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)

China Communication Telecom Services

Annual Report **2010**

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.

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. He Chenguang *(Chairman)*
Mr. Xiao Haiping
Mr. Zhang Peng *(Chief Executive Officer)*
Ms. Weng Pinger *(Resigned on 30 April 2010)*
Mr. Bao Yueqing *(Appointed on 30 April 2010)*

Independent Non-Executive Directors
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

COMPANY SECRETARY
Ms. Chan Mei Yee, *CPA*

QUALIFIED ACCOUNTANT
Ms. Chan Mei Yee, *CPA*

COMPLIANCE OFFICER
Mr. Zhang Peng

AUDIT COMMITTEE
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

REMUNERATION COMMITTEE
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

AUTHORISED REPRESENTATIVES
Mr. Zhang Peng
Ms. Chan Mei Yee, *CPA*

AUDITORS
CCIF CPA Limited
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

REGISTERED OFFICE
P.O. Box 309GT
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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS
www.ccpi.com.hk

GEM STOCK CODE
8206

Financial Highlights

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover					
Continuing operations	**6,649**	168,198	23,644	20,207	—
Discontinued operation	**7,627**	221,265	—	1,057	2,958
	14,276	389,463	23,644	21,264	2,958
Loss before taxation	**(237,512)**	(1,095,958)	(31,875)	(21,907)	(8,433)
Taxation	**6,025**	134,494	—	(1,115)	1,115
Loss attributable to owners	**(218,977)**	(820,455)	(31,875)	(23,022)	(7,318)
Basic loss per share (HK cents)	**(27.26)**	(102.26)	(4.19)	(3.67)	(1.73)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**309,335**	129,566	991,707	939,851	160,762
Total liabilities	**(341,204)**	(297,837)	(362,324)	(368,857)	(74,727)
Net (liabilities)/assets	**(31,869)**	(168,271)	629,383	570,994	86,035
Net (liabilities)/assets per share (HK cents)	**(3.97)**	(20.97)	78.45	84.52	16.75

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.

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.

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

Chairman's Statement

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.

He Chenguang
Chairman

Hong Kong, 23 June 2010

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: 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: HK$18,184,000), trade and other receivables of approximately HK$4,981,000 (as at 31 March 2009: HK$41,474,000) and inventories of approximately HK$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.

Management Discussion and Analysis

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 partial 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 49, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Currently, he is the chairman of the board of directors of 神州通信集團有限公司 (China Communication Group Co., Ltd.#) ("CCC"), a nationwide telecom operator and Internet network operator in the PRC.

Mr. Xiao Haiping, aged 58, joined the Group in January 2006. He is responsible for the Group's overall business development in China. Mr. Xiao holds a professional tertiary qualification from Hunan Normal University, China, majoring in Chinese language. Prior to joining the Group in January 2006, he had over 20 years' of experience in the banking sector of China and extensive experience in various aspects such as strategic investment, project assessment, corporate governance, risk assessment and risk controls, and has in-depth knowledge in merchant banking and capital management.

Mr. Zhang Peng, aged 46, joined the Group in June 2006 and was elected as the Chief Executive Officer of the Group in March 2008. He is responsible for formulating the Group's strategy of overall business development. Mr. Zhang holds a Master degree of Business Administration from the Graduate School of Management of Rutgers, the State University of New Jersey, U.S.A.. Prior to joining the Group in June 2006, he had over 20 years' of experience in Chinese state-owned commercial banks and international corporate and investment banks.

Mr. Bao Yueqing, aged 40, joined the Group in April 2010. He is responsible for the Group's overall business development in China. Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

Executive Director, Ms. Weng Pinger resigned on 30 April 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 39, was appointed as an Independent Non-Executive Director since October 2002. Mr. Yip is a member of the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of China Star Film Group Limited, GCL-Poly Energy Holdings Limited, iOne Holdings Limited, Vinco Financial Group Limited and Wing Lee Holdings Limited.

Ms. Cao Huifang, aged 60, was appointed as an Independent Non-Executive Director since May 2008. Ms. Cao has over 30 years' of experience in engineering technology and corporate management. She is the vice-president of Shanghai International Airport Co., Ltd. and president of Shanghai Pudong International Airport Aviation Fuels Limited (上海浦東國際機場航空油料有限公司).

Ms. Liu Hong, aged 48, was appointed as an Independent Non-Executive Director since October 2008. Ms. Liu has over 20 years' of management experience in telecommunication industry in China. Currently, Ms. Liu works in China Telecom.

SENIOR MANAGEMENT

Ms. Chan Mei Yee, aged 31, joined the Group in September 2005, is the financial controller, qualified accountant and company secretary of the Group. She is responsible for financial planning and reporting and general administration of the Group. Ms. Chan holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University and a Master of Laws in International Economic Law from The Chinese University of Hong Kong. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants. Prior to joining to the Group in September 2005, she worked in an international accounting firm.

English translation of the name for identification purpose only

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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.

In the opinion of the Directors, the Company has met the code provisions set out in the CCGP.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exactly than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2010. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises seven Directors in which four are Executive Directors; three are Independent Non-Executive Directors. During the year ended 31 March 2010 and up to the date of this report, the Board comprises the following Directors:

Executive Directors:

Mr. He Chenguang, *Chairman of the Board*	
Mr. Xiao Haiping	
Mr. Zhang Peng, *Chief Executive Officer*	
Ms. Weng Pinger	Resigned on 30 April 2010
Mr. Bao Yueqing	Appointed on 30 April 2010

Independent Non-Executive Director

Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on page 8 of this report.

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2010 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	**Nomination Committee** Note 1	**Audit Committee**	**Remuneration Committee**
Executive Directors				
Mr. He Chenguang	13/13	0/0	N/A	N/A
Mr. Xiao Haiping	12/13	0/0	N/A	N/A
Mr. Zhang Peng	13/13	0/0	N/A	N/A
Ms. Weng Pinger	13/13	0/0	N/A	N/A
Independent Non-Executive Directors				
Mr. Yip Tai Him	13/13	0/0	4/4	1/1
Ms. Cao Huifang	13/13	0/0	4/4	1/1
Ms. Liu Hong	12/13	0/0	4/4	1/1

Note 1: Among the Board meetings held during the year, no meeting was held in relation to the nomination of Directors.

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters. Daily operations and administration are delegated to the senior management team.

According to the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. All Directors appointed to fill a causal vacancy shall be subject to election by the Shareholders at the first general meeting after their appointment.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separate from that of the Chief Executive Officer. The position of the Chairman and Chief Executive Officer is held by Mr. He Chenguang and Mr. Zhang Peng respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors are appointed for a specific term. Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong have been appointed for a term of three years subject to retirement by rotation in accordance with the Articles.

The Company has received the annual independence confirmation from each of Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong (all being Independent Non-Executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria.

To assist the execution of its responsibilities, two Board committees, namely Audit Committee and Remuneration Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All Independent Non-Executive Directors play a significant role in these committees to ensure the independence and objectivity.

REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, the Board established a Remuneration Committee comprising three Independent Non-Executive Directors. The Remuneration Committee meets at least once a year.

The functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors.

This committee comprises of three members, all of whom are Independent Non-Executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him.

NOMINATION OF DIRECTORS

Up to the date of this report, the Board has not yet established a Nomination Committee. The appointment of any new director is therefore unanimously considered and approved by the Board. The Board considers that the new directors are expected to equip with expertise in making positive contributions to the Group and to provide timely and sufficient attention to the affairs of the Group.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

At the Board meeting held on 30 April 2010, the Board approved the appointment of Mr. Bao Yueqing as Executive Director. No Board meeting held during the year ended 31 March 2010 was in relation to the nomination of Directors. The Board considers that he possesses relevant expertise and knowledge in the field of capital markets with valuable experience in strategic business planning and management and believes that he has abilities in making valuable contributions to the Group. Mr. He Chenguang, Mr. Xiao Haiping and Mr. Bao Yueqing will retire at the forthcoming annual general meeting and the re-election of Mr. He Chenguang, Mr. Xiao Haiping and Mr. Bao Yueqing as Executive Director are to be proposed at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

RSM Nelson Wheeler ("RSM") had resigned as auditors of the Group (the "Auditors") with effect from 19 January 2010. Pursuant to articles of association of the Company, CCIF CPA Limited ("CCIF") has been appointed by the Board on 22 January 2010 as Auditors to fill the casual vacancy following the resignation of RSM until the conclusion of the next annual general meeting of the Company. The Audit Committee is responsible for considering the appointment of the external auditors, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditors. For the year ended 31 March 2010, the Auditors received the following remuneration from the Group in connection with the provision of audit and non-audit services to the Group:

	For the year ended 31 March	
	2010	2009
	HK$	HK$
Statutory audit	**625,000**	650,000
Non-audit services	**828,000**	400,000
	1,453,000	1,050,000

AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are Independent Non-Executive Directors and is chaired by Mr. Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

- Discuss the work with the external auditors of the Company;
- Meet with external auditors of the Company, when they consider necessary;
- Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;
- Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
- Review the independence of the external auditors annually;
- Ensures that cooperation is provided by management to the external auditors; and
- Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

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.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Directors have prepared the financial statements on the assumption that the Group will continue as a going concern by taking into consideration that the holding company has agreed to provide adequate financial support to the Group to enable it to meet all its financial obligations as they fall due. 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 the 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. The measures adopted and to be adopted subsequent to the end of the reporting period are set out in note 2(b)(i) to (vi) to the financial statements. In the opinion of the Directors, when the 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.

The responsibilities of the external auditors with respect to their financial reporting are set out in the Independent Auditor's Report on pages 27 to 28 of this report.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has formulated the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the audit committee and executive management.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and its subsidiary companies for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 18(d) to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contributions to results by principal activities for the year is set out in note 14 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 March 2010 and the state of affairs of the Group and the Company are set out in the financial statements on pages 29 to 99.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2010 (2009: HK$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 33 and note 27(a) to the financial statements respectively.

FIXED ASSETS

Details of movements in fixed assets of the Group and the Company during the year are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 27 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2010, the Company's reserves available for distribution amounted to HK$214,648,000 (2009: HK$Nil).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights either under the Articles, or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

FINANCIAL INFORMATION SUMMARY

A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 3.

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.

SHARE OPTION SCHEMES

Prior to the listing of the Company's shares on the GEM, the Board was authorized to grant options to certain directors, an ex-consultant, an ex-management shareholder and certain employees of the Group to subscribe for an aggregate of 20,000,000 ordinary shares in the Company, representing 1.67% of the shares of the Company in issue as at 31 March 2010, under the terms of the pre-IPO share option scheme on 28 October 2002 (the "Pre-IPO Share Options Scheme").

On 14 November 2005, all share options granted under the Pre-IPO Share Option Scheme have been lapsed.

On 28 October 2002, the Company conditionally adopted a further share option scheme (the "Share Option Scheme") by a resolution of the then sole shareholder of the Company. The Share Option Scheme became unconditional upon the listing of the Company's shares on the GEM on 15 November 2002. The Share Option Scheme was further amended by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006 and summary of the Share Option Scheme is as follows:

(a) **Purpose and Participants of the Share Option Scheme**

The purpose of the Share Option Scheme is to enable the Company to grant options to substantial shareholders, full-time or part-time employees, executive or officers, directors, non-executive directors (including independent non-executive directors) of the Group and any suppliers, independent contractors, consultants, agents and/or advisers, any entity in which any member of the Group holds any equity interest who, in the absolute determination of the Directors, will contribute or have contributed to the Group (the "Eligible Participant").

(b) **Maximum number of shares**

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the Share Option Scheme was refreshed by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006 pursuant to which the directors were allowed to grant further options under the Share Option Scheme carrying the right to subscribe for a maximum of 62,668,676 shares, being 10% of the shares in issue as at the date of the aforesaid resolution.

SHARE OPTION SCHEMES (CONTINUED)

(b) Maximum number of shares (Continued)

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

(iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of the annual report, options to subscribe for a total of 46,670,000 option shares were still outstanding under the Share Option Scheme which represents approximately 3.91% of the issued ordinary shares of the Company.

(c) Maximum number of options to any one individual

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates, as defined in the GEM Listing Rules, abstaining from voting and/or other requirements prescribed under the GEM Listing Rules from time to time.

