



China Communication Telecom Services Company Limited

神通電信服務有限公司

(Incorporated In the Cayman Islands with limited liability)

(Stock Code: 8206)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2010

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

CHAIRMAN'S STATEMENT

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2010.

FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$14,276,000 for the year ended 31 March 2010, representing an decrease of approximately 96.3% as compared to approximately HK\$389,463,000 for the year ended 31 March 2009. The turnover for the year ended 31 March 2010 was attributable to (i) the operation of the e-Sports Platform; (ii) operation of the online game "Sudden Attack" (突袭OL) ("SA") in the PRC; and (iii) distribution and selling of computer games in the PRC.

The Group made a net loss attributable to the owners of the Company of approximately HK\$218,977,000 for the year ended 31 March 2010 as compared to approximately HK\$820,455,000 for the year ended 31 March 2009. The net loss for the year was mainly attributable to the downturn for the animation and game industry in the PRC during the year.

BUSINESS REVIEW

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

In March 2010, the Group completed acquisition of 100% of the equity interest in 北京神通益家科技服务有限公司 (Beijing Shentong Yijia Technology Service Company Limited[#]) ("Yijia"). The Board considers that this acquisition will enable the Group to expose to the fast growing electronic smart card services business in the PRC.

To better reflect the core business of the Group and the well-developed partnership with 神州通信集团有限公司 (China Communication Group Co., Ltd.[#]) ("CCC") and its group, as well as refresh the corporate identity and image of the Company, the Company has adopted the current name China Communication Telecom Services Company Limited since May 2010.

Operation of the e-Sports Platform

For the year ended 31 March 2010, the revenue derived from the operation of the e-Sports Platform was approximately HK\$6,550,000 as compared to approximately HK\$145,471,000 for the year ended 31 March 2009. The decrease was attributable to the downturn for the animation and game industry in the PRC during the year.

Operation of the online game SA

For the year ended 31 March 2010, the revenue derived from the operation of the online game SA was approximately HK\$7,627,000 as compared to approximately HK\$221,265,000 for the year ended 31 March 2009. The decrease in revenue was attributable to the termination of the online game operation upon the expiration of the license rights of the online computer game SA in the PRC on 10 February 2010.

Distribution and selling of computer games in the PRC

For the year ended 31 March 2010, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$99,000 as compared to approximately HK\$22,727,000 for the year ended 31 March 2009. The decrease was attributable to the downturn for the animation and game industry in the PRC during the year.

MATERIAL ACQUISITION

On 11 January 2010, Sino Key International Limited, a wholly-owned subsidiary of the Company, entered into the conditional acquisition agreement ("Acquisition Agreement") with CCC for acquisition of the entire registered and paid-up capital of Yijia at a consideration of HK\$256.08 million which has been satisfied in a combination of (i) cash of HK\$150,000,000; and (ii) by the allotment and issue of 136,000,000 consideration shares to China Communication Investment Limited ("CCI") (being the nominee of CCC) at completion in accordance with the terms and conditions of the Acquisition Agreement.

The completion of the acquisition took place on 31 March 2010 and Yijia became an indirect wholly-owned subsidiary of the Company.

[#] English translation of the name for identification purpose only

RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2010, together with the comparative figures for the corresponding year ended 31 March 2009 as follows:

