



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 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 2011.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$30,672,000 for the year ended 31 March 2011, representing an increase of approximately 115% as compared to approximately HK\$14,276,000 for the year ended 31 March 2010. The turnover for the year ended 31 March 2011 was attributable to (i) the provision of promotion and management services for an electronic smart card "Shentong Card", (ii) the operation of the e-Sports platform and online game and (iii) distribution of computer games in the People's Republic of China ("PRC").

The Group made a net loss attributable to owners of the Company of approximately HK\$194,505,000 for the year ended 31 March 2011 as compared to approximately HK\$218,977,000 for the year ended 31 March 2010.

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務有限公司 (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 神州通信集團有限公司 (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.

Furthermore, the Group entered into a disposal agreement in December 2010 in respect of a conditional very substantial disposal transaction involving the disposal of 75% of the equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.[#]) ("CCP"). For details of the transaction, please refer to the section "Material Disposal" below.

Provision of promotion and management services

For the year ended 31 March 2011, the revenue derived from the provision of promotion and management services was approximately HK\$30,373,000. No revenue was derived from the provision of promotion and management services for the year ended 31 March 2010.

Operation of the e-Sports platform

For the year ended 31 March 2011, the revenue derived from the operation of the e-Sports platform was approximately HK\$285,000 as compared to approximately HK\$6,550,000 for the year ended 31 March 2010. The decrease was attributable to the downturn for the animation and game industry in the PRC during the year.

Distribution and selling of computer games in the PRC

For the year ended 31 March 2011, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$14,000 as compared to approximately HK\$99,000 for the year ended 31 March 2010. The decrease was attributable to the downturn for the animation and game industry in the PRC during the year.

MATERIAL DISPOSAL

On 1 December 2010, Oriental Glory (H.K.) Limited ("Oriental Glory"), an indirect wholly-owned subsidiary of the Company, as vendor and China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, as purchaser entered into a disposal agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the 75% equity interest in CCP for a consideration of HK\$140,000,000 which shall be paid by CCI by setting off against the face value of the promissory note, which is in the principal amount of HK\$238,690,000 issued by the Group in favour of CCI, in the sum equivalent to the consideration of HK\$140,000,000. CCP is principally engaged in the operation of the e-Sports platform and online game and distribution of computer games in the PRC. The disposal has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 20 January 2011. Details of the disposal have been set out in the circular dated 22 December 2010.

[#] 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 2011, together with the comparative figures for the corresponding year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

| | Note | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
|---|------|------------------|--------------------------------|
| Continuing operation | | | |
| Turnover | | 30,373 | – |
| Cost of sales | | (47,556) | – |
| Gross loss | | (17,183) | – |
| Other income | 3 | 93 | 3 |
| Selling and distribution expenses | | (38,900) | – |
| Administrative expenses | | (19,311) | (13,674) |
| Other operating expenses | | (158,265) | (136,862) |
| Loss from operations | | (233,566) | (150,533) |
| Finance costs | | (10,186) | (11,740) |
| Loss before tax | | (243,752) | (162,273) |
| Income tax credit | 4 | 50,483 | – |
| Loss for the year from continuing operation | | (193,269) | (162,273) |
| Discontinued operations | | | |
| Loss for the year from discontinued operations | 7 | (1,648) | (69,214) |
| Loss for the year | 5 | (194,917) | (231,487) |
| Attributable to: | | | |
| Owners of the Company | | | |
| Loss from continuing operation | | (193,269) | (162,273) |
| Loss from discontinued operations | | (1,236) | (56,704) |
| Loss for the year attributable to owners of the Company | 6 | (194,505) | (218,977) |
| Non-controlling interests | | | |
| Loss from continuing operation | | – | – |
| Loss from discontinued operations | | (412) | (12,510) |
| Loss for the year attributable to non-controlling interests | | (412) | (12,510) |
| | | (194,917) | (231,487) |
| | | HK cents | HK cents (Restated) |
| Loss per share | | | |
| | 9 | | |
| From continuing and discontinued operations | | | |
| – basic | | (16.28) | (27.26) |
| – diluted | | N/A | N/A |
| From continuing operation | | | |
| – basic | | (16.18) | (20.20) |
| – diluted | | N/A | N/A |
| | | HK\$'000 | HK\$'000 |
| Loss for the year | | (194,917) | (231,487) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | 2,854 | 111 |
| Total comprehensive income for the year, net of tax | | (192,063) | (231,376) |
| Attributable to: | | | |
| Owners of the Company | | (191,443) | (218,894) |
| Non-controlling interests | | (620) | (12,482) |
| | | (192,063) | (231,376) |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2011