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

SHARE OPTION SCHEMES (CONTINUED)

(e) **Granting options to connected persons**

Any grant of options to a director, chief executive or management shareholder or substantial shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any independent non-executive director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of shares of the Company issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the shares of the Company in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the shares of the Company at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

(f) **Time of exercise of option**

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

Directors' Report

SHARE OPTION SCHEMES (CONTINUED)

(f) Time of exercise of option (Continued)

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 March 2010 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	As at 1 April 2009	Options granted during the period	Options exercised during the period (2)	Options lapsed during the period (1)	Options cancelled during the period	As at 31 March 2010
				Number of share options					
Directors									
Xiao Haiping	3 April 2006	3 October 2006 to 2 April 2009	1.09	1,000,000	–	–	(1,000,000)	–	–
Other Eligible Participants									
In aggregate	3 April 2006	3 October 2006 to 2 April 2009	1.09	2,000,000	–	–	(2,000,000)	–	–
In aggregate	28 June 2006	28 December 2006 to 27 June 2009	1.74	800,000	–	–	(800,000)	–	–
In aggregate	30 July 2007	30 January 2008 to 29 July 2010	2.80	800,000	–	–	–	–	800,000
In aggregate	14 August 2008	14 August 2009 to 13 August 2010	0.97	1,000,000	–	–	–	–	1,000,000
In aggregate	15 August 2008	15 August 2009 to 14 August 2010	1.30	1,500,000	–	–	–	–	1,500,000
In aggregate	14 January 2009	14 July 2009 to 13 July 2010	0.82	1,200,000	–	–	–	–	1,200,000
In aggregate	19 March 2010	19 March 2011 to 18 March 2012	1.12	–	1,000,000	–	–	–	1,000,000
In aggregate	22 March 2010	22 March 2011 to 21 March 2012	1.15	–	2,000,000	–	–	–	2,000,000
In aggregate	24 March 2010	24 March 2011 to 23 March 2012	1.17	–	7,000,000	–	–	–	7,000,000
In aggregate	29 March 2010	29 March 2011 to 28 March 2012	1.23	–	1,000,000	–	–	–	1,000,000
				8,300,000	11,000,000	–	(3,800,000)	–	15,500,000

SHARE OPTION SCHEMES (CONTINUED)

(f) Time of exercise of option (Continued)

Notes:

(1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its subsidiary companies, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.

(2) No share options were exercised during the period.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors

He Chenguang
Xiao Haiping
Zhang Peng
Weng Pinger (Resigned on 30 April 2010)
Bao Yueqing (Appointed on 30 April 2010)

Independent Non-Executive Directors

Yip Tai Him
Cao Huifang
Liu Hong

In accordance with Article 95 of the Articles, Mr. Bao Yueqing, being Executive Director appointed by the Board to fill a casual vacancy or as an addition to the Board, shall hold office only until the next following annual general meeting ("AGM") of the Company and shall then be eligible for re-election at that meeting. Accordingly, he shall retire at the forthcoming AGM and, being eligible, they offer themselves for re-election at the AGM.

In accordance with Article 112 of the Articles, one-third of the Directors shall retire from office by rotation. Accordingly, Mr. He Chenguang and Mr. Xiao Haiping shall retire at the AGM and, being eligible, offer themselves for re-election at the AGM.

The terms of office of Independent Non-Executive Directors should be subject to retirement by rotation in accordance with the Articles.

The Company has received written confirmations from each of the Independent Non-Executive Directors for their independence. The Company has assessed their independence and concluded that all Independent Non-Executive Directors are independent within the definition of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company. The employment of each Executive Director under his service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2010 or any time during the year ended 31 March 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 8.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of 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 (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

	Number of shares held					Number of underlying shares		
Name of Director	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
Xiao Haiping	1,000,000	–	–	–	1,000,000	–	1,000,000	0.08%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 March 2010.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

	Number of shares held					Number of underlying shares		
Name of shareholder	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
CCC (Note 1)	–	356,542,000	–	–	356,542,000	–	356,542,000	29.84%
CCI	356,542,000	–	–	–	356,542,000	–	356,542,000	29.84%
Jin Xian Gen (Note 2)	–	128,205,128	–	–	128,205,128	–	128,205,128	10.73%
Full Ocean Development Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	10.73%
Jin Lin Jun (Note 3)	–	128,205,128	–	–	128,205,128	–	128,205,128	10.73%
Amazing International Holdings Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	10.73%

Notes:

(1) 神州通信集團有限公司 (China Communication Group Co., Ltd.)# (formerly known as 神州通信有限公司(China Communication Co., Ltd.) #) ("CCC") is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC

(2) Mr. Jin Xian Gen is interested in 90% of the entire issued share capital of Full Ocean Development Limited and is therefore deemed to be interested in 128,205,128 shares held by Full Ocean Development Limited by virtue of the SFO.

(3) Mr. Jin Lin Jun is interested in 97% of the entire issued share capital of Amazing International Holdings Limited and is therefore deemed to be interested in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.

Save as disclosed above, as at 31 March 2010, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the year.

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MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	51%
– five largest suppliers	100%
Sales	
– the largest customer	1%
– five largest customers	1%

Save for CCC, being a shareholder of the Company interested in more than 5% of the Company's issued share capital through its shareholding in CCI, none of the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

CONTINUING CONNECTED TRANSACTIONS

Relationship between the Group and each of the relevant connected persons

北京天地融合科技有限公司(Beijing Tiandironghe Technology Company Limited#) ("BTT"), a company established under the laws of the PRC, is an indirect wholly-owned subsidiary of CCC, a substantial shareholder of the Company. By virtue of being an associate to CCC, BTT is considered to be a connected person to the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, BTT has been deregistered on 10 February 2009.

CCC, a company established under the laws of the PRC. By virtue of its interest in 25% equity interest in CCP (as defined below) as well as its interests as to approximately 29.84% of the entire issued share capital of CCI, its wholly-owned subsidiary, which is holding 356,542,000 shares of the Company, CCC is considered to be a connected person to the Company.

神州奧美網絡有限公司(China Cyber Port Co., Ltd.#) ("CCP"), a company established under the laws of the PRC, a non-wholly-owned subsidiary of the Company, with its entire issued equity interest owned by the Company and CCC as to 75% and 25% respectively.

黑龍江天地數碼科技有限公司(Heilongjiang Tiandi Digital Technology Company Limited#) ("HTD"), a company established under the laws of the PRC, at the time of entering into the HTD Web Advertising Agreement (as defined below) and the HTD Naming-Right Sponsorship Agreement (as defined below), is a wholly-owned subsidiary of CCC, a substantial shareholder of the Company. By virtue of being an associate to CCC, HTD is considered to be a connected person to the Company.

Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2009 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 1 December 2006, CCC and CCP entered into the server hosting agreement (as supplemented by the Supplemental Service Agreements) (the "Server Hosting Agreement"), pursuant to which CCP would (i) place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to CCP ("Server Hosting Service") and (ii) provide dedicated 100M-bankwidth broadband leased line to CCP for CCP's website running and CCC will also allow CCP to run its operations and provide its paid services via the online platform operated by CCC ("Dedicated Leased Lines Service"), in consideration of which CCC would charge CCP a one-off payment of RMB1,000 per rack and a monthly hosting fee of RMB8,800 per rack for the Server Hosting Service and a one-off payment of RMB2,000 per leased line and a monthly rental fee of RMB215,600 per leased line for the Dedicated Leased Lines Service. The Server Hosting Agreement has been renewed by the dedicated leased lines rental agreement entered into between CCC and CCP dated 24 February 2010 (as supplemental by the supplemental agreement dated 24 February 2010);

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CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

2. On 1 December 2006, CCC and CCP entered into the office internet connection agreement (as supplemented by the Supplemental Service Agreements) (the "Office Internet Connection Agreement"), pursuant to which CCC would provide a dedicated 100M-bandwidth broadband leased line to CCP for CCP's own office use, in consideration of which CCC would charge CCP a monthly fee of RMB45,000 based on CCP's actual usage of 20M-bandwidth (subject to any new charging standard announced by the government);

3. On 15 December 2006, CCC and CCP entered into the customers service hotline rental agreement (as supplemented by the Supplemental Service Agreements) (the "Customers Service Hotline Rental Agreement"), pursuant to which CCC shall provide a designated national customer service hotline number 95130001 to CCP, in consideration of which CCC would charge CCP (i) an annual fee of RMB100,000; (ii) RMB7,000 per month for each sub-line under the national hotline; (iii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to bulk use discounted rates); and (iv) a calling charge of RMB0.30 per minute for all outgoing calls. The calling charge rate was subject to any new charging standard announced by the government. The Internet Payment and Settlement Service Agreement has been renewed by the customers service hotline rental agreement entered into between CCP and CCC on 24 February 2010 (as supplemented by the supplemental agreement dated 24 February 2010);

4. On 12 December 2006, CCC and CCP entered into the internet payment and settlement service agreement (as supplemented by the Supplemental Service Agreements) (the "Internet Payment and Settlement Service Agreement"). CCC was currently operating an electronic wallet service named "Shentong Card". CCP would charge its customers via "Shentong Card". CCC would generate monthly reports and pay the sales revenue through "Shentong Card" to CCP (net of CCC's service charge). CCC would charge CCP a service charge at the rate of 25% of the payments made by CCP's customers through "Shentong Card" to compensate CCC for the sales tax and the handling charge. The Internet Payment and Settlement Service Agreement has been renewed by the internet payment and settlement service agreement entered into between CCC and CCP on 24 February 2010 (as supplemented by the supplemental agreement dated 24 February 2010);

5. The supplemental agreements entered into between CCC and CCP (the "Supplemental Service Agreements") to supplement the terms of the Server Hosting Agreement, the Customer Service Hotline Rental Agreement, the Office Internet Connection Agreement, and the Internet Payment and Settlement Service Agreement (collectively the "Service Agreements") pursuant to Rule 20.35 (1) of the GEM Listing Rules, to the effect that, inter alia, (i) the initial term of the Service Agreements should not be extend beyond 31 March 2010; (ii) the total annual consideration payable by CCP under the Service Agreements should be subject to a yearly cap set by the parties; and (iii) CCC and CCP should allow the Company's auditors sufficient access to their records for the purpose of ascertaining (a) whether the transactions have been entered into in accordance with the pricing policies and the terms set out in the Service Agreements; and (b) whether the annual cap has been exceeded;

6. On 29 September 2007, HTD and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Web Advertising Agreement"), pursuant to which HTD agreed to place and CCP agreed to arrange the web advertisements of HTD be published on the "Sudden Attack" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to HTD to handle technical issues arising out of the publication of the advertisements. It was agreed that the agreed amount of advertising fees to be incurred by CCP during the term of the HTD Web Advertising Agreement shall be not more than RMB138,000,000 (equivalent to approximately HK$156,818,182) of which the advertising fee should not be more than RMB40,000,000 (equivalent to approximately HK$45,454,545), RMB65,000,000 (equivalent to approximately HK$73,863,636) and RMB33,000,000 (equivalent to approximately HK$37,500,000) for the three years ended 31 March 2010 respectively;

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

7. On 29 September 2007, BTT and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008)(the "BTT Web Advertising Agreement"), pursuant to which BTT agreed to place and CCP agreed to arrange the web advertisements of BTT be published on the "e-Sports" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to BTT to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by BTT during the term of the BTT Web Advertising Agreement should be not more than RMB85,000,000 (equivalent to approximately HK$96,590,909) of which the advertising fee should not be more than RMB20,000,000 (equivalent to approximately HK$22,727,273), RMB40,000,000 (equivalent to approximately HK$45,454,545) and RMB25,000,000 (equivalent to approximately HK$28,409,091) for the three years ended 31 March 2010 respectively. A non-refundable deposit of RMB10,000,000 (equivalent to approximately HK$11,363,636) had been paid by BTT on 29 September 2007 and should be used to settle all or part of the final instalment of the advertising fees payable by BTT by the end of the term. The BTT Web Advertising Agreement has been terminated on 10 February 2009 due to the deregistration of BTT on 10 February 2009;

8. On 1 March 2008, HTD and CCP entered into the naming-right sponsorship agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Naming-Right Sponsorship Agreement"), pursuant to which HTD agreed to acquire and CCP agreed to grant the naming rights of certain computer and online game tournaments to be organised by CCP during the period commencing from 1 March 2008 to 1 March 2010. It was also agreed that HTD should be allowed to participate in not less than ten promotion events to be organised by CCP for each year during the term of the HTD Naming-Right Sponsorship Agreement. Premier advertising space should also be reserved for HTD during the promotion events. In addition, pursuant to the HTD Naming-Right Sponsorship Agreement, an amount of RMB18,000,000 (equivalent to approximately HK$20,454,545) should be paid by HTD to the Group, however, pursuant to subsequent agreement by the parties, an amount of RMB6,000,000 (equivalent to approximately HK$6,818,182) has been paid by HTD to the Group on 25 March 2008. Pursuant to the supplemental agreement, during the term of the HTD Naming-Right Sponsorship Agreement, the naming right fees should be satisfied in the manner of not more than RMB1,000,000 (equivalent to approximately HK$1,136,364), RMB12,000,000 (equivalent to approximately HK$13,636,364) and RMB10,000,000 (equivalent to approximately HK$11,363,636) respectively for the three years ended 31 March 2010 respectively in accordance with number and size of the promotion events held during the term of the HTD Naming-Right Sponsorship Agreement. The exact deduction amount for each promotion event should be agreed between HTD and CCP;