Consolidated Income Statement FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 HK\$'000	2009 HK\$'000 (Restated)
Continuing operations			
Turnover	2	6,649	168,198
Cost of sales		(9,049)	(105,971)
Gross (loss)/profit		(2,400)	62,227
Other revenue	3	47	69
Other net income	3	-	2,954
Selling and distribution expenses		(7,702)	(77,073)
Administrative expenses		(16,065)	(20,556)
Other operating expenses		(175,753)	(421,147)
Loss from operations		(201,873)	(453,526)
Finance costs	4(a)	(11,740)	(25,377)
Loss before taxation		(213,613)	(478,903)
Income tax	5	2,709	38,750
Loss for the year from continuing operations		(210,904)	(440,153)
Discontinued operation			
Loss for the year from discontinued operation	6	(20,583)	(521,311)
Loss for the year	4	(231,487)	(961,464)
Attributable to:			
Owners of the Company	7	(218,977)	(820,455)
Minority interest		(12,510)	(141,009)
Loss for the year		(231,487)	(961,464)
Loss per share			
From continuing and discontinued operations	9		
– Basic		HK(27.26) cents	HK(102.26) cents
– Diluted		HK(27.26) cents	HK(102.26) cents
From continuing operations			
– Basic		HK(25.34) cents	HK(53.53) cents
– Diluted		HK(25.34) cents	HK(53.53) cents
From discontinued operation			
– Basic		HK(1.92) cents	HK(48.73) cents
– Diluted		HK(1.92) cents	HK(48.73) cents

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 MARCH 2010

	2010 HK\$'000	2009 HK\$'000 (Restated)
Loss for the year	(231,487)	(961,464)
Other comprehensive income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	111	12,180
Total comprehensive loss for the year (net of tax)	(231,376)	(949,284)
Attributable to:		
Owners of the Company	(218,894)	(811,320)
Minority interest	(12,482)	(137,964)
	(231,376)	(949,284)

Consolidated Statement of Financial Position
AT 31 MARCH 2010

	Note	2010 HK\$'000	2009 HK\$'000
Non-current assets			
Property, plant and equipment	10	2,372	15,700
Intangible assets		234,740	50,508
Goodwill		-	-
Deferred tax assets		-	3,221
		237,112	69,429
Current assets			
Inventories		-	479
Trade and other receivables	11	4,981	41,474
Cash and cash equivalents		67,242	18,184
		72,223	60,137
Current liabilities			
Trade and other payables	12	36,829	43,491
Current taxation		454	-
		(37,283)	(43,491)
Net current assets		34,940	16,646
Total assets less current liabilities		272,052	86,075
Non-current liabilities			
Amount due to a substantial shareholder		615	12,243
Promissory note	13	244,621	232,881
Deferred tax liabilities		58,685	9,222
		(303,921)	(254,346)
NET LIABILITIES		(31,869)	(168,271)
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	11,947	8,023
Reserves		(43,816)	(188,776)
		(31,869)	(180,753)
Minority interest		-	12,482
TOTAL EQUITY		(31,869)	(168,271)

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 31 MARCH 2010

	Attributable to owners of the Company									
	Note	Share-based					Accumulated losses	Total	Minority interest	Total equity
		Share capital	Share premium	Merger reserve	Exchange reserve	payment reserve				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2008		8,023	679,423	8,320	-	4,458	(70,841)	629,383	-	629,383
Total comprehensive income for the year		-	-	-	9,135	-	(820,455)	(811,320)	(137,964)	(949,284)
Acquisition of a subsidiary		-	-	-	-	-	-	-	150,446	150,446
Share option scheme										
– equity-settled share-based payment expenses		-	-	-	-	1,184	-	1,184	-	1,184
– forfeiture of share options granted		-	-	-	-	(2,396)	2,396	-	-	-
At 31 March 2009		8,023	679,423	8,320	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
At 1 April 2009		8,023	679,423	8,320	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
Total comprehensive income for the year		-	-	-	83	-	(218,977)	(218,894)	(12,482)	(231,376)
Allotment of consideration shares	14	1,360	165,920	-	-	-	-	167,280	-	167,280
Allotment of subscription shares	14	2,564	197,436	-	-	-	-	200,000	-	200,000
Share option scheme										
– equity-settled share-based payment expenses		-	-	-	-	498	-	498	-	498
– forfeiture of share options granted		-	-	-	-	(1,914)	1,914	-	-	-
At 31 March 2010		11,947	1,042,779	8,320	9,218	1,830	(1,105,963)	(31,869)	-	(31,869)

Notes:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company.