| | Note | 2011 HK\$'000 | 2010 HK\$'000 |
|---|------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 2,667 | 2,372 |
| Intangible assets | | 34,938 | 234,740 |
| | | 37,605 | 237,112 |
| Current assets | | | |
| Trade and other receivables | 11 | 1,130 | 4,981 |
| Bank and cash balances | | 41,088 | 67,242 |
| | | 42,218 | 72,223 |
| Assets of disposal group classified as held for sale | | 12,119 | – |
| | | 54,337 | 72,223 |
| Current liabilities | | | |
| Trade and other payables | 12 | 941 | 36,829 |
| Amount due to a substantial shareholder | | 2,274 | – |
| Current tax liabilities | | 102 | 454 |
| | | 3,317 | 37,283 |
| Liabilities directly associated with assets of disposal group classified as held for sale | | 33,776 | – |
| | | 37,093 | 37,283 |
| Net current assets | | 17,244 | 34,940 |
| Total assets less current liabilities | | 54,849 | 272,052 |
| Non-current liabilities | | | |
| Amount due to a substantial shareholder | | – | 615 |
| Promissory note | 13 | 254,807 | 244,621 |
| Deferred tax liabilities | | 8,735 | 58,685 |
| | | 263,542 | 303,921 |
| NET LIABILITIES | | (208,693) | (31,869) |
| Capital and reserves | | | |
| Share capital | 14 | 11,947 | 11,947 |
| Reserves | | (220,020) | (43,816) |
| Equity attributable to owners of the Company | | (208,073) | (31,869) |
| Non-controlling interests | | (620) | – |
| TOTAL EQUITY | | (208,693) | (31,869) |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

| | Attributable to owners of the Company | | | | | | | | |
|---|---------------------------------------|---------------|----------------|--------------------------------------|-----------------------------|--------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Merger reserve | Foreign currency translation reserve | Share-based payment reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 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) |
| Issue of new shares | | | | | | | | | |
| – consideration shares | 1,360 | 165,920 | - | - | - | - | 167,280 | - | 167,280 |
| – subscription shares | 2,564 | 197,436 | - | - | - | - | 200,000 | - | 200,000 |
| Share option scheme | | | | | | | | | |
| – share-based payments | - | - | - | - | 498 | - | 498 | - | 498 |
| – forfeiture of share options granted | - | - | - | - | (1,914) | 1,914 | - | - | - |
| Changes in equity for the year | 3,924 | 363,356 | - | 83 | (1,416) | (217,063) | 148,884 | (12,482) | 136,402 |
| At 31 March 2010 | 11,947 | 1,042,779 | 8,320 | 9,218 | 1,830 | (1,105,963) | (31,869) | - | (31,869) |
| At 1 April 2010 | 11,947 | 1,042,779 | 8,320 | 9,218 | 1,830 | (1,105,963) | (31,869) | - | (31,869) |
| Total comprehensive income for the year | - | - | - | 3,062 | - | (194,505) | (191,443) | (620) | (192,063) |
| Share option scheme | | | | | | | | | |
| – share-based payments | - | - | - | - | 15,239 | - | 15,239 | - | 15,239 |
| – forfeiture of share options granted | - | - | - | - | (1,781) | 1,781 | - | - | - |
| Changes in equity for the year | - | - | - | 3,062 | 13,458 | (192,724) | (176,204) | (620) | (176,824) |
| At 31 March 2011 | 11,947 | 1,042,779 | 8,320 | 12,280 | 15,288 | (1,298,687) | (208,073) | (620) | (208,693) |