9. On 19 March 2008, CCC and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "CCC Web Advertising Agreement"), pursuant to which CCC agreed to place and CCP agreed to arrange the web advertisements of CCC be published on the "e-Sports" online game platform operated by CCP for approximately three years commencing from 20 March 2008 to 31 March 2011. 24-hour technical support services should also be provided by CCP to CCC to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by CCP during the term of the CCC Web Advertising Agreement has been revised to not more than RMB95,000,000 (equivalent to approximately HK$107,954,545) of which the advertising fee should not be more than RMB25,000,000 (equivalent to approximately HK$28,409,091), RMB30,000,000 (equivalent to approximately HK$34,090,909) and RMB40,000,000 (equivalent to approximately HK$45,454,545) for the three years ended 31 March 2011 respectively;

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Details of the continuing connected transactions of the Group (Continued)

10. On 1 June 2008, CCC and CCP entered into the tenancy agreement (the "CCC Tenancy Agreement"). No.172, Dexingmennei Road, Xicheng District Beijing, PRC with a total gross floor area of approximately 120 sq. metres, where should be used by CCP as the venue for members' gatherings and the computer and online game tournaments to be organised by CCP from time to time. The annual rental payable by CCP should be RMB2,460,000 (equivalent to approximately HK$2,795,455), inclusive of all the utilities charges. A deposit of RMB615,000 (equivalent to approximately HK$698,864), being three months rental payment, should be payable by CCP as deposit upon signing of the CCC Tenancy Agreement. The rents were payable quarterly in advance which should be satisfied in cash by the internal resources of the Group. The annual rental was determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market and were no less favourable than terms available from independent third parties; and

11. The supplemental agreements (collectively the "Supplemental Advertising Agreements") entered into between CCP and each of BTT, CCC and HTD to supplement the terms of the BTT Advertising Agreement, the CCC Advertising Agreement, the HTD Advertising Agreement and the HTD Naming-Right Sponsorship Agreement pursuant to Rule 20.35 (1) of the GEM Listing Rules, to the effect that, inter alia, (i) the initial term of the Service Agreements should not be extend beyond 31 March 2011; (ii) the total annual consideration payable by CCP under the Service Agreements should be subject to a yearly cap set by the parties.

The aforesaid the above agreements have been reviewed by Independent Non-Executive Directors of the Company. The Independent Non-Executive Directors confirmed that the above agreements were entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditors of the Company have confirmed that the above agreements (a) has been approved by the Board, (b) has been entered into in accordance with the terms of the relevant agreements governing the transactions, and (c) have not exceeded the cap disclosed in previous announcements in relation to the above agreements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float, representing more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

COMPETING INTERESTS

None of the Directors of the Company had any interest in a business which competes or may compete with the businesses of the Group.

OTHER MATTERS

(a) The company secretary and the qualified accountant of the Company is Ms. Chan Mei Yee, CPA.

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

Directors' Report

AUDITORS

Baker Tilly Hong Kong ("Baker Tilly") resigned as auditors with effect from 28 July 2008. RSM Nelson Wheeler ("RSM") was then appointed by the Board as auditors to fill casual vacancy following the resignation of Baker Tilly.

RSM resigned as auditors with effect from 19 January 2010. In filling the casual vacancy following the resignation of RSM, CCIF CPA Limited ("CCIF") was appointed by the Board as auditors with effect from 22 January 2010 to fill the casual vacancy following the resignation of RSM, and will hold office until the conclusion of the next annual general meeting of the Company.

The financial statements of the Company for the years ended 31 March 2008, 2009 were audited by Baker Tilly and RSM respectively while CCIF prepared the audited financial statements of the Company for the year ended 31 March 2010.

The financial statements have been audited by CCIF who will not offer themselves for re-election as the auditors of the Company during the annual general meeting of the Company ("AGM"), and as such, CCIF shall retire from office with effect immediately after the AGM. The Directors propose to appoint Crowe Horwath (HK) CPA Limited as the new auditors of the Company following the resignation of CCIF and to hold office until the conclusion of the next annual general meeting of the Company. The Directors are of the view that it would be in the best information of the Company and the Shareholders as a whole to appoint its former auditors to continue to serve the Company under a more internationally renowned name.

By Order of the Board

He Chenguang
Chairman

Hong Kong, 23 June 2010

Independent Auditor's Report

CCIF

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

TO THE SHAREHOLDERS OF
CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED (FORMERLY KNOWN AS CHINA CYBER PORT (INTERNATIONAL) COMPANY LIMITED)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Communication Telecom Services Company Limited (formerly known as "China Cyber Port (International) Company Limited") (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 99, which comprise the consolidated and Company statements of financial position as at 31 March 2010 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to note 2(b) to the financial statements 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 2(b) to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 23 June 2010

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations			
Turnover	4	**6,649**	168,198
Cost of sales		**(9,049)**	(105,971)
Gross (loss)/profit		**(2,400)**	62,227
Other revenue	5	**47**	69
Other net income	5	**–**	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	6(a)	**(11,740)**	(25,377)
Loss before taxation		**(213,613)**	(478,903)
Income tax	7(a)	**2,709**	38,750
Loss for the year from continuing operations		**(210,904)**	(440,153)
Discontinued operation			
Loss for the year from discontinued operation	8	**(20,583)**	(521,311)
Loss for the year	6	**(231,487)**	(961,464)
Attributable to:			
Owners of the Company	11	**(218,977)**	(820,455)
Minority interest		**(12,510)**	(141,009)
Loss for the year		**(231,487)**	(961,464)
Loss per share	13		
From continuing and discontinued operations			
– 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

The notes on pages 36 to 99 form part of these financial statements.

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)

The notes on pages 36 to 99 form part of these financial statements.

Consolidated Statement of Financial Position

AT 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15(a)	**2,372**	15,700
Intangible assets	16	**234,740**	50,508
Goodwill	17	**–**	–
Deferred tax assets	25(b)	**–**	3,221
		237,112	69,429
Current assets			
Inventories	19	**–**	479
Trade and other receivables	20	**4,981**	41,474
Cash and cash equivalents	21	**67,242**	18,184
		72,223	60,137
Current liabilities			
Trade and other payables	23	**36,829**	43,491
Current taxation	25(a)	**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	22	**615**	12,243
Promissory note	24	**244,621**	232,881
Deferred tax liabilities	25(b)	**58,685**	9,222
		(303,921)	(254,346)
NET LIABILITIES		**(31,869)**	(168,271)
EQUITY			
Equity attributable to owners of the Company	27		
Share capital		**11,947**	8,023
Reserves		**(43,816)**	(188,776)
		(31,869)	(180,753)
Minority interest		**–**	12,482
TOTAL EQUITY		**(31,869)**	(168,271)

Approved and authorised for issue by the board of directors on 23 June 2010.

He Chenguang
Director

Zhang Peng
Director

The notes on pages 36 to 99 form part of these financial statements.

Statement of Financial Position

AT 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	15(b)	**2**	13
Investments in subsidiaries	18	**20**	20
		22	33
Current assets			
Other receivables	20	**–**	53
Amounts due from subsidiaries	18	**181,419**	–
Cash and cash equivalents	21	**50,999**	7,099
		232,418	7,152
Current liabilities			
Other payables and accruals	23	**1,826**	704
Amounts due to subsidiaries	18	**2,189**	4,552
		(4,015)	(5,256)
Net current assets		**228,403**	1,896
NET ASSETS		**228,425**	1,929
EQUITY			
Equity attributable to owners of the parent	27		
Share capital		**11,947**	8,023
Reserves		**216,478**	(6,094)
TOTAL EQUITY		**228,425**	1,929

Approved and authorised for issue by the board of directors on 23 June 2010.

He Chenguang
Director

Zhang Peng
Director

The notes on pages 36 to 99 form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2010

		Attributable to owners of the Company								
	Note	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Exchange reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interest HK$'000	Total equity 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	29(b)	–	–	–	–	–	–	–	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	27(b)(iii)	1,360	165,920	–	–	–	–	167,280	–	167,280
Allotment of subscription shares	27(b)(iv)	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)

The notes on pages 36 to 99 form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
OPERATING ACTIVITIES			
Loss before taxation			
Continuing operations		**(213,613)**	(478,903)
Discontinued operation	8	**(23,899)**	(617,055)
Adjustments for:			
Amortisation of intangible assets		**12,678**	164,429
Depreciation		**5,330**	11,187
Equity-settled share-based payments expenses		**498**	1,184
Finance costs		**11,740**	25,377
Impairment loss on property, plant and equipment		**10,351**	27,614
Impairment loss on goodwill		**136,862**	354,610
Impairment loss on intangible assets		**38,031**	579,340
Write down of inventories		**256**	3,930
Impairment loss on trade receivables		**8,246**	13,361
Reversal of impairment loss on trade receivables		**(1,091)**	–
Interest income		**(45)**	(66)
Net loss on disposal of property, plant and equipment		**4**	–
Operating (loss)/profit before changes in working capital		**(14,652)**	85,008
Decrease in inventories		**223**	30,914
Decrease in trade and other receivables		**31,257**	42,481
Decrease in trade and other payables		**(7,055)**	(162,680)
Cash generated from/(used in) operations		**9,773**	(4,277)
Income tax paid		**–**	(21,561)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**9,773**	(25,838)
INVESTING ACTIVITIES			
Net cash (outflow)/inflow on acquisition of a subsidiary	29	**(149,108)**	76,881
Payment for the purchase of property, plant and equipment		**(47)**	(191)
Proceeds from disposal of property, plant and equipment		**2**	–
Interest received		**45**	66
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES		**(149,108)**	76,756

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
FINANCING ACTIVITIES			
Proceeds from issue of new shares		**199,870**	–
Repayment of promissory note	24	**–**	(40,000)
Decrease in amount due to a substantial shareholder		**(11,628)**	(30,177)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		**188,242**	(70,177)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**48,907**	(19,259)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**18,184**	35,809
Effect of foreign exchange rates changes		**151**	1,634
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	**67,242**	18,184

The notes on pages 36 to 99 form part of these financial statements.

1. GENERAL INFORMATION

China Communication Telecom Services Company Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands. The address of its principal place of business is Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (the "Group") are principally engaged in the operation of the e-Sports platform and online game, distribution of computer games and provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC.

Pursuant to a special resolution passed by the shareholders of the Company at the Company's extraordinary meeting held on 11 March 2010 and the approval by the Registrar of Companies in Cayman Islands on 26 March 2010, the English name of the Company has been changed from "China Cyber Port (International) Company Limited" to "China Communication Telecom Services Company Limited" and the new Chinese name "神通電信服務有限公司" has been adopted as the Company's secondary name. Both of which are effective from 26 April 2010. The Company has thereafter ceased to use the Chinese name "神州奧美網絡(國際)有限公司" for identification purpose.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern basis (Continued)

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) As disclosed in note 24 to the financial statements, on 31 March 2010, the Group agreed with China Communication Investment Limited ("CCI"), the substantial shareholder of the Company, 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) As disclosed in note 22 to the financial statements, on 31 March 2010, the Group agreed with CCI, the substantial shareholder of the Company, 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 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"), the holding company of CCI and regarded as 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.

* *For identification purpose*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2010 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

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

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 33.

(d) Subsidiaries and minority interest

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the owners of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and minority interest (Continued)

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 2(n) or (o) depending on the nature of the liability.

In the Company's statement of financial position, an investment in a subsidiary is carried at cost less impairment losses (see note 2(j)).

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(j)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially carried at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments.

Investments in equity securities that do not have a listed market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(j)(i)).

Other investments in securities are classified as available-for-sale equity securities and are initially recognised at fair value plus transaction costs. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised directly in equity. Dividend income from these investments is recognised in profit or loss and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or when they expire.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Property, plant and equipment are carried in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Computer equipment	18%-50%
Leasehold improvements	Shorter of unexpired lease period and useful live
Equipment, furniture and fixtures	18%-33%
Motor vehicle	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Intangible assets with finite useful lives acquired by the Group are carried in the statement of financial position at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight line basis over their estimated useful lives as follows:

Computer games license rights	10 years
Right to receive distributable profit from the e-Sports platform	10 years
Online game software platform	10 years
Online game license rights	Over the license period
e-Sports platform portal	5 years
Computer games distribution rights	5 years
Distribution network	5 years
Trademarks	Shorter of license period and 5 years
Research and development	5 years
Service contract	Over the contract term

The useful lives and amortisation methods are reviewed and adjusted, if appropriate, at the end of each reporting period.

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (Continued)

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Receivables that are carried at cost or amortised cost or investments classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale equity securities which are carried at fair value, when a decline in the fair value has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities and other receivables (Continued)

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;
– intangible assets;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(j)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter carried at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are carried at cost less allowance for impairment of doubtful debts (see note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are carried at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost unless the effect of discounting would be immaterial, in which case they are carried at cost.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are carried at their present values.