(b) Going concern basis

The Group sustained a loss attributable to owners of the Company of approximately HK\$218,977,000 (2009: HK\$820,455,000) for the year. As at 31 March 2010, the Group had net liabilities of approximately HK\$31,869,000 (2009: HK\$168,271,000). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

Nevertheless, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of directors, the liquidity of the Group will improve in the coming year, after taking into account several measures adopted and to be adopted subsequent to the end of the reporting period as further detailed below:

- (i) On 31 March 2010, the Group agreed with the Company’s substantial shareholder to postpone the maturity date of the promissory note to 30 June 2011. The substantial shareholder granted the Group the right to further postpone the maturity date by one year on every subsequent 30 June up to the ultimate maturity date of 30 June 2025 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK\$50 million with reference to the latest published consolidated financial statements.
- (ii) On 31 March 2010, the Group agreed with the Company’s substantial shareholder to postpone the repayment date of an amount due to it to 30 June 2011. The substantial shareholder granted the Group the right to further postpone the repayment date by one year on every subsequent 30 June without time limitation if the repayment would cause the net current assets of the Group fall below HK\$50 million with reference to the latest published consolidated financial statements.
- (iii) The directors have obtained the confirmation from CCC, the substantial shareholder of the Company, that the latter will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.
- (iv) The Group has taken measures during the year to restructure its operation in the PRC in order to reduce selling and administrative expenses.
- (v) The directors have adopted various cost control measures to improve the cash flows of the Group such as reducing various general and administrative and other operating expenses.
- (vi) The Group is expected to derive stable cash inflows from its operating activities in the year ending 31 March 2011.

In the opinion of the directors, when the above-mentioned measures are successfully implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustments would have to be made to restate the values of its assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

2. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of HKFRS 8, Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Continuing operations:

- (i) e-Sports Platform: Operation of an electronic platform ("e-Sports Platform") for online computer game tournaments.
- (ii) Computer games distribution and licensing: Selling and distribution of computer games.
- (iii) Promotion and management services: Provision of promotion and management services for an electronic smart card "Shentong Card".

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the year is set out below:

	For the year ended 31 March 2010				For the year ended 31 March 2009 (Restated)			
	e-Sports Platform HK\$'000	Computer games distribution and licensing HK\$'000	Promotion and management services HK\$'000	Total HK\$'000	e-Sports Platform HK\$'000	Computer games distribution and licensing HK\$'000	Promotion and management services HK\$'000	Total HK\$'000
Revenue from external customers	6,550	99	-	6,649	145,471	22,727	-	168,198
Reportable segment revenue	6,550	99	-	6,649	145,471	22,727	-	168,198
Reportable segment profit/(loss) (adjusted EBITDA)	1,236	(617)	-	619	35,815	896	-	36,711
Depreciation and amortisation	12,123	-	-	12,123	31,036	21,239	-	52,275
Impairment loss on								
– property, plant and equipment	7,964	-	-	7,964	16,533	-	-	16,533
– intangible assets	29,139	-	-	29,139	120,228	140,476	-	260,704
– goodwill	-	-	136,862	136,862	69,096	27,606	-	96,702
– trade receivables	-	-	-	-	3,893	5,575	-	9,468
Write down of inventories	-	227	-	227	-	3,930	-	3,930
Income tax	2,709	-	-	2,709	47,746	-	-	47,746
Reportable segment assets	-	-	239,951	239,951	54,511	2,362	-	56,873
Additions to non-current segment assets during the year	-	-	373,853	373,853	288,811	185,983	-	474,794
Reportable segment liabilities	12,994	-	393	13,387	17,452	-	-	17,452