NOTES:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the disclosure requirements of Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

(b) Going Concern Basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$194,505,000 and has net operating cash outflow of approximately HK\$13,269,000 for the year ended 31 March 2011, and as at 31 March 2011 the Group had net liabilities of approximately HK\$208,693,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the directors had adopted the going concern basis in the preparation of the financial statements of the Group based on the following:

- (a) On 31 March 2011, the Group agreed with CCI, the substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2012. 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.
- (b) The directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

2. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Continuing operation

Promotion and management services – Provision of promotion and management services for an electronic smart card “Shentong Card”

Discontinued operations

Online game operation – Operation of a licensed online game “Sudden Attack”

e-Sports platform – Operation of an electronic platform (“e-Sports platform”) for online computer game tournaments

Computer games distribution and licensing – Selling and distribution of computer games

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in the financial statements. Segment profits or losses do not include finance costs, income tax credit and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

Information about reportable segment profit or loss, assets and liabilities:

| | Continuing operation | Discontinued operations | | | Total HK\$'000 |
|--|---|-----------------------------------|-------------------------------|---|-------------------|
| | Promotion and management services HK\$'000 | Online game operation HK\$'000 | e-Sports platform HK\$'000 | Computer games distribution and licensing HK\$'000 | |
| Year ended 31 March 2011 | | | | | |
| Turnover from external customers | 30,373 | – | 285 | 14 | 30,672 |
| Segment (loss)/profit | (204,778) | – | (1,662) | 14 | (206,426) |
| Interest income | 15 | – | 90 | – | 105 |
| Gain on disposals of property, plant and equipment | 68 | – | – | – | 68 |
| Depreciation and amortisation | 47,315 | – | – | – | 47,315 |
| Impairment of intangible assets | 158,265 | – | – | – | 158,265 |
| Income tax credit | 50,483 | – | – | – | 50,483 |
| Additions to segment non-current assets | 2,162 | – | – | – | 2,162 |
| As at 31 March 2011 | | | | | |
| Segment assets | 41,099 | – | – | – | 41,099 |
| Segment liabilities | 2,452 | 21,863 | 11,153 | 97 | 35,565 |

Information about reportable segment profit or loss, assets and liabilities:

| | Continuing operation | Discontinued operations | | | Total HK\$'000 |
|---|---|-----------------------------------|-------------------------------|---|-------------------|
| | Promotion and management services HK\$'000 | Online game operation HK\$'000 | e-Sports platform HK\$'000 | Computer games distribution and licensing HK\$'000 | |
| Year ended 31 March 2010 (Restated) | | | | | |
| Turnover from external customers | – | 7,627 | 6,550 | 99 | 14,276 |
| Segment loss | (136,862) | (23,929) | (47,946) | (616) | (209,353) |
| Interest income | – | – | 44 | – | 44 |
| Depreciation and amortisation | – | 4,647 | 12,123 | – | 16,770 |
| Impairment of | | | | | |
| – property, plant and equipment | – | 599 | 7,964 | – | 8,563 |
| – intangible assets | – | 8,892 | 29,139 | – | 38,031 |
| – goodwill | 136,862 | – | – | – | 136,862 |
| Allowance for trade receivables | – | 8,246 | – | – | 8,246 |
| Allowance for inventories | – | 29 | – | 227 | 256 |
| Reversal of allowance for trade receivables | – | 1,091 | – | – | 1,091 |
| Income tax credit | – | 3,316 | 2,709 | – | 6,025 |
| Additions to segment non-current assets | 373,853 | – | – | – | 373,853 |
| As at 31 March 2010 | | | | | |
| Segment assets | 239,951 | – | – | – | 239,951 |
| Segment liabilities | 393 | 20,943 | 12,994 | – | 34,330 |