The employees of the Company's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions in accordance with rules of the central pension scheme.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(q) Share-based payment transactions

(i) Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payment reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Share-based payment transactions (Continued)

(ii) Share options granted to suppliers/consultants

Share options issued in exchanges for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

(r) Income tax

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (Continued)

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

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

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

  – the same taxable entity; or

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

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are carried at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and cost, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Online game services income

Revenue recognised in respect of operating the online games is net of discounts, business tax, internet payment and settlement service fee, and other related taxes and charges.

The Group sells prepaid game cards to distributors and online game players. With the prepaid game cards, online game players can credit their online game accounts with game points which can be used for purchasing of online time, virtual products and premium features of certain online games hosted by the Group. The online game players can also credit their online user accounts directly. Such income received is deferred and recorded as deferred income under current liabilities and would be recognised as revenue upon the actual consumption of the game points.

(ii) Sale of goods

Income from trading of peripheral products and distribution of computer games are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (Continued)

(iii) Advertising income

Advertising income is recognised pro-rata over the life of the advertisement corresponding to notional delivery of the services.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

(v) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(w) Related parties

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Related parties (Continued)

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

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

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

(x) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, any only if, all of the following have been demonstrated;

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Discontinued operations

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operation, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal of the assets or disposal group(s) constituting the discontinued operation.

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

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2008, except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS 39
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)–Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)–Int 13	Customer Loyalty Programmes
HK(IFRIC)–Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)–Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)–Int 18	Transfers of Assets from Customers

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

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's chief operating decision maker (see note 14). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with owners of the Company in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

4. TURNOVER

Turnover represents the revenue from operation of the e-Sports platform and online game and selling of computer games. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010 HK$'000	2009 HK$'000 (Restated)
Continuing operations		
Operation of e-Sports platform	**6,550**	145,471
Selling of computer games	**99**	22,727
	6,649	168,198
Discontinued operation (note 8)		
Operation of online game	**7,627**	221,265
	14,276	389,463

5. 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

6. LOSS FOR THE YEAR

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

		Continuing operations		Discontinued operation		Consolidated	
		2010	2009	**2010**	2009	**2010**	2009
		HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
(a)	**Finance costs**						
	Interest on promissory note (note 24)	**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# (note 19)	**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 (note 15(a))	**9,752**	16,533	**599**	11,081	**10,351**	27,614
	– Impairment loss on intangible assets (note 16)	**29,139**	298,444	**8,892**	280,896	**38,031**	579,340
	– Impairment loss on goodwill (note 17)	**136,862**	96,702	**–**	257,908	**136,862**	354,610
	– Impairment loss on trade receivables (note 20(b))	**–**	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.

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Income tax in the consolidated income statement represents:

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Current tax – PRC Enterprise Income Tax	**–**	(8,996)	**–**	(3,885)	**–**	(12,881)
Deferred tax – Origination and reversal of temporary differences (note 25(b))	**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).

(b) Reconciliation between tax expenses and accounting loss at the applicable tax rates:

(i) Continuing operations

	Continuing operations	
	2010	2009
	HK$'000	HK$'000 (Restated)
Loss before taxation	**(213,613)**	(478,903)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(34,811)**	(85,944)
Tax effect of non-taxable income	**(2,926)**	(7)
Tax effect of non-deductible expenses	**24,901**	65,583
Tax effect of unused tax losses not recognised	**12,836**	29,364
Others	**(2,709)**	(47,746)
Actual income tax	**(2,709)**	(38,750)

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(b) (Continued)

(ii) Discontinued operation

	Discontinued operation	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Loss before taxation	**(23,899)**	(617,055)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(5,974)**	(154,264)
Tax effect of unused tax losses not recognised	**5,974**	158,149
Others	**(3,316)**	(99,629)
Actual income tax	**(3,316)**	(95,744)

8. 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	1/4/2008 to 31/3/2009
	HK$'000	HK$'000
		(Restated)
Turnover (note 4)	**7,627**	221,265
Cost of sales	**(8,882)**	(190,373)
Gross (loss)/profit	**(1,255)**	30,892
Other revenue (note 5)	**1,091**	–
Selling and distribution expenses	**(2,601)**	(90,050)
Administrative expenses	**(3,397)**	(4,119)
Other operating expenses (note 6(c))	**(17,737)**	(553,778)
Loss from operations	**(23,899)**	(617,055)
Finance costs	**–**	–
Loss before taxation	**(23,899)**	(617,055)
Income tax (note 7(b)(ii))	**3,316**	95,744
Loss for the year from discontinued operation	**(20,583)**	(521,311)

8. DISCONTINUED OPERATION (CONTINUED)

The net cash flows attributable to the online game operation for the period/year are as follows:

	1/4/2009 to 10/2/2010 HK$'000	1/4/2008 to 31/3/2009 HK$'000 (Restated)
Net cash generated from operating activities	**(2,574)**	(204,387)
Net cash generated from investing activities	**–**	–
Net cash generated from financing activities	**–**	–
	(2,574)	(204,387)

9. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Retirement scheme contributions HK$'000**	**2010 Total HK$'000**
Executive directors				
He Chenguang	**–**	**1,800**	**12**	**1,812**
Zhang Peng	**–**	**1,680**	**12**	**1,692**
Xiao Haiping	**–**	**720**	**12**	**732**
Weng Pinger (Resigned on 30 April 2010)	**–**	**720**	**1**	**721**
Independent non-executive directors				
Yip Tai Him	**100**	**–**	**–**	**100**
Cao Huifang	**100**	**–**	**–**	**100**
Liu Hong	**100**	**–**	**–**	**100**
	300	**4,920**	**37**	**5,257**

	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	2009 Total HK$'000
Executive directors				
He Chenguang	–	1,890	12	1,902
Zhang Peng	–	1,770	12	1,782
Xiao Haiping	–	900	12	912
Weng Pinger	10	844	12	866
Independent non-executive directors				
Yip Tai Him	100	–	–	100
Cao Huifang (Appointed on 16 May 2008)	84	–	–	84
Liu Hong (Appointed on 16 October 2008)	44	–	–	44
Liu Jie (Resigned on 16 October 2008)	52	–	–	52
	290	5,404	48	5,742

9. DIRECTORS' EMOLUMENTS (CONTINUED)

During the year ended 31 March 2010, Mr. He Chenguang, Mr. Zhang Peng, Mr. Xiao Haiping and Ms. Weng Pinger, executive directors of the Company, have agreed to waive their emoluments of HK$Nil (2009: HK$30,000), HK$Nil (2009: HK$30,000), HK$Nil (2009: HK$60,000) and HK$Nil (2009: HK$60,000), respectively. Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the year.

As at 31 March 2010, a director held share options under the Company's share option scheme. The details of the share options are disclosed in note 26.

No emoluments or incentive payments were paid to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2009: four) are directors of the Company whose emoluments are included in the disclosure in note 9 above. The emoluments of the remaining one (2009: one) individual is as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries, allowances and benefits in kind	**540**	840
Retirement scheme contributions	**12**	12
	552	852

The emoluments of the one (2009: one) individual with the highest emoluments are within the following band:

	Number of individual	
	2010	2009
HK$ Nil to HK$1,000,000	**1**	1

11. 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.

12. 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).

13. 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 (note 27(b))	**1,075**	–
Weighted average number of ordinary shares at 31 March	**803,362**	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	**(218,977)**	(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	**(15,437)**	(390,983)
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	**(203,540)**	(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.

14. SEGMENT REPORTING

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

The Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities managed directly by the segments with the exception of corporate liabilities. The adoption of HKFRS 8 has not changed the basis of measurement of segment assets and segment liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "adjusted EBITDA", that is "adjusted earnings before interest, taxes, depreciation and amortisation and impairment loss".

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue, depreciation and amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

14. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

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 both years 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

14. SEGMENT REPORTING (CONTINUED)

(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.

15. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	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 (note 29(b))	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 (note 29(a))	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

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (Continued)

The total impairment losses of approximately HK$10,351,000 (2009: HK$27,614,000) of property, plant and equipment have been charged to profit or loss and have affected the following cash generating units ("CGUs")/ operating segments of the Group:

For the year ended 31 March 2010

	e-Sports Platform HK$'000	Online game operation HK$'000	Unallocated HK$'000	Total HK$'000
Computer equipment	7,964	599	651	9,214
Equipment, furniture and fixtures	–	–	639	639
Motor vehicle	–	–	498	498
	7,964	599	1,788	10,351

In view of the operating loss incurred for the e-Sports Platform segment during the year, the Group conducted a review of the carrying amount of the relevant assets. Based on the valuation report prepared by Grant Sherman Appraisal Limited, an independent professional valuer, the Group has recognised an impairment loss of HK$7,964,000 for the property, plant and equipment in relation to this segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use is 19.86%.

In addition, during the year, an impairment losses of HK$599,000 was recognised in respect of property, plant and equipment of the online game operation upon the expiration of the license rights of the online computer game "Sudden Attack" in the PRC on 10 February 2010.

For the year ended 31 March 2009

	e-Sports Platform HK$'000	Online game operation HK$'000	Total HK$'000
Computer equipment	16,533	11,081	27,614

During the year, the Group carried out reviews of the recoverable amount of CGUs which include the property, plant and equipment, having regard to the impact of recent macroeconomic environment on the Group's operations. The total impairment losses of approximately HK$27,614,000 of these property, plant and equipment have been charged to profit or loss. The recoverable amounts of the relevant property, plant and equipment have been determined on the basis of their value in use. The discount rates used in measuring value in use ranged from 22% to 23%.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Computer equipment HK$'000
Cost	
At 1 April 2008, 31 March 2009 and 1 April 2009	39
Disposals	(11)
At 31 March 2010	**28**
Accumulated depreciation	
At 1 April 2008	13
Charge for the year	13
At 31 March 2009 and 1 April 2009	26
Charge for the year	11
Disposals	(11)
At 31 March 2010	**26**
Carrying amount	
At 31 March 2010	**2**
At 31 March 2009	13

16. INTANGIBLE ASSETS

The Group

	Computer games license rights HK$'000	Right to receive distributable profit from the e-Sports Platform HK$'000	Online game software platform HK$'000	Online game license rights HK$'000	e-Sports Platform portal HK$'000	Computer games distribution rights HK$'000	Distribution network HK$'000	Trademarks HK$'000	Research and development HK$'000	Service contract HK$'000	Total HK$'000
Cost											
At 1 April 2008	103,685	289,800	–	–	–	–	–	–	–	–	393,485
Disposed of as consideration for acquisition of a subsidiary (note 29(b))	(103,685)	(289,800)	–	–	–	–	–	–	–	–	(393,485)
Acquisition of a subsidiary (note 29(b))	–	–	3,058	212,871	48,856	87,242	362,934	33,094	30,491	–	778,546
Exchange adjustments	–	–	67	4,651	1,067	1,906	7,930	724	666	–	17,011
At 31 March 2009 and 1 April 2009	–	–	3,125	217,522	49,923	89,148	370,864	33,818	31,157	–	795,557
Acquisition of a subsidiary (note 29(a))	–	–	–	–	–	–	67,335	–	–	167,405	234,740
Exchange adjustments	–	–	27	1,863	428	763	3,175	290	267	–	6,813
At 31 March 2010	**–**	**–**	**3,152**	**219,385**	**50,351**	**89,911**	**441,374**	**34,108**	**31,424**	**167,405**	**1,037,110**
Accumulated amortisation and impairment loss											
At 1 April 2008	20,737	19,320	–	–	–	–	–	–	–	–	40,057
Disposed of as consideration for acquisition of a subsidiary (note 29(b))	(20,737)	(19,320)	–	–	–	–	–	–	–	–	(40,057)
Amortisation for the year	–	–	312	86,551	6,345	11,331	49,755	10,135	–	–	164,429
Impairment losses	–	–	2,109	125,830	34,484	77,664	287,239	20,910	31,104	–	579,340
Exchange adjustments	–	–	4	366	71	153	579	54	53	–	1,280
At 31 March 2009 and 1 April 2009	–	–	2,425	212,747	40,900	89,148	337,573	31,099	31,157	–	745,049
Amortisation for the year	–	–	68	3,118	1,689	–	5,705	2,098	–	–	12,678
Impairment losses	–	–	635	1,676	7,370	–	27,718	632	–	–	38,031
Exchange adjustments	–	–	24	1,844	392	763	3,043	279	267	–	6,612
At 31 March 2010	**–**	**–**	**3,152**	**219,385**	**50,351**	**89,911**	**374,039**	**34,108**	**31,424**	**–**	**802,370**
Carrying amount											
At 31 March 2010	**–**	**–**	**–**	**–**	**–**	**–**	**67,335**	**–**	**–**	**167,405**	**234,740**
At 31 March 2009	–	–	700	4,775	9,023	–	33,291	2,719	–	–	50,508

16. INTANGIBLE ASSETS (CONTINUED)

The Group (Continued)

The total impairment losses of approximately HK$38,031,000 (2009: HK$579,340,000) of these intangible assets have been charged to profit or loss and have affected the following CGUs/operating segments of the Group:

For the year ended 31 March 2010

	e-Sports Platform HK$'000	**Online game operation** HK$'000	**Total** HK$'000
Online game software platform	521	114	635
Online game license rights	–	1,676	1,676
e-Sports Platform portal	7,370	–	7,370
Distribution network	20,779	6,939	27,718
Trademarks	469	163	632
TOTAL	29,139	8,892	38,031

In view of the operating loss incurred for the e-Sports Platform segment during the year, the Group conducted a review of the carrying amount of the relevant intangible assets. Based on the valuation report prepared by Grant Sherman Appraisal Limited, an independent professional valuer, the Group has recognised an impairment loss of HK$29,139,000 for the intangible assets in relation to this segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate in measuring the amount of value in use is 19.86%.