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

	Year ended 31 March	
	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Revenue		
Reportable segment revenue	6,649	168,198
Consolidated turnover	6,649	168,198
Profit or loss		
Reportable segment profit	619	36,711
Reportable segment profit derived from Group's external customers	619	36,711
Other income	47	3,023
Depreciation and amortisation	(13,361)	(54,933)
Impairment losses	(175,753)	(421,147)
Finance costs	(11,740)	(25,377)
Unallocated head office and corporate expenses	(13,425)	(17,180)
Consolidated loss before taxation and discontinued operation	(213,613)	(478,903)
As as 31 March		
	2010	2009
	HK\$'000	HK\$'000
Assets		
Reportable segment assets	239,951	56,873
Deferred tax assets	–	3,221
Assets relating to discontinued operation	–	19,939
Unallocated head office and corporate assets	69,384	49,533
Consolidated total assets	309,335	129,566
Liabilities		
Reportable segment liabilities	13,387	17,452
Current taxation	454	–
Deferred tax liabilities	58,685	9,222
Liabilities relating to discontinued operation	20,943	21,771
Unallocated head office and corporate liabilities	247,735	249,392
Consolidated total liabilities	341,204	297,837

(c) Geographic information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Mainland China.

(d) Information about major customers

For the years ended 31 March 2010 and 2009, no single customer contributed 10% or more of the total sales of the Group.

3. OTHER REVENUE AND OTHER NET INCOME

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)
Other revenue						
Interest income on bank deposits	45	66	-	-	45	66
Total interest income on financial assets not at fair value through profit or loss	45	66	-	-	45	66
Sundry income	2	3	-	-	2	3
Recovery of bad debts	-	-	1,091	-	1,091	-
	47	69	1,091	-	1,138	69
Other net income						
Net foreign exchange gain	-	2,954	-	-	-	2,954

4. LOSS FOR THE YEAR

Loss for the year is arrived at after charging/(crediting) the following:

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)
(a) Finance costs						
Interest on promissory note (note 13)	11,740	25,377	-	-	11,740	25,377
Total interest expense on financial liabilities not at fair value through profit or loss	11,740	25,377	-	-	11,740	25,377
(b) Staff costs (including directors' emoluments)						
Salaries, allowances and benefits in kind	7,467	13,069	1,246	6,205	8,713	19,274
Retirement scheme contributions	445	1,200	396	582	841	1,782
	7,912	14,269	1,642	6,787	9,554	21,056
(c) Other items						
Amortisation of intangible assets						
– included in cost of sales	1,749	17,833	3,126	86,707	4,875	104,540
– included in selling and distribution expenses	6,555	28,976	1,248	30,913	7,803	59,889
	8,304	46,809	4,374	117,620	12,678	164,429
Depreciation for property, plant and equipment	5,057	8,124	273	3,063	5,330	11,187
Loss on disposal of property, plant and equipment	4	-	-	-	4	-
Operating lease charges for land and buildings: minimum lease payments	1,891	15,607	925	13,039	2,816	28,646
Auditor's remuneration						
– audit services	625	650	-	-	625	650
– other services	355	400	-	-	355	400
Cost of inventories [#]	452	40,183	29	-	481	40,183
Equity-settled share-based payment expenses	498	1,184	-	-	498	1,184
Write down of inventories	227	3,930	29	-	256	3,930
Other operating expenses						
– Impairment loss on property, plant and equipment	9,752	16,533	599	11,081	10,351	27,614
– Impairment loss on intangible assets	29,139	298,444	8,892	280,896	38,031	579,340
– Impairment loss on goodwill	136,862	96,702	-	257,908	136,862	354,610
– Impairment loss on trade receivables	-	9,468	8,246	3,893	8,246	13,361
	175,753	421,147	17,737	553,778	193,490	974,925

[#] Cost of inventories include write down of inventories for the year which amount are also included in the respective total amounts disclosed separately above.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)	2010 HK\$'000	2009 HK\$'000 (Restated)
Current tax – PRC Enterprise Income Tax	-	(8,996)	-	(3,885)	-	(12,881)
Deferred tax – Origination and reversal of temporary differences	2,709	47,746	3,316	99,629	6,025	147,375
	2,709	38,750	3,316	95,744	6,025	134,494

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%).

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. No Hong Kong Profits Tax has been provided for in the financial statements as the Group has no assessable profits for the year (2009: Nil).