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

| | 2011 | 2010 |
|--|------------------|------------------------|
| | HK\$'000 | HK\$'000 (Restated) |
| Turnover | | |
| Total turnover of reportable segments | 30,672 | 14,276 |
| Elimination of discontinued operations | (299) | (14,276) |
| Consolidated turnover from continuing operation | 30,373 | – |
| Profit or loss | | |
| Total loss of reportable segments | (206,426) | (209,353) |
| Finance costs | (10,186) | (11,740) |
| Income tax credit | 50,483 | 6,025 |
| Unallocated head office and corporate expenses | (28,788) | (16,419) |
| Elimination of discontinued operations | 1,648 | 69,214 |
| Consolidated loss for the year from continuing operation | (193,269) | (162,273) |
| Assets | | |
| Total assets of reportable segments | 41,099 | 239,951 |
| Unallocated head office and corporate assets | 50,843 | 69,384 |
| Consolidated total assets | 91,942 | 309,335 |
| Liabilities | | |
| Total liabilities of reportable segments | 35,565 | 34,330 |
| Current tax liabilities | 102 | 454 |
| Deferred tax liabilities | 8,735 | 58,685 |
| Unallocated head office and corporate liabilities | 256,233 | 247,735 |
| Consolidated total liabilities | 300,635 | 341,204 |

Geographical information

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

Major customer

For the year ended 31 March 2011, the Group has only one customer which contributed more than 10% of the sales of the Group. The customer is under promotion and management services segment and the sale amount is approximately HK\$32,075,000. For the year ended 31 March 2010, no single customer (end users) contributed 10% or more of the total sales of the Group.

3. OTHER INCOME

| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
|--|------------------|--------------------------------|
| Gain on disposals of property, plant and equipment | 68 | – |
| Interest income | 108 | 45 |
| Reversal of allowance for trade receivables | – | 1,091 |
| Sundry income | 7 | 2 |
| | 183 | 1,138 |
| Representing: | | |
| Continuing operation | 93 | 3 |
| Discontinued operations (note 7) | 90 | 1,135 |
| | 183 | 1,138 |

4. INCOME TAX CREDIT

| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
|----------------------------------|------------------|--------------------------------|
| Current tax | (643) | – |
| Deferred tax | 51,126 | 6,025 |
| | 50,483 | 6,025 |
| Representing: | | |
| Continuing operation | 50,483 | – |
| Discontinued operations (note 7) | – | 6,025 |
| | 50,483 | 6,025 |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2011 and 2010.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2010: 25%).

5. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

| | Continuing operation | | Discontinued operations | | Total | |
|--|----------------------|--------------------------------|-------------------------|--------------------------------|------------------|------------------|
| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2010 HK\$'000 (Restated) | 2011 HK\$'000 | 2010 HK\$'000 |
| Amortisation of intangible assets | | | | | | |
| – included in cost of sales | 36,464 | – | – | 4,875 | 36,464 | 4,875 |
| – included in selling and distribution expenses | 9,778 | – | – | 7,803 | 9,778 | 7,803 |
| | 46,242 | – | – | 12,678 | 46,242 | 12,678 |
| Depreciation | 1,193 | 375 | – | 4,955 | 1,193 | 5,330 |
| (Gain)/loss on disposals of property, plant and equipments | (68) | 4 | – | – | (68) | 4 |
| Operating lease charges for land and buildings | 2,438 | 1,172 | 248 | 1,644 | 2,686 | 2,816 |
| Auditor's remuneration | | | | | | |
| – audit services | 606 | 625 | – | – | 606 | 625 |
| – other services | 480 | 355 | – | – | 480 | 355 |
| | 1,086 | 980 | – | – | 1,086 | 980 |
| Cost of inventories sold | – | – | – | 225 | – | 225 |
| Equity-settled share-based payments | 15,239 | 498 | – | – | 15,239 | 498 |
| Allowance for inventories | – | – | – | 256 | – | 256 |
| Other operating expenses | | | | | | |
| – Allowance for trade receivables | – | – | – | 8,246 | – | 8,246 |
| – Impairment of property, plant and equipment | – | – | – | 10,351 | – | 10,351 |
| – Impairment of goodwill | – | 136,862 | – | – | – | 136,862 |
| – Impairment of intangible assets | 158,265 | – | – | 38,031 | 158,265 | 38,031 |
| | 158,265 | 136,862 | – | 56,628 | 158,265 | 193,490 |
| Staff costs including directors' emoluments | | | | | | |
| – Salaries, bonus and allowances | 11,102 | 6,380 | 625 | 2,491 | 11,727 | 8,871 |
| – Retirement benefits scheme contributions | 504 | 68 | 116 | 242 | 620 | 310 |
| | 11,606 | 6,448 | 741 | 2,733 | 12,347 | 9,181 |

6. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK\$180,163,000 (2010: HK\$141,282,000) which has been dealt with in the financial statements of the Company.

7. DISCONTINUED OPERATIONS

Pursuant to an agreement (the "Disposal Agreement") dated 1 December 2010 entered into between a subsidiary of the Company, Oriental Glory (H.K.) Limited ("Oriental Glory") and CCI, Oriental Glory will dispose of 75% interest in a subsidiary, CCP at a consideration of HK\$140 million. At the extraordinary general meeting ("EGM") on 20 January 2011, the resolution approving, inter alia, the Disposal Agreement and the transactions contemplated thereunder was duly passed by independent shareholders by way of poll at the EGM.

The disposal is expected to be completed within 12 months after the reporting period and the Group has discontinued its online game, e-Sports platform and computer games distribution and licensing operations during the year.

The results of the discontinued operations which have been included in consolidated profit or loss, are as follows:

| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
|--|------------------|--------------------------------|
| Turnover | 299 | 14,276 |
| Cost of sales | (628) | (17,931) |
| Gross loss | (329) | (3,655) |
| Other income | 90 | 1,135 |
| Selling and distribution expenses | (396) | (10,303) |
| Administrative expenses | (1,013) | (5,788) |
| Other operating expenses | - | (56,628) |
| Loss before tax | (1,648) | (75,239) |
| Income tax credit | - | 6,025 |
| Loss for the year from discontinued operations | (1,648) | (69,214) |

The net cash flows attributable to the discontinued operations for the year are as follows:

| | 2011 HK\$'000 | 2010 HK\$'000 (Restated) |
|--|------------------|--------------------------------|
| Net cash (used in)/generated from operating activities | (1,803) | 21,538 |
| Net cash generated from/(used in) investing activities | 90 | (3) |
| Net cash used in financing activities | (615) | (11,628) |
| | (2,328) | 9,907 |

8. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2010: HK\$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

(i) *From continuing and discontinued operations*

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$194,505,000 (2010: HK\$218,977,000) and the weighted average number of ordinary shares of 1,194,697,017 (2010: 803,361,858) in issue during the year.

(ii) *From continuing operation*

The calculation of basic loss per share from continuing operation attributable to owners of the Company is based on the loss for the year from continuing operation attributable to owners of the Company of approximately HK\$193,269,000 (2010 (Restated): HK\$162,273,000) and the denominator used is the same as that detailed above.

(ii) *From discontinued operations*

Basic loss per share from the discontinued operations is HK cents 0.10 per share (2010 (Restated): HK cents 7.06 per share), based on the loss for the year from discontinued operations attributable to the owners of the Company of approximately HK\$1,236,000 (2010 (Restated): HK\$56,704,000) and the denominator used is the same as that detailed above.