In addition, during the year, an impairment losses of HK$8,892,000 was recognised in respect of intangible assets of the online game operation upon the expiration of the license rights of the online computer game "Sudden Attack" in the PRC on 10 February 2010.

For the year ended 31 March 2009

	e-Sports Platform HK$'000	**Online game operation** HK$'000	**Computer games distribution and licensing** HK$'000	**Unallocated** HK$'000	**Total** HK$'000
Online game software platform	827	1,282	–	–	2,109
Online game license rights	–	125,830	–	–	125,830
e-Sports Platform portal	34,484	–	–	–	34,484
Computer games distribution rights	–	–	77,664	–	77,664
Distribution network	79,401	145,026	62,812	–	287,239
Trademarks	5,516	8,758	–	6,636	20,910
Research and development	–	–	–	31,104	31,104
TOTAL	120,228	280,896	140,476	37,740	579,340

During the year, the Group carried out reviews of the recoverable amount of CGUs which include the intangible assets, having regard to the impact of recent macroeconomic environment on the Group's operations. The total impairment losses of approximately HK$579,340,000 of these intangible assets have been charged to profit or loss. The recoverable amounts of the relevant intangible assets have been determined on the basis of their value in use. The discount rates used in measuring value in use ranged from 22% to 23%.

17. GOODWILL

	2010	2009
	HK$'000	HK$'000
At 1 April	**–**	–
Arising on acquisition of a subsidiary during the year (note 29(a))	**136,862**	354,610
Impairment loss	**(136,862)**	(354,610)
At 31 March	**–**	–

Goodwill acquired in a business combination is allocated, at acquisition, to the Group's CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	HK$'000
For the year ended 31 March 2010	
Promotion and management services	136,862
For the year ended 31 March 2009	
e-Sports Platform	69,096
Online game operation	257,908
Computer games distribution and licensing	27,606
	354,610

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on the best estimate of the management for the businesses of the CGUs. Budgeted gross margin and turnover are based on past practices and expectations on market development.

For the year ended 31 March 2010

Promotion and management services

The goodwill arising on the acquisition of 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited*) ("Yijia") represented the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of Yijia. As part of the consideration of the acquisition, 136,000,000 consideration shares were issued. In accordance with HKFRS 3 "Business Combinations" issued by the HKICPA, the fair value of the shares were determined by reference to the market value of the ordinary shares of the Company at the date of completion of the acquisition of Yijia (see note 29(a)(i)).

In addition, in accordance with HKAS 12 "Income Taxes" issued by the HKICPA, when the carrying amounts of intangible assets are increased to fair value but the tax base of the intangible assets remain at cost, taxable temporary differences arise which result in deferred tax liabilities. The resulting deferred tax liabilities affect goodwill (see note 29(a)(ii)).

The directors have carefully reviewed the recoverable amount of Yijia as a CGU based on a value in use calculation. That calculation uses cash flow projections derived from the most recent financial budgets approved by the directors for the next five years with the monthly growth rate of 3% to 15%. These rates are selected with reference to the past experience on the distribution of Shentong Card conducted by CCC in previous years and based on the management's expectation, which do not exceed the average long-term growth rate for the relevant market.

According to an independent valuer, by considering the recent market development, the average rate used to discount the forecast cash flows from the Group's operation in promotion and management services is 26.79% as at 31 March 2010, which is different from the rate of 21.98% used to discount the forecast cash flows in determination of the consideration when entering into the agreement with CCC for the acquisition of Yijia on 11 January 2010.

With the unexpected increase in the fair value of the consideration shares between the date of agreement and the date of completion of the acquisition, and other factors including recent market development, the goodwill arising on the acquisition was higher than that expected by the management of the Group when the agreement was entered into. The Group therefore recognised the excess of the carrying amount of the CGU (including goodwill) over the recoverable amount of the CGU as at 31 March 2010 as impairment loss on goodwill.

* *For identification purpose*

17. GOODWILL (CONTINUED)

For the year ended 31 March 2009

e-Sports Platform, online game operation and computer games distribution and licensing

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the growth rate of 3%. This rate did not exceed the average long-term growth rate for the relevant markets.

The average rates used to discount the forecast cash flows from the Group's operations in e-Sports Platform, online game operation and computer games distribution and licensing were approximately 22%, 23% and 22% respectively.

Considering the development of the business of the Group and the global macroeconomic environment, the Group revised its cash flow forecasts for its CGUs accordingly for impairment testing purpose. All goodwill allocated to various CGUs had been fully impaired during the year ended 31 March 2009.

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**3,293**	3,293
Less: Impairment loss (note (c))	**(3,273)**	(3,273)
	20	20
Amounts due from subsidiaries (note (a))	**948,585**	630,657
Less: Allowance for doubtful debts (note (b))	**(767,166)**	(630,657)
	181,419	–
Amounts due to subsidiaries (note (a))	**2,189**	4,552

Notes:

(a) The amounts are unsecured, interest free and repayable on demand.

(b) Movements in the allowance for doubtful debts

	The Company	
	2010	2009
	HK$'000	HK$'000
At 1 April	**630,657**	44,251
Impairment losses recognised (note (c))	**136,509**	586,406
At 31 March	**767,166**	630,657

18. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes: (continued)

(c) The recoverable amount of these subsidiaries is determined based on the present value of estimated future cash flows. In view of the recurring operating loss of certain subsidiaries and the net liabilities position of these subsidiaries, the directors decided that impairment loss of approximately HK$3,273,000 (2009: HK$3,273,000) and HK$767,166,000 (2009: HK$630,657,000) in respect of the Company's investments in subsidiaries and the amounts due from subsidiaries are to be recognised respectively.

(d) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name	Place of incorporation/ operation	Issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
神州奧美網絡有限公司 (China Cyber Port Co., Ltd.*) ("CCP") (note (i))	PRC	US$12,000,000 registered capital	75%	–	75%	Operation of the e-Sports platform and online game, distribution of computer games in the PRC
北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited*) ("Yijia") (note (ii))	PRC	RMB1,000,000 ordinary shares	100%	–	100%	Provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC
Success Advantage Investments Limited	BVI	US$1 ordinary share	100%	–	100%	Inactive

Notes:

(i) Registered under the laws of the PRC as a sino-foreign equity joint venture enterprise.

(ii) Registered under the laws of the PRC as a wholly foreign-owned investment enterprise.

* *For identification purpose*

19. INVENTORIES

	The Group 2010 HK$'000	2009 HK$'000
Finished goods	**–**	479

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group 2010 HK$'000	2009 HK$'000
Carrying amount of inventories sold	**225**	36,253
Write down of inventories	**256**	3,930
	481	40,183

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**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 (note (d))	**–**	2,720	**–**	–
Amount due from a substantial shareholder (note (d))	**1,420**	22,642	**–**	–
Other receivables	**2,544**	2,500	**–**	53
Loan and receivables	**3,964**	41,081	**–**	53
Prepayment and deposits	**1,017**	393	**–**	–
	4,981	41,474	**–**	53

(a) **Age analysis**

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:

	The Group	
	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

Trade receivables are due within 60 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(j)(i)).

Movement in the allowance for doubtful debts:

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**13,383**	–
Impairment loss recognised	**8,246**	13,361
Reversal of impairment loss	**(1,091)**	–
Exchange adjustments	**148**	22
At 31 March	**20,686**	13,383

At 31 March 2010, the Group's trade receivables of HK$20,686,000 (2009: HK$13,383,000) were individually determined to be impaired and full provision had been made. These individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of HK$8,246,000 (2009: HK$13,361,000) were recognised. The Group does not hold any collateral over these balances.

The factors which the Group considered in determining whether these receivables were individually impaired include, for example, the following:

- significant financial difficulty of the debtor;
- receivables that have been outstanding for a certain period;
- the Group granting to the debtor, for economic or legal reasons relating to the debtor's financial difficulty, a concession that the Group would not otherwise consider;
- it is becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the debtor since their initial recognition, although the decrease cannot yet be identified including:
  - adverse changes in the payment status of debtors in the Group;
  - economic conditions that correlate with defaults on the trade receivables in the Group.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Trade receivables that are not impaired

The age analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	–	11,336
Past due but not impaired		
Over 365 days	–	1,883
	–	13,219

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(d) Amounts due from a related company and a substantial shareholder disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Balance at 31 March 2010	Balance at 31 March 2009 and 1 April 2009	Balance at 1 April 2008	Maximum balance outstanding during 2010	Maximum balance outstanding during 2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
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*)	–	2,720	2,884	2,720	2,884
Substantial shareholder					
CCC	1,420	22,642	20,846	71,937	22,642

* *For identification purpose*

All the above balances are unsecured, interest-free and repayable on demand. (2009: have no fixed repayment terms). Mr. He Chenguang has beneficial interest in both companies.

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**67,242**	18,184	**50,999**	7,099
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**67,242**	18,184	**50,999**	7,099

22. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

The Group

The amount represents payable to CCI, which is wholly-owned by CCC. As at 31 March 2010, CCI held 29.84% of the issued share capital of the Company, hence both CCI and CCC are regarded as substantial shareholder of the Company.

The amount was originally unsecured, interest-free and has no specific repayment terms. On 25 March 2009, CCI agreed to vary the terms of repayment such that the repayment date of the amount was changed to 30 June 2010 ("New Repayment Date"). In addition, upon the New Repayment Date, the Group has the right to postpone ("Postponement Right") the repayment date by another year if the latest published financial information of the Group indicates that the repayment would cause the net current assets of the Group to fall below HK$50 million. Such Postponement Right can be exercised on 30 June of every year subsequent to the New Repayment Date without time limitation.

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

23. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**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	**1,826**	704
Financial liabilities measured at amortised cost	**36,829**	43,491	**1,826**	704

23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	The Group	
	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

24. PROMISSORY NOTE

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 April	**232,881**	361,989
Interest charged (note 6(a))	**11,740**	25,377
Cancellation upon acquisition of a subsidiary (note 29(b))	**–**	(73,175)
Settled during the year	**–**	(81,310)
At 31 March	**244,621**	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%).

25. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group	
	2010	2009
	HK$'000	HK$'000
Provision for the year		
– PRC Enterprise Income tax	**454**	–

(b) Deferred tax assets and liabilities recognised

The component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accrued expenses not allowed until actual payment	**Deferred income**	**Revaluation of acquired intangible assets**	**Others**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2008	–	–	–	–	–
Acquisition of a subsidiary (note 29(b))	8,579	28,397	(186,347)	(974)	(150,345)
Credit/(charge) to profit or loss for the year (note 7(a))	(8,752)	(25,752)	180,886	993	147,375
Exchange adjustments	173	576	(3,761)	(19)	(3,031)
At 31 March 2009 and 1 April 2009	–	3,221	(9,222)	–	(6,001)
Acquisition of a subsidiary (note 29(a))	–	–	(58,685)	–	(58,685)
Credit/(charge) to profit or loss for the year (note 7(a))	–	(3,234)	9,259	–	6,025
Exchange adjustments	–	13	(37)	–	(24)
At 31 March 2010	**–**	**–**	**(58,685)**	**–**	**(58,685)**

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2010	2009
	HK$'000	HK$'000
Deferred tax assets	**–**	3,221
Deferred tax liabilities	**(58,685)**	(9,222)
	(58,685)	(6,001)

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately HK$193,710,000 (2009: HK$174,900,000) (subject to the approval of the relevant tax authority) available for offset against future profits. Except for the tax loss of approximately HK$44,938,000 (2009: HK$44,938,000) that may be carried forward indefinitely, other tax losses will expire before by the end of 2015.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

26. EQUITY SETTLED SHARE-BASED TRANSACTION

Equity-settled share option scheme

On 28 October 2002, the Company conditionally adopted a share option scheme (the "Share Option Scheme"). The Share Option Scheme became unconditional upon the listing of the Company's shares on the Growth Enterprise Market on the Stock Exchange on 15 November 2002. The Share Option Scheme was further amended by a resolution of the shareholders at the annual general meeting of the Company held on 28 July 2006.

