



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

Third Quarterly Report 2010/2011



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



HIGHLIGHTS

- Turnover of the Group for the nine months ended 31 December 2010 was approximately HK\$25,605,000.
- Net loss attributable to owners of the Company was approximately HK\$44,470,000 for the nine months ended 31 December 2010.
- Loss per share for the nine months ended 31 December 2010 was approximately HK3.73 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the nine months ended 31 December 2010.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2010.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$25,605,000 for the nine months ended 31 December 2010, representing an increase of approximately 91.2% as compared to approximately HK\$13,394,000 for the nine months ended 31 December 2009. The turnover for the nine months ended 31 December 2010 was attributable to (i) the provision of promotion and management services for an electronic smart card “Shentong Card”, (ii) the operation of the e-Sports platform and online game and (iii) distribution of computer games in the PRC.

The Group made a net loss attributable to owners of the Company of approximately HK\$44,470,000 for the nine months ended 31 December 2010 as compared to approximately HK\$48,698,000 for the nine months ended 31 December 2009.



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 Services Company Limited[#]) (“Yijia”). The Board considers that this acquisition will enable the Group to expose to the fast growing electronic smart card services business in the PRC.

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

Furthermore, the Group entered into a disposal agreement in December 2010 in respect of a conditional very substantial disposal transaction involving the disposal of 75% of the equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.[#]) (“CCP”). Details of the disposal have been set out in the circular dated 22 December 2010.

Provision of promotion and management services

For the nine months ended 31 December 2010, the revenue derived from the provision of promotion and management services was approximately HK\$25,306,000. No revenue as derived from the provision of promotion and management services for the same period last year.

Operation of the e-Sports platform

For the nine months ended 31 December 2010, the revenue derived from the operation of the e-Sports platform was approximately HK\$286,000 as compared to approximately HK\$5,950,000 for the nine months ended 31 December 2009. The decrease was attributable to the downturn for the animation and game industry in the PRC during the period.

Distribution and selling of computer games in the PRC

For the nine months ended 31 December 2010, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$13,000 as compared to approximately HK\$97,000 for the nine months ended 31 December 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2010

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Continuing operations					
Turnover	3	6,229	–	25,306	–
Cost of sales		(11,669)	–	(40,291)	–
Gross loss		(5,440)	–	(14,985)	–
Other revenue	4	10	–	25	1
Other net income	4	68	–	68	–
Selling and distribution expenses		(3,961)	–	(11,415)	–
Administrative expenses		(7,750)	(2,926)	(22,546)	(8,726)
Loss from operations		(17,073)	(2,926)	(48,853)	(8,725)
Finance costs	5(a)	(748)	(5,004)	(2,237)	(15,011)
Loss before taxation		(17,821)	(7,930)	(51,090)	(23,736)
Income tax	6	2,896	–	8,128	–
Loss for the period from continuing operations		(14,925)	(7,930)	(42,962)	(23,736)
Discontinued operations					
Loss for the period from discontinued operations	7	(203)	(16,582)	(1,508)	(33,282)
Loss for the period	5	(15,128)	(24,512)	(44,470)	(57,018)

	Note	For the three months ended 31 December		For the nine months ended 31 December	
		2010	2009	2010	2009
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Restated)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited) (Restated)
Attributable to:					
Owners of the Company		(15,128)	(20,367)	(44,470)	(48,698)
Non-controlling interest		-	(4,145)	-	(8,320)
Loss for the period		(15,128)	(24,512)	(44,470)	(57,018)
Loss per share	9				
From continuing and discontinued operations					
- Basic		(1.27 cents)