6. DISCONTINUED OPERATION

During the year, the Group ceased its online game operation upon the expiration of the license rights of the online computer game “Sudden Attack” in the PRC on 10 February 2010.

The results of the online game operation for the period from 1 April 2009 to 10 February 2010, which have been included in the consolidated income statement, are as follows:

	1/4/2009 to 10/2/2010 HK\$'000	1/4/2008 to 31/3/2009 HK\$'000 (Restated)
Turnover	7,627	221,265
Cost of sales	(8,882)	(190,373)
Gross (loss)/profit	(1,255)	30,892
Other revenue	1,091	-
Selling and distribution expenses	(2,601)	(90,050)
Administrative expenses	(3,397)	(4,119)
Other operating expenses (note 4(c))	(17,737)	(553,778)
Loss from operations	(23,899)	(617,055)
Finance costs	-	-
Loss before taxation	(23,899)	(617,055)
Income tax (note 5)	3,316	95,744
Loss for the year from discontinued operation	(20,583)	(521,311)

7. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company includes a loss of approximately HK\$141,282,000 (2009: HK\$597,227,000) which has been dealt with in the financial statements of the Company.

8. DIVIDENDS

No dividends was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2009: HK\$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of approximately HK\$218,977,000 (2009: HK\$820,455,000) and the weighted average number of 803,361,858 ordinary shares (2009: 802,286,761 ordinary shares) in issue during the year calculated as follows:

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at 1 April	802,287	802,287
Effect of issue of new shares	1,075	–
Weighted average number of ordinary shares at 31 March	<u>803,362</u>	802,287

(ii) From continuing operations

The calculation of the basic loss per share from continuing operations is based on the loss attributable to the owners of the Company of approximately HK\$203,540,000 (2009: HK\$429,472,000 (restated)) and the weighted average number of 803,361,858 ordinary shares (2009: 802,286,761 ordinary shares) in issue during the year. The loss attributable to the owners of the Company are calculated as follows:

	2010 HK\$'000	2009 HK\$'000
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	<u>(218,977)</u>	(820,455)
Loss for the year from discontinued operation	(20,583)	(521,311)
Add: Loss for the year attributable to minority interest from discontinued operation	5,146	130,328
Loss for the year attributable to the owners of the Company from discontinued operation	<u>(15,437)</u>	(390,983)
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	<u>(203,540)</u>	(429,472)

(iii) From discontinued operation

The calculation of the basic loss per share from discontinued operation is based on the loss attributable to the owners of the Company of approximately HK\$15,437,000 (2009: HK\$390,983,000 (restated)) and the weighted average number of 803,361,858 ordinary shares (2009: 802,286,761 ordinary shares) in issue during the year.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share as the potential ordinary shares outstanding during the years ended 31 March 2010 and 2009 have an anti-dilutive effect on the basic loss per share for both years.

10. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK\$'000	Leasehold improvements HK\$'000	Equipment, furniture and fixtures HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
Cost					
At 1 April 2008	298	927	153	–	1,378
Acquisition of a subsidiary	43,762	–	1,126	1,049	45,937
Additions	6,740	17	–	–	6,757
Disposals	(132)	–	(16)	–	(148)
Exchange adjustments	955	–	25	23	1,003
At 31 March 2009 and 1 April 2009	51,623	944	1,288	1,072	54,927
Acquisition of a subsidiary	2,056	–	195	–	2,251
Additions	–	–	47	–	47
Disposals	(37)	–	–	–	(37)
Exchange adjustments	441	–	11	9	461
At 31 March 2010	54,083	944	1,541	1,081	57,649
Accumulated depreciation and impairment losses					
At 1 April 2008	218	240	50	–	508
Charge for the year	10,276	300	323	288	11,187
Impairment losses	27,614	–	–	–	27,614
Disposals	(132)	–	(16)	–	(148)
Exchange adjustments	65	–	1	–	66
At 31 March 2009 and 1 April 2009	38,041	540	358	288	39,227
Charge for the year	4,411	303	327	289	5,330
Impairment losses	9,214	–	639	498	10,351
Disposals	(31)	–	–	–	(31)
Exchange adjustments	387	–	7	6	400
At 31 March 2010	52,022	843	1,331	1,081	55,277
Carrying amount					
At 31 March 2010	2,061	101	210	–	2,372
At 31 March 2009	13,582	404	930	784	15,700