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

The subscription price for a share of the Company in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the board meeting at which the board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

26. EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

Details of the outstanding options granted under the Share Option Scheme at the end of the reporting period are as follows:

Name or category of participant	Date of grant	Vesting period	Exercisable period	Contractual life of options	Exercise price	Number of shares issuable under options granted	
					HK$	**2010**	2009
						'000	'000
Director							
Xiao Haiping	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	3 years	1.09	**–**	1,000
Consultants							
In aggregate	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	3 years	1.09	**–**	2,000
In aggregate	28 June 2006	29 June 2006 to 27 December 2006	28 December 2006 to 27 June 2009	3 years	1.74	**–**	800
In aggregate	30 July 2007	31 July 2007 to 29 January 2008	30 January 2008 to 29 July 2010	3 years	2.80	**800**	800
In aggregate	14 August 2008	15 August 2008 to 13 August 2009	14 August 2009 to 13 August 2010	2 years	0.97	**1,000**	1,000
In aggregate	15 August 2008	16 August 2008 to 14 August 2009	15 August 2009 to 14 August 2010	2 years	1.30	**1,500**	1,500
In aggregate	14 January 2009	15 January 2009 to 13 July 2009	14 July 2009 to 13 July 2010	1.5 years	0.82	**1,200**	1,200
In aggregate	19 March 2010	20 March 2010 to 18 March 2011	19 March 2011 to 18 March 2012	2 years	1.12	**1,000**	–
In aggregate	22 March 2010	23 March 2010 to 21 March 2011	22 March 2011 to 21 March 2012	2 years	1.15	**2,000**	–
In aggregate	24 March 2010	25 March 2010 to 23 March 2011	24 March 2011 to 23 March 2012	2 years	1.17	**7,000**	–
In aggregate	29 March 2010	30 March 2010 to 28 March 2011	29 March 2011 to 28 March 2012	2 years	1.23	**1,000**	–
						15,500	8,300

If the options remain unexercised after the exercisable period, the options will expire. Options are forfeited if the consultants terminate the services rendered to the Group before the options vest.

26. EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of shares issuable under options granted ’000	**Weighted average exercise price HK$**	Number of shares issuable under options granted ’000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**8,300**	**1.30**	10,600	2.12
Granted during the year	**11,000**	**1.17**	3,700	1.05
Forfeited during the year	**(3,800)**	**1.23**	(6,000)	2.58
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**15,500**	**1.22**	8,300	1.30
Exercisable at the end of the year	**4,500**	**1.37**	4,600	1.50

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 1.5 years (2009: 0.75 years) and the exercise prices range from HK$0.82 to HK$2.80 (2009: HK$0.82 to HK$2.80).

The fair value of services received in return for share options granted is measured by reference to the fair value of share option granted. The estimate of the fair values of the share options granted is calculated using the Black-Scholes Option Pricing Model. The detail of valuation of option granted during the year and the inputs into the model and the resultant fair values were as follows:

	For the year ended 31 March 2010				**For the year ended 31 March 2009**		
Grant date	**19 March 2010**	**22 March 2010**	**24 March 2010**	**29 March 2010**	**14 August 2008**	**15 August 2008**	**14 January 2009**
Share price on grant date	HK$1.12	HK$1.15	HK$1.17	HK$1.23	HK$0.97	HK$1.30	HK$0.82
Exercise price	HK$1.12	HK$1.15	HK$1.17	HK$1.23	HK$0.97	HK$1.30	HK$0.82
Expected volatility	65.20%	65.24%	65.20%	65.34%	69.39%	75.49%	77.45%
Expected life	1.50 years	1.50 years	1.50 years	1.50 years	1.50 years	1.50 years	0.99 years
Risk-free interest rate	0.446%	0.475%	0.472%	0.506%	1.908%	1.911%	0.300%
Expected dividend yield	–	–	–	–	–	–	–
Fair value per share under options granted	HK$0.350	HK$0.360	HK$0.366	HK$0.316	HK$0.329	HK$0.475	HK$0.247

Expected volatility was determined by using the historical volatility of the Company’s share price over the previous 260 days. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Subsequent to the end of the reporting period and up to the date of these financial statements, 31,170,000 share options under the Share Option Scheme are granted by the Company to the consultants of the Group which entitles the holder thereof to subscribe for an aggregate of 31,170,000 ordinary shares of HK$0.1 each in the capital of the Company with an exercise price of HK$1.25 per share during the exercisable period from 7 April 2011 to 6 April 2012.

27. CAPITAL AND RESERVES

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	8,023	679,423	4,458	(93,932)	597,972
Total comprehensive loss for the year	–	–	–	(597,227)	(597,227)
Share option scheme					
– equity-settled share-based payment expenses	–	–	1,184	–	1,184
– forfeiture of share options granted	–	–	(2,396)	2,396	–
At 31 March 2009	8,023	679,423	3,246	(688,763)	1,929
At 1 April 2009	8,023	679,423	3,246	(688,763)	1,929
Total comprehensive loss for the year	–	–	–	(141,282)	(141,282)
Allotment of consideration shares (note 29(a)(i))	1,360	165,920	–	–	167,280
Allotment of subscription shares (note 27(b)(iv))	2,564	197,436	–	–	200,000
Share option scheme					
– equity-settled share-based payment expenses	–	–	498	–	498
– forfeiture of share options granted	–	–	(1,914)	1,914	–
At 31 March 2010	**11,947**	**1,042,779**	**1,830**	**(828,131)**	**228,425**

27. CAPITAL AND RESERVES (CONTINUED)

(b) Share capital

(i) Authorised and issued 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 (note 27(b)(ii))	**9,000,000**	**90,000**	–	–
At 31 March	**10,000,000**	**100,000**	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 (note 27(b)(iii))	**136,000**	**1,360**	–	–
– Subscription shares (note 27(b)(iv))	**256,410**	**2,564**	–	–
At 31 March	**1,194,697**	**11,947**	802,287	8,023

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Increase in authorised share capital

By an ordinary resolution passed on 26 March 2010, the Company's authorised share capital was increased to HK$100,000,000 by the creation of an additional 9,000,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(iii) Issue of consideration shares

On 31 March 2010, 136,000,000 ordinary shares of HK$0.01 each were issued at HK$1.23 per share as part of consideration for the acquisition of Yijia.

(iv) Issue of subscription shares

On 23 February 2010, the Company entered into a subscription agreement with Full Ocean Development Limited, an independent third party, to subscribe for 128,205,128 ordinary shares at HK$0.78 per share. The subscription was completed on 31 March 2010.

On 23 February 2010, the Company entered into a subscription agreement with Amazing International Holdings Limited, an independent third party, to subscribe for 128,205,128 ordinary shares at HK$0.78 per share. The subscription was completed on 31 March 2010.

27. SHARE CAPITAL AND RESERVES (CONTINUED)

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 2002.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(u) to the financial statements.

(iv) Share-based payment reserve

The share-based payment reserve represents equity-settled share-based payments to certain eligible participants of the Group recognised in accordance with the accounting policy set out in note 2(q) to the financial statements.

(d) Distributability of reserves

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

At 31 March 2010, the aggregate amount of reserves available for distribution to the owners of the Company is HK$214,648,000 (2009: HK$Nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions.

There was no change in the Group's approach to capital management during the year.

The Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as total liabilities divided by total assets.

27. SHARE CAPITAL AND RESERVES (CONTINUED)

(e) Capital management (Continued)

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the gearing ratio below 300%. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's gearing ratios as at 31 March 2010 and 2009 were as follows:

	2010 **HK$'000**	2009 HK$'000
Total liabilities	**341,204**	297,837
Total assets	**309,335**	129,566
Gearing ratio	**110%**	230%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

The Group's major financial instruments include cash and cash equivalents, trade and other receivables, trade and other payables, amounts due to a substantial shareholder and promissory note. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 31 March 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

(ii) In respect of trade and other receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 to 180 days from the date of billing.

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has a concentration of credit risk as 29% (2009: 55%) of the total trade and other receivables is due from a substantial shareholder.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on the financial support from a substantial shareholder as a significant source of liquidity. As at 31 March 2010, the Group does not have any banking facilities.

The following liquidity table sets out the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company are required to pay:

The Group

	2010					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities						
Promissory note	**–**	**248,331**	**–**	**–**	**248,331**	**244,621**
Trade and other payables	**36,829**	**–**	**–**	**–**	**36,829**	**36,829**
Amount due to a substantial shareholder	**–**	**615**	**–**	**–**	**615**	**615**
	36,829	**248,946**	**–**	**–**	**285,775**	**282,065**

	2009					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Promissory note	–	248,868	–	–	248,868	232,881
Trade and other payables	43,491	–	–	–	43,491	43,491
Amount due to a substantial shareholder	–	12,243	–	–	12,243	12,243
	43,491	261,111	–	–	304,602	288,615

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (Continued)

The Company

	2010					
	Within 1 year or on demand HK$'000	**More than 1 year but less than 2 years HK$'000**	**More than 2 years but less than 5 years HK$'000**	**More than 5 years HK$'000**	**Total contractual undiscounted cash flow HK$'000**	**Carrying amount HK$'000**
Non-derivative financial liabilities						
Other payables and accruals	**1,826**	**–**	**–**	**–**	**1,826**	**1,826**
Amounts due to subsidiaries	**2,189**	**–**	**–**	**–**	**2,189**	**2,189**
	4,015	**–**	**–**	**–**	**4,015**	**4,015**

	2009					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Non-derivative financial liabilities						
Other payables and accruals	704	–	–	–	704	704
Amounts due to subsidiaries	4,552	–	–	–	4,552	4,552
	5,256	–	–	–	5,256	5,256

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances and deposits and fair value interest rate risk in relation to fixed-rate promissory note (see note 24 for details of promissory note).

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's interest-bearing financial assets and liabilities at the end of the reporting period:

	The Group				**The Company**			
	2010		2009		**2010**		2009	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000	**Effective interest rate %**	**HK$'000**	Effective interest rate %	HK$'000
Assets:								
Bank balance and deposits	**0.001-0.36**	**16,778**	0.001-0.36	11,819	**0.001**	**736**	0.001	6,896
Fixed rate borrowing:								
Promissory note	**2.00**	**244,621**	2.00	232,881		**–**		–

(ii) Sensitivity analysis

The borrowing of the Group, which is a fixed rate instrument, is insensitive to any change in interest rates. A change in interest rates at the end of the reporting period would not affect profit or loss.

At 31 March 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates for variable rate bank balances and deposits, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$64,000 (2009: HK$48,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis for 2009.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operation entities of the Group except for other payables. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

(i) The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group	
	2010	2009
	US$'000	US$'000
Cash and cash equivalents	**5**	–
Trade and other payables	**(4,000)**	(1,000)
Overall net exposure arising from recognised assets and liabilities	**(3,995)**	(1,000)

(ii) *Sensitivity analysis*

At 31 March 2010, if the Renminbi had weakened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$1,163,000 (2009: HK$293,000) higher, arising mainly as a result of the foreign exchange loss on other payables denominated in US dollar. If the Renminbi had strengthened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$1,163,000 (2009: HK$293,000) lower, arising mainly as a result of the foreign exchange gain on other payables denominated in US dollar.

(e) Fair values

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables are not materially different from their carrying amounts because of the immediate or short-term maturity of these financial instruments.

29. ACQUISITION OF A SUBSIDIARY

(a) For the year ended 31 March 2010

On 11 January 2010, Sino Key International Limited, a wholly-owned subsidiary of the Company, entered into an agreement with CCC for the acquisition of 100% equity interest in Yijia, at a consideration of HK$256,080,000, which is satisfied by (i) cash of HK$150,000,000; and (ii) the issue of 136,000,000 consideration shares to the nominee, CCI, at the issue price of HK$0.78 per consideration share.

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

The fair value of the identifiable assets and liabilities of Yijia acquired as at the date of acquisition is as follows:

	Carrying amounts HK$'000	Fair value adjustments HK$'000	Fair value *(note (iii))* HK$'000
Fixed assets (note 15(a))	2,251	–	2,251
Intangible assets (note 16)	–	234,740	234,740
Prepayments, deposits & other receivables	647	–	647
Cash and bank balances	892	–	892
Due from a substantial shareholder	1,420	–	1,420
Other payables and accruals	(393)	–	(393)
Current taxation	(454)	–	(454)
Deferred tax liabilities (note (ii) and 25(b))	–	(58,685)	(58,685)
Net assets	4,363	176,055	180,418
Goodwill (note 17)			136,862
Total consideration			317,280

	HK$'000
Satisfied by:	
Cash	150,000
Equity instrument of the Company (note (i))	167,280
	317,280

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	(150,000)
Cash and cash equivalents acquired	892
	(149,108)

Yijia is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC. The goodwill arising on the acquisition of Yijia is attributable to the anticipated profitability of the promotion and management services business.

Yijia contributed HK$Nil to the Group's loss for the year ended 31 March 2010.