(b) Diluted loss per share

No dilutive loss per share are presented as the potential ordinary shares outstanding during the years ended 31 March 2011 and 2010 have 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 vehicles HK\$'000 | Total HK\$'000 |
|---|-----------------------------------|---------------------------------------|---|-------------------------------|-------------------|
| Cost | | | | | |
| At 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 differences | 441 | – | 11 | 9 | 461 |
| At 31 March 2010 and 1 April 2010 | 54,083 | 944 | 1,541 | 1,081 | 57,649 |
| Additions | 358 | – | 118 | 1,686 | 2,162 |
| Disposals | – | – | – | (843) | (843) |
| Transfer to disposal group classified as held for sale | (54,045) | – | (1,258) | (1,126) | (56,429) |
| Exchange differences | 2,244 | – | 58 | 65 | 2,367 |
| At 31 March 2011 | 2,640 | 944 | 459 | 863 | 4,906 |
| Accumulated depreciation and impairment losses | | | | | |
| At 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 differences | 387 | – | 7 | 6 | 400 |
| At 31 March 2010 and 1 April 2010 | 52,022 | 843 | 1,331 | 1,081 | 55,277 |
| Charge for the year | 779 | 101 | 95 | 218 | 1,193 |
| Disposals | – | – | – | (68) | (68) |
| Transfer to disposal group classified as held for sale | (54,045) | – | (1,258) | (1,126) | (56,429) |
| Exchange differences | 2,166 | – | 52 | 48 | 2,266 |
| At 31 March 2011 | 922 | 944 | 220 | 153 | 2,239 |
| Carrying amount | | | | | |
| At 31 March 2011 | 1,718 | – | 239 | 710 | 2,667 |
| At 31 March 2010 | 2,061 | 101 | 210 | – | 2,372 |

11. TRADE AND OTHER RECEIVABLES

| | 2011 HK\$'000 | 2010 HK\$'000 |
|---|------------------|------------------|
| Trade receivables | – | 20,686 |
| Less: allowance for doubtful debts | – | (20,686) |
| Trade receivables, net | – | – |
| Amount due from a substantial shareholder | – | 1,420 |
| Amount due from a director | – | 251 |
| Other receivables | 295 | 2,293 |
| Prepayments and deposits | 835 | 1,017 |
| | 1,130 | 4,981 |

(a) Trade receivables, net

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 180 days. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

As at 31 March 2011, the Group did not have any allowance made for estimated irrecoverable trade receivables (2010: HK\$20,686,000).

12. TRADE AND OTHER PAYABLES

| | 2011 HK\$'000 | 2010 HK\$'000 |
|--|------------------|------------------|
| Trade payables | – | 12,998 |
| Receipts in advance from a related company, 北京龍騰興達導航定位技術有限公司 (Beijing Longteng Xingda Guiding and Positioning Technology Limited [#]) and a substantial shareholder, CCC | – | 13,066 |
| Other payables and accruals | 941 | 10,765 |
| | 941 | 36,829 |

(a) Trade payables

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

| | 2011 HK\$'000 | 2010 HK\$'000 |
|-----------------|------------------|------------------|
| 91 to 180 days | – | 129 |
| 181 to 365 days | – | 3,394 |
| Over 1 year | – | 9,475 |
| | – | 12,998 |

The trade payables are denominated in RMB.

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

13. PROMISSORY NOTE

As at 31 March 2011, the promissory note is held by CCI with principle amount of HK\$238,690,000 (2010: 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 the promissory note such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before 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 before 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. On 31 March 2011, the Group and CCI agreed to extend the maturity date from 30 June 2011 to 30 June 2012.

The carrying amount of the promissory note is denominated in Hong Kong dollars and the effective interest rate as at 31 March 2011 is 2.09% (2010: 3.05%).

14. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|----------------------------------|------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 31 March 2011 and 2010 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 31 March 2011 and 2010 | 1,194,697,017 | 11,947 |

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

The independent auditors' report of the Group's consolidated financial statements for the year ended 31 March 2011 contains a modified auditors' opinion:

"Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$194,505,000 and operating cash outflow of approximately HK\$13,269,000 for the year ended 31 March 2011 and as at 31 March 2011 the Group had net liabilities of approximately HK\$208,693,000. 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."