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK\$'000	HK\$'000
Trade receivables	20,686	26,602
Less: Allowance for doubtful debts	(20,686)	(13,383)
	-	13,219
Amount due from a related company	-	2,720
Amount due from a substantial shareholder	1,420	22,642
Other receivables	2,544	2,500
Loan and receivables	3,964	41,081
Prepayment and deposits	1,017	393
	4,981	41,474

Trade receivables are net of allowance for doubtful debts of HK\$20,686,000 (2009: HK\$13,383,000) with the following age analysis as at the end of the reporting period:

	2010	2009
	HK\$'000	HK\$'000
0 to 90 days	-	3,122
91 to 180 days	-	8,214
181 to 365 days	-	-
Over 365 days	-	1,883
	-	13,219

12. TRADE AND OTHER PAYABLES

	2010	2009
	HK\$'000	HK\$'000
Trade payables	12,998	9,395
Receipts in advance	13,066	22,022
Other payables and accruals	10,765	12,074
Financial liabilities measured at amortised cost	36,829	43,491

The following is an age analysis of trade payables as at the end of the reporting period:

	2010	2009
	HK\$'000	HK\$'000
0 to 90 days	-	2,681
91 to 180 days	129	940
181 to 365 days	3,394	5,774
Over 1 year	9,475	-
	12,998	9,395

13. PROMISSORY NOTE

	2010 HK\$'000	2009 HK\$'000
At 1 April	232,881	361,989
Interest charged (note 4(a))	11,740	25,377
Cancellation upon acquisition of a subsidiary	-	(73,175)
Settled during the year	-	(81,310)
At 31 March	<u>244,621</u>	232,881

As 31 March 2010, the promissory note is held by CCI with principal amount of HK\$238,690,000 (2009: HK\$238,690,000).

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

On 31 March 2010, the Group and CCI agreed to extend the maturity date from 10 August 2010 to 30 June 2011.

The carrying amount of the promissory note is denominated in Hong Kong dollars and the effective interest rate as at 31 March 2010 is 1.23% (2009: 5.12%).

14. SHARE CAPITAL

	2010		2009	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1 April	1,000,000	10,000	1,000,000	10,000
Increase in authorised share capital	9,000,000	90,000	-	-
At 31 March	<u>10,000,000</u>	<u>100,000</u>	1,000,000	10,000
Ordinary shares, issued and fully paid:				
At 1 April	802,287	8,023	802,287	8,023
Issue of new shares				
– Consideration shares	136,000	1,360	-	-
– Subscription shares	256,410	2,564	-	-
At 31 March	<u>1,194,697</u>	<u>11,947</u>	802,287	8,023

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2010 have been agreed by the Group's auditor, CCIF CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2010. The work performed by CCIF CPA Limited in this respect did not constitute as assurance engagement 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 and consequently no assurance has been expressed by CCIF CAP Limited on the preliminary announcement.

SUMMARY OF THE INDEPENDENT AUDITOR'S REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The independent auditor's report on the Group's consolidated financial statements for the year ended 31 March 2010 contains a modified auditor's opinion:

"Without qualifying our opinion, we draw attention to note 1(b) which indicates that the Group incurred a loss attributable to the owners of the Company of approximately HK\$218,977,000 for the year ended 31 March 2010 and, as of that date, the Group reported net liabilities of approximately HK\$31,869,000. These conditions, along with other matters as set forth in note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$14,276,000 (2009: HK\$389,463,000) for the year ended 31 March 2010, representing an decrease of approximately 96.3% as compared with 2008/09. Approximately 45.9%, 53.4% and 0.7% of turnover for the year ended 31 March 2010 (2009: 37.4%, 56.8% and 5.8%) were attributable to the operation of the e-Sports Platform, operation of the online game "Sudden Attack" (突袭OL) ("SA") in the PRC and distribution and selling of computer games in the PRC.