29. ACQUISITION OF A SUBSIDIARY (CONTINUED)

(a) For the year ended 31 March 2010 (Continued)

If the acquisition had been completed on 1 April 2009, the Group revenue and consolidated loss for the year would have been HK$13,155,000 and HK$216,916,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

Note:

(i) The fair value of 136,000,000 shares issued for the acquisition of Yijia amounting to HK$167,280,000 was determined using the published closing bid price of HK$1.23 at the date of acquisition instead of the issue price of HK$0.78 in accordance with the agreement dated 11 January 2010, which resulted in additional consideration of HK$61,200,000. The shares were allotted and the relevant registration with the share registrar was completed on 31 March 2010.

(ii) The provision of deferred tax liabilities for the fair value adjustments on intangible assets with an applicable tax rate of 25% was HK$58,685,000.

(iii) The fair value was determined with reference to the valuation report prepared by Grant Sherman Appraisal Limited, an independent professional valuer.

(b) For the year ended 31 March 2009

On 1 November 2007, Favour Grow Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with CCI for the acquisition of 75% equity interest in CCP (“CCP Agreement”), at a consideration based on the difference between the valuation of 75% equity interest in CCP, which was determined based on the valuation report prepared by Grant Sherman Appraisal Limited, an independent professional valuer, and the adjusted benefits accruing to the Group under the Sudden Attack Agreement (see note 31) and the e-Sports Platform Agreement (see note 31). Pursuant to the Sudden Attack Agreement and the e-Sports Platform Agreement entered into by the Group with CCI and CCC on 20 October 2006 and 28 May 2007 respectively, the Group acquired from CCI (i) the right to receive the 40% of the net revenue derived from operating “Sudden Attack” in the PRC by CCP and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform by CCP in the PRC, respectively. Under the CCP Agreement, the Group and CCI agreed to cancel these two agreements and to cancel the HK$80 million (amortised cost of approximately HK$73,175,000 as at the date of completion) promissory note held by CCI in settlement of the shortfall of consideration.

The completion of the acquisition took place on 1 April 2008 and CCP became an indirect 75%-owned subsidiary of the Company.

29. ACQUISITION OF A SUBSIDIARY (CONTINUED)

(b) For the year ended 31 March 2009 (Continued)

The fair value of the identifiable assets and liabilities of CCP acquired as at the date of acquisition is as follows:

	Carrying amounts HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Fixed assets (note 15(a))	45,937		45,937
Intangible assets (note 16)	33,158	745,388	778,546
Cash and bank balances	76,881		76,881
Inventories	35,323		35,323
Trade receivables	42,106		42,106
Prepayments, deposits & other receivables	63,484		63,484
Due from a related company	2,884		2,884
Due from a substantial shareholder	20,846		20,846
Trade payables	(11,090)		(11,090)
Other payables and accruals	(80,964)		(80,964)
Receipts in advance	(113,782)		(113,782)
Due to a related company	(25,806)		(25,806)
Due to a substantial shareholder	(73,555)		(73,555)
Current taxation	(8,680)		(8,680)
Deferred tax liabilities (note 25(b))	36,002	(186,347)	(150,345)
Net assets	42,744	559,041	601,785
Less: Minority interests			(150,446)
			451,339
Goodwill (note 17)			354,610
			805,949

	HK$'000
Satisfied by:	
Intangible assets (note (ii))	353,428
Available-for-sale financial assets (note (i))	525,696
Promissory note cancellation (note 24)	(73,175)
	805,949

	HK$'000
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	76,881
	76,881

CCP contributed loss of HK$564,637,000 to the Group's loss for the year ended 31 March 2009. No pro forma information presented for the Group revenue and result as the acquisition of CCP was completed on 1 April 2008.

29. ACQUISITION OF A SUBSIDIARY (CONTINUED)

(b) For the year ended 31 March 2009 (Continued)

Note:

(i) This represented the right to receive 40% of net sales revenue in relation to the operation of an online computer game “Sudden Attack” in the PRC by CCP. The instrument carried an irrevocable guarantee of RMB570 million as cash flows for a two-year-and-eight-month period starting from 1 July 2008, undertaken by the issuer, CCI, which is a substantial shareholder of the Company. The available-for-sale financial assets were revalued as at 31 March 2008 by an independent valuer, Grant Sherman Appraisal Limited. The valuation was determined based on discounted cash flows from exploitation of the online game over the period.

The available-for-sale financial assets were part of the consideration for the acquisition of 75% equity interest of a subsidiary on 1 April 2008 and were derecognised accordingly on the same day.

(ii) The intangible assets disposed of as consideration for acquisition of a subsidiary comprise the followings:

Computer games license rights:

It represented computer games license rights to publish, replicate, reproduce, manufacture, distribute and sell certain computer game softwares and computer game guide books translated into Chinese language for distribution and sale (the “Localised Products”) in the PRC and the use of the trademarks pertaining to the Localised Products and all the rights and benefits in relation to the organisation of electronic sports tournaments in respect of the Localised Products.

Right to receive distributable profit form the e-Sports Platform:

It represented the right to receive 75% of the distributable profit derived from operating the “e-Sports Platform” in the PRC by CCP, a subsidiary of the Company.

30. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Major Non-cash transactions

For the year ended 31 March 2009

The consideration of the acquisition of 75% equity interest of CCP was satisfied by the surrender of available-for-sale financial assets (the right to receive 40% of the net revenue derived from operating “Sudden Attack” in the PRC by CCP) and intangible assets (the right to receive 75% of the distributable profit derived from operating e-Sports Platform in the PRC). The Group was also allowed to cancel certain promissory note payable to CCI. The fair values of the Group’s intangible assets, available-for-sale financial assets and promissory note that were relevant to the acquisition are set out in note 29(b) to the financial statements.

During the year, the promissory note of HK$41,310,000 was settled by trade receivables from a shareholder.

Additions to property, plant and equipment during the year of approximately HK$6,566,000 were settled by prepayments.

31. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material transactions:

(a) During the year ended 31 March 2010, the Group entered into certain continuing connected transactions.

(i) On 29 September 2007, 黑龍江天地數碼科技有限公司 (Heilongjiang Tiandi Digital Technology Company Limited*) ("HTD"), a wholly-owned subsidiary of CCC and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Web Advertising Agreement"), pursuant to which HTD agreed to place and CCP agreed to arrange the web advertisements of HTD be published on the "Sudden Attack" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to HTD to handle technical issues arising out of the publication of the advertisements. It was agreed that the agreed amount of advertising fees to be incurred by CCP during the term of the HTD Web Advertising Agreement shall be not more than RMB138,000,000 (equivalent to approximately HK$155,584,000) of which the advertising fee should not be more than RMB40,000,000 (equivalent to approximately HK$44,316,000), RMB65,000,000 (equivalent to approximately HK$73,588,000) and RMB33,000,000 (equivalent to approximately HK$37,680,000) for the three years ended 31 March 2010 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(ii) On 29 September 2007, 北京天地融合科技有限公司 (Beijing Tiandironghe Technology Company Limited*) ("BTT"), an indirect wholly-owned subsidiary of CCC with Mr. He Chenguang has a beneficial interest in it, and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008)(the "BTT Web Advertising Agreement"), pursuant to which BTT agreed to place and CCP agreed to arrange the web advertisements of BTT be published on the "e-Sports" online game platform operated by CCP for two years commencing from 1 October 2007 to 30 September 2009. 24-hour technical support services should also be provided by CCP to BTT to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by BTT during the term of the BTT Web Advertising Agreement should be not more than RMB85,000,000 (equivalent to approximately HK$95,988,000) of which the advertising fee should not be more than RMB20,000,000 (equivalent to approximately HK$22,158,000), RMB40,000,000 (equivalent to approximately HK$45,285,000) and RMB25,000,000 (equivalent to approximately HK$28,545,000) for the three years ended 31 March 2010 respectively. A non-refundable deposit of RMB10,000,000 (equivalent to approximately HK$11,364,000) had been paid by BTT on 29 September 2007 and should be used to settle all or part of the final instalment of the advertising fees payable by BTT by the end of the term. The BTT Web Advertising Agreement has been terminated on 10 February 2009 due to the deregistration of BTT on 10 February 2009. The amounts of transactions during the year are disclosed in note (b) below.

(iii) On 1 March 2008, HTD and CCP entered into the naming-right sponsorship agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "HTD Naming-Right Sponsorship Agreement"), pursuant to which HTD agreed to acquire and CCP agreed to grant the naming rights of certain computer and online game tournaments to be organised by CCP during the period commencing from 1 March 2008 to 1 March 2010. It was also agreed that HTD should be allowed to participate in not less than ten promotion events to be organised by CCP for each year during the term of the HTD Naming-Right Sponsorship Agreement. Premier advertising space should also be reserved for HTD during the promotion events. In addition, pursuant to the HTD Naming-Right Sponsorship Agreement, an amount of RMB18,000,000 (equivalent to approximately HK$20,455,000) should be paid by HTD to the Group, however, pursuant to subsequent agreement by the parties, an amount of RMB6,000,000 (equivalent to approximately HK$6,818,000) has been paid by HTD to the Group on 25 March 2008. Pursuant to the supplemental agreement, during the term of the HTD Naming-Right Sponsorship Agreement, the naming right fees should be satisfied in the manner of not more than RMB1,000,000 (equivalent to approximately HK$1,108,000), RMB12,000,000 (equivalent to approximately HK$13,585,000) and RMB10,000,000 (equivalent to approximately HK$11,418,000) respectively for the three years ended 31 March 2010 respectively in accordance with number and size of the promotion events held during the term of the HTD Naming-Right Sponsorship Agreement. The exact deduction amount for each promotion event should be agreed between HTD and CCP. The amounts of transactions during the year are disclosed in note (b) below.

* *For identification purpose*

31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

(iv) On 19 March 2008, CCC and CCP entered into the web advertising agreement (as supplemented by the supplemental agreement dated 24 November 2008) (the "CCC Web Advertising Agreement"), pursuant to which CCC agreed to place and CCP agreed to arrange the web advertisements of CCC be published on the "e-Sports" online game platform operated by CCP for approximately three years commencing from 20 March 2008 to 31 March 2011. 24-hour technical support services should also be provided by CCP to CCC to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by CCP during the term of the CCC Web Advertising Agreement has been revised to not more than RMB95,000,000 (equivalent to approximately HK$108,230,000) of which the advertising fee should not be more than RMB25,000,000 (equivalent to approximately HK$28,303,000), RMB30,000,000 (equivalent to approximately HK$34,254,000) and RMB40,000,000 (equivalent to approximately HK$45,673,000) for the three years ended 31 March 2011 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(v) On 1 June 2008, CCC and CCP entered into the tenancy agreement (the "CCC Tenancy Agreement"). No.172, Dexingmennei Road, Xicheng District Beijing, PRC with a total gross floor area of approximately 120 sq. metres, where should be used by CCP as the venue for members' gatherings and the computer and online game tournaments to be organised by CCP from time to time. The annual rental payable by CCP should be RMB2,460,000 (equivalent to approximately HK$2,789,000), inclusive of all the utilities charges. A deposit of RMB615,000 (equivalent to approximately HK$699,000), being three months rental payment, should be payable by CCP as deposit upon signing of the CCC Tenancy Agreement. The rents were payable quarterly in advance which should be satisfied in cash by the internal resources of the Group. The annual rental was determined on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market and were no less favourable than terms available from independent third parties. The annual cap under the agreement is RMB2,050,000 (equivalent to approximately HK$2,321,000) and RMB410,000 (equivalent to approximately HK$468,000) for the two years ended 31 March 2010 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(vi) On 1 December 2006, CCC and CCP entered into the server hosting agreement (as supplemented by the Supplemental Service Agreements) (the "CCP Server Hosting Agreement"), pursuant to which CCP would (i) place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to CCP ("Server Hosting Service") and (ii) provide dedicated 100M-bankwidth broadband leased line to CCP for CCP's website running and CCC will also allow CCP to run its operations and provide its paid services via the online platform operated by CCC ("Dedicated Leased Lines Service"), in consideration of which CCC would charge CCP a one-off payment of RMB1,000 per rack and a monthly hosting fee of RMB8,800 per rack for the Server Hosting Service and a one-off payment of RMB2,000 per leased line and a monthly rental fee of RMB215,600 per leased line for the Dedicated Leased Lines Service. The CCP Server Hosting Agreement has been expired on 31 March 2010. On 24 February 2010, a dedicated leased line rental agreement ("Second Dedicated Leased Lines Rental Agreement") was entered into between CCC and CCP and CCC would provide CCP the Dedicated Leased Lines Service for the period commencing from 1 April 2010 to 31 March 2013 (as supplemented by the supplemental agreement dated 24 February 2010). The annual cap for Server Hosting Service under the CCP Server Hosting Agreement is HK$15,000,000, HK$19,000,000 and HK$19,000,000 for the three years ended 31 March 2010 respectively. The annual cap for Dedicated Leased Lines Service under the Server Hosting Agreement is HK$130,000,000, HK$200,000,000 and HK$210,000,000 for the three years ended 31 March 2010 respectively. The annual cap under Second Dedicated Leased Lines Rental Agreement is HK$3,500,000, HK$3,500,000 and HK$3,500,000 for the three years ended 31 March 2013 respectively. The amounts of transactions during the year are disclosed in note (b) below.