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$30,672,000 (2010: HK\$14,276,000) for the year ended 31 March 2011, representing an increase of approximately 115% as compared with 2009/10. Approximately 99.02%, 0.93%, 0% and 0.05% of turnover for the year ended 31 March 2011 (2010: 0%, 45.88%, 53.43% and 0.69%) were attributable to the provision of promotion and management services for an electronic smart card "Shentong Card", the operation of the e-Sports platform and online game and distribution of computer games in the PRC.

The Group's gross loss for the year ended 31 March 2011 amounted to approximately HK\$17,512,000 as compared to approximately HK\$3,655,000 for the year ended 31 March 2010.

Selling and distribution, administrative and other operating expenses for the year ended 31 March 2011 was approximately HK\$217,885,000 as compared to approximately HK\$223,255,000 for the year ended 31 March 2010. The decrease of the expenses was mainly attributable to the decrease of impairment charged for the year.

Net loss attributable to owners of the Company

The Group made a net loss attributable to the owners of the Company of approximately HK\$194,505,000 for the year ended 31 March 2011 as compared to approximately HK\$218,977,000 for the year ended 31 March 2010.

Liquidity and financial resources

As at 31 March 2011, the Group had outstanding promissory note at a nominal value of approximately HK\$238.7 million (as at 31 March 2010: HK\$238.7 million) with a discounted value of approximately HK\$254.8 million (as at 31 March 2010: HK\$244.6 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, before New Maturity Date, the Group has the right to postpone ("Maturity Postponement Right") the maturity date to 30 June 2011 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK\$50 million. Such Maturity Postponement Right can be exercised before 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 2011 (as at 31 March 2010: HK\$Nil).

As at 31 March 2011, the Group had net current assets of approximately HK\$17,244,000 (as at 31 March 2010: HK\$34,940,000). The Group's current assets consisted of cash and cash equivalents of approximately HK\$41,088,000 (as at 31 March 2010: HK\$67,242,000), trade and other receivables of approximately HK\$1,130,000 (as at 31 March 2010: HK\$4,981,000) and assets of disposal group classified as held for sale of approximately HK\$12,119,000 (as at 31 March 2010: HK\$Nil). The Group's current liabilities included trade and other payables of approximately HK\$941,000 (as at 31 March 2010: HK\$36,829,000), amounts due to substantial shareholders of approximately HK\$2,274,000 (as at 31 March 2010: HK\$Nil), current tax liabilities of approximately HK\$102,000 (as at 31 March 2010: HK\$454,000) and liabilities directly associated with assets of disposal group classified as held for sale of approximately HK\$33,776,000 (as at 31 March 2010: HK\$Nil).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 3.27 as at 31 March 2011 as compared to 1.10 as at 31 March 2010.

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

Capital structure

There was no change in the capital structure during the year ended 31 March 2011.

Charge on assets

The Group did not have any charge on its assets as at 31 March 2011 and 31 March 2010.

Staff costs

As at 31 March 2011, the Group had 95 employees (2010: 95). The staff costs for the year ended 31 March 2011 was approximately HK\$12,347,000 (2010: HK\$9,181,000). 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 2011, 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 2011 and 31 March 2010.

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 2011.

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 2011.

APPROPRIATIONS

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

AUDIT COMMITTEE

For the year ended 31 March 2011, 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 2010;
- Quarterly reports for the first quarter and third quarter of 2010/11;
- Interim report for the first six months of 2010/11; and
- Review of continuing connected transactions with the Group.

The audit committee is of the opinion that the financial statements of the Company and the Group for the year ended 31 March 2011 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SCOPE OF WORK OF RSM NELSON WHEELER

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2011 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2011. The work performed by RSM Nelson Wheeler in this respect did not constitute an 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on this announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Monday, 15 August 2011 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, 22 June 2011

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.