The Group's gross loss for the year ended 31 March 2010 amounted to approximately HK\$3,655,000 as compared to a profit of approximately HK\$93,119,000 for the year ended 31 March 2009. The gross loss was mainly attributable to the downturn for the animation and game industry in the PRC.

Selling and distribution, administrative and other operating expenses for the year ended 31 March 2010 was approximately HK\$223,255,000 as compared to approximately HK\$1,166,723,000 for the year ended 31 March 2009. The decrease of the expenses was mainly attributable to the continuous efforts to restructure and streamline the business operations.

Net loss attributable to the owners of the Company

The Group made a net loss attributable to the owners of the Company of approximately HK\$218,977,000 for the year ended 31 March 2010 as compared to approximately HK\$820,455,000 for the year ended 31 March 2009. The improvement in results was mainly attributable to the continuous efforts to restructure and streamline the business operations.

Liquidity and financial resources

As at 31 March 2010, the Group had outstanding promissory note at a nominal value of approximately HK\$238.7 million (as at 31 March 2009: HK\$238.7 million) with a discounted value of approximately HK\$244.6 million (as at 31 March 2009: HK\$232.9 million). The promissory note was originally unsecured, bearing interest at 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of promissory note such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, upon the New Maturity Date, the Group has the right to postpone ("Maturity Postponement Right") the maturity date to 30 June 2011 ("Extended Maturity Date") if the latest published financial information of the Group indicates that the repayment of principal and accrued interest would cause the net current assets of the Group to fall below HK\$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2010 (as at 31 March 2009: HK\$Nil).

As at 31 March 2010, the Group had net current assets of approximately HK\$34,940,000 (as at 31 March 2009: approximately HK\$16,646,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$67,242,000 (as at 31 March 2009: approximately HK\$18,184,000), trade and other receivables of approximately HK\$4,981,000 (as at 31 March 2009: approximately 41,474,000) and inventories of approximately HK\$Nil (as at 31 March 2009: HK\$479,000). The Group's current liabilities included trade and other payables of approximately HK\$36,829,000 (as at 31 March 2009: HK\$43,491,000) and current taxation of approximately HK\$454,000 (as at 31 March 2009: HK\$Nil).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.10 as at 31 March 2010 as compared to 2.30 as at 31 March 2009.

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

Capital structure

During the year, 392,410,256 new ordinary shares were issued and allotted by the Company, among which 136,000,000 new ordinary shares were issued as the consideration for the acquisition of 100% of the equity interest in Yijia in March 2010 and 256,410,256 new ordinary shares were issued and allotted by placing of new shares in March 2010.

Charge on assets

The Group did not have any charge on its assets as at 31 March 2010 and 31 March 2009.

Staff costs (excluding directors' emoluments)

As at 31 March 2010, the Group had 95 employees (2009: 57). The staff costs for the year ended 31 March 2010 was approximately HK\$4,297,000 (2009: HK\$15,314,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

As at 31 March 2010, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

Foreign currency risk

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

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 March 2010 and 31 March 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2010.

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

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is expected to comply with the code provisions of the CCGP. The Company believes that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. The Group has adopted practices which met and complied with the code provisions of the CCGP throughout the year ended 31 March 2010.

APPROPRIATIONS

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

AUDIT COMMITTEE

For the year ended 31 March 2010, the Audit Committee held four meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

- Annual report for the year ended 31 March 2009;
- Quarterly reports for the first quarter and third quarter of 2009/10; and
- Interim report for the first six months of 2009/10.

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2010 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Thursday, 29 July 2010 at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. Notice of the annual general meeting of the Company will be sent to the shareholders of the Company.

By order of the Board

CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED

He Chenguang

Chairman

Hong Kong, 23 June 2010

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

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