the voting on ordinary resolution no. 1 at the EGM will be conducted by way of poll.