31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

(vii) On 15 December 2006, CCC and CCP entered into the customers service hotline rental agreement (as supplemented by the Supplemental Service Agreements) (the "CCP Customers Service Hotline Rental Agreement"), pursuant to which CCC shall provide a designated national customer service hotline number 95130001 to CCP, in consideration of which CCC would charge CCP (i) an annual fee of RMB100,000; (ii) RMB7,000 per month for each sub-line under the national hotline; (iii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to bulk use discounted rates); and (iv) a calling charge of RMB0.30 per minute for all outgoing calls. The calling charge rate was subject to any new charging standard announced by the government. The CCP Customers Service Hotline Rental Agreement has been renewed for the period commencing from 1 April 2010 to 31 March 2013 by a second customer service hotline rental agreement ("Second Customer Service Hotline Rental Agreement") entered into between CCP and CCC on 24 February 2010 (as supplemented by the supplemental agreement dated 24 February 2010). The annual cap under the Customers Service Hotline Rental Agreement is HK$15,000,000, HK$17,000,000 and HK$17,000,000 for the three years ended 31 March 2010 respectively. After the renewal under Second Customer Service Hotline Rental Agreement dated 24 February 2010, the annual cap is HK$700,000, HK$700,000 and HK$700,000 for the three years ended 31 March 2013 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(viii) On 1 December 2006, CCC and CCP entered into the office internet connection agreement (as supplemented by the Supplemental Service Agreements) (the "Office Internet Connection Agreement"), pursuant to which CCC would provide a dedicated 100M-bandwidth broadband leased line to CCP for CCP's own office use, in consideration of which CCC would charge CCP a monthly fee of RMB45,000 based on CCP's actual usage of 20M-bandwidth (subject to any new charging standard announced by the government). The annual cap under the Office Internet Connection Agreement is HK$600,000, HK$600,000 and HK$600,000 for the three years ended 31 March 2010 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(ix) On 12 December 2006, CCC and CCP entered into the internet payment and settlement service agreement (as supplemented by the Supplemental Service Agreements) (the "Internet Payment and Settlement Service Agreement"). CCC was currently operating an electronic wallet service named "Shentong Card". CCP would charge its customers via "Shentong Card". CCC would generate monthly reports and pay the sales revenue through "Shentong Card" to CCP (net of CCC's service charge). CCC would charge CCP a service charge at the rate of 25% of the payments made by CCP's customers through "Shentong Card" to compensate CCC for the sales tax and the handling charge. The Internet Payment and Settlement Service Agreement has been renewed for the period commencing from 1 April 2010 to 31 March 2011, by a second internet payment and settlement service agreement ("Second Internet Payment and Settlement Service Agreement") entered into between CCC and CCP on 24 February 2010 (as supplemented by the supplemental agreement dated 24 February 2010). The annual cap under the Internet Payment and Settlement Service Agreement is HK$54,000,000, HK$85,000,000 and HK$110,000,000 for the three years ended 31 March 2010 respectively. After the renewal under Second Internet Payment and Settlement Service Agreement dated 24 February 2010, the annual cap is HK$19,000,000, HK$19,000,000 and HK$19,000,000 for the three years ended 31 March 2013 respectively. The amounts of transactions during the year are disclosed in note (b) below.

(x) On 11 January 2010, CCC and Yijia entered into the customers service hotline rental agreement (as supplemented by the Supplemental Customers Service Hotline Rental Agreement) (the "Yijia Customers Service Hotline Rental Agreement") for the period commencing from 1 January 2010 to 31 March 2013, pursuant to which CCC shall provide a designated national customers service hotline number 95130*** to Yijia, in consideration of which CCC would charge Yijia (i) an annual fee of RMB20,000; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.30 per minute for outgoing calls via internet through the "Voice-Over Internet Protocol" telephone system. The calling charge rate was subject to any new charging standard announced by the government. The annual cap under the Yijia Customers Service Hotline Rental Agreement is RMB120,000 (equivalent to approximately HK$137,000), RMB500,000 (equivalent to approximately HK$571,000), RMB700,000 (equivalent to approximately HK$799,000) and RMB900,000 (equivalent to approximately HK$1,028,000) for the four years ended 31 March 2013 respectively.

31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (Continued)

(xi) On 11 January 2010, CCC and Yijia entered into the server hosting agreement (as supplemented by the Supplemental Server Hosting Agreement) (the "Yijia Server Hosting Agreement") for the period commencing from 1 January 2010 to 31 March 2013, pursuant to which Yijia would (i) place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to Yijia and (ii) CCC would provide designated 300M-bandwidth share of the broadband leased lines to Yijia for its operation of website, in consideration of which CCC would charge Yijia an annual rental fee of RMB2,700,000. The annual cap under the Yijia Server Hosting Agreement is RMB700,000 (equivalent to approximately HK$799,000), RMB2,700,000 (equivalent to approximately HK$3,083,000), RMB2,700,000 (equivalent to approximately HK$3,083,000) and RMB2,700,000 (equivalent to approximately HK$3,083,000) for the four years ended 31 March 2013 respectively.

(xii) On 30 November 2009, CCC and Yijia entered into the service contract (as supplemented by the Supplemental Service Contract) (the "Service Contract") for a five-year period commencing from 30 November 2009 to 29 November 2014, which shall be automatically renewed. The services to be provided by Yijia to CCC under the Service Contract include (i) management and sale of the designated "Shentong Cards" preloaded with certain insurance products of CCC; (ii) assisting CCC in the after-sale services for the designated Shentong Card; (iii) following up with the enquiries and/or complaints raised by the users of the designated Shentong Card; and (iv) customer management service, and promotion and marketing of the designated Shentong Card. The consideration receivable under the Service Contract include (i) issuance handling fees of RMB5 for each designated Shentong Card issued by Yijia; (ii) technical service commission of 20% of the total value of purchases made by the users through the designated Shentong Card issued by Yijia; (iii) sale commission of RMB3 for the insurance products preloaded in the designated Shentong Card issued by Yijia; and (iv) sale commission of 20% of the total value of purchases made by the users through the designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products. The annual cap under the Service Contract is RMB10,000,000 (equivalent to approximately HK$11,418,000), RMB130,000,000 (equivalent to approximately HK$148,436,000), RMB230,000,000 (equivalent to approximately HK$262,617,000) and RMB340,000,000 (equivalent to approximately HK$388,216,000) for the four years ended 31 March 2013 respectively.

(xiii) On 11 January 2010, CCC and Yijia entered into the web advertising agreement (as supplemented by the Supplemental Web Advertising Agreement) (the "Yijia Web Advertising Agreement") for the period from 1 January 2010 to 31 March 2013, pursuant to which Yijia agreed to place and CCC agreed to arrange for the web advertisements of Yijia be published on the website of CCC "Shentong Net". 24-hour technical support services should also be provided by CCC to Yijia to handle all technical issues arising out of the publication of the advertisements. It was agreed that the amount of advertising fees to be incurred by Yijia during the term of the Yijia Web Advertising Agreement shall not be more than RMB5,000,000 for each of three years ended 31 March 2013. The annual cap under the Yijia Web Advertising Agreement is RMB500,000 (equivalent to approximately HK$571,000), RMB5,000,000 (equivalent to approximately HK$5,709,000), RMB5,000,000 (equivalent to approximately HK$5,709,000) and RMB5,000,000 (equivalent to approximately HK$5,709,000) for the four years ended 31 March 2013 respectively.

(xiv) CCC is deemed to be a substantial shareholder as CCI is a wholly-owned subsidiary of CCC and Mr. He Chenguang, a director of the Company, has a beneficial interest in CCC.

31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties:

Name of related parties	Relationship	Nature of transactions	Note	Amount paid to/ (received from) the related parties 2010 HK$'000	2009 HK$'000
CCC	Substantial shareholder	Customer service hotline rental expense	(iii) and 31(a)(vii)	**565**	5,032
		Dedicated leased lines expense	31(a)(vii)	**2,881**	91,529
		Server hosting service expense	31(a)(vi)	**–**	6,728
		Office internet connection expense	31(a)(viii)	**–**	568
		Rental expense	(iii) and 31(a)(v)	**–**	1,390
		Advertising income	(iii) and 31(a)(iv)	**–**	(10,953)
		Online game income	(iii)	**–**	(107,294)
		Internet payment and settlement service fee	(iii) and 31(a)(ix)	**1,740**	26,824
		Net online game income		**1,740**	(80,470)
CCI	Substantial Shareholder (note (i))	Interest charged on promissory note	(ii)	**11,740**	25,377
HTD	Related company	Advertising and Sponsorship income	(iii), 31(a)(i) and 31(a)(iii)	**–**	(41,893)
BTT	Related company	Advertising income	(iii) and 31(a)(ii)	**–**	(32,383)

Notes:

(i) CCI is the substantial shareholder of the Company as it held 29.84% of the issued ordinary shares of the Company.

(ii) Interest was charged on the promissory note at 2% per annum.

(iii) Mutually-agreed by the parties concerned.

31. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

		The Group	
	Note	**2010 HK$'000**	2009 HK$'000
Amount due from/(to) a substantial shareholder:			
CCC	20	**1,420**	22,642
CCI	22	**(615)**	(12,243)
		805	10,399
Promissory note	24	**(244,621)**	(232,881)
Amount due 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*) (note (i))	20	**–**	2,720
		(243,816)	(219,762)

Note:

(i) Mr. He Chenguang has a beneficial interest.

* *For identification purpose*

(d) Key Management personnel emoluments

Emoluments for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10 is as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	**5,760**	6,534
Retirement scheme contributions	**49**	60
	5,809	6,594

Total emoluments is included in "staff costs" (see note 6(b)).

32. OPERATING LEASE COMMITMENTS

At 31 March 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**3,230**	11,062
After one year but within five years	**4,970**	8,542
	8,200	19,604

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two years and none of the leases includes contingent rentals.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) *Useful lives and residual values of property, plant and equipment*

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will derecognise or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residue lives and therefore depreciation expense in future periods.

(ii) *Impairment of property, plant and equipment*

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(iii) *Impairment of receivables*

The Group maintains impairment allowance for doubtful accounts based upon the evaluation of the recoverability of the trade receivables and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance might be required.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (Continued)

(iv) Revenue recognition

Online game revenue is recognised based on the actual consumption of the relevant game points. Income receivable in respect of unutilised game points including those arising from unactivated pre-paid game cards is recognised as deferred income. Online game income received is net of discounts given to certain distribution and payment channels. The amount of deferred income arising from unactivated pre-paid game cards is extracted from the accounting system of the Group. As to the amount of deferred income in respect of other unutilised game points, management's estimation is required in determining the average sales value of these unutilised game points as discounts given are different for different sales channels.

In assessing the amount of average sales value for the unutilised game points, management considers the discount rate applicable to each of the distribution and payment channels and the mix of income received via different distribution and payment channels. Based on these factors, management determines an average discount rate which gives rise to the best estimate of the discount given to those unutilised game points at the end of the reporting period. The average sales value of each game point is then determined by factoring the average discount rate to the face value of the game point. If the actual sales value of the unutilised game points differs from management's estimates, the amount of deferred income as well as online game revenue recognised would be affected.

(v) Write-down of inventories

The Group determines the write-down for obsolescence of inventories. Those estimates are made with reference to inventories age analyses, projections of expected future saleability of the goods and management experience and judgement. Based on this review, a write-down of inventories will be made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in market conditions, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in the estimation.

(vi) Impairment of intangible assets

The Group performs annual test on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 2(j)(ii). The recoverable amounts of the relevant cash-generating units are determined based on value in use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value in use calculations.

(vii) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets annually and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

(viii) Share-based payment expenses

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes Option Pricing model was used. The Black-Scholes Option Pricing model is one of the generally accepted methodologies used to calculate the fair value of share options. The Black-Scholes Option Pricing model requires the input of subjective assumptions, including the expected volatility, expected dividend yield and expected life of the options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

33. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (Continued)

(ix) Impairment for investments in subsidiaries

If circumstances indicate that the investments in subsidiaries may not be recoverable, investments in subsidiaries may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, Impairment of Assets. The carrying amount of investments in subsidiaries is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the investments in subsidiaries are discounted to their present value, which requires significant judgment relating to the level of sales volume, tariffs and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, tariffs, future profitability and amount of operating costs of the subsidiaries.

(x) Taxation

The Group is subject to various taxes in the PRC. Significant judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to make assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

Going concern

As mentioned in note 2(b) to the financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustment would have to be made to reduce the carrying amounts of its assets to their net realisable amounts, reclassify non-current assets and liabilities to current assets and liabilities, and to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the Group.

34. COMPARATIVE FIGURES

(a) As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments and disclosed in note 3.

(b) Certain comparative figures have been restated or reclassified as a result of the presentation of discontinued operation and conformation with the current year's presentation.

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 March 2010.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)–Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)–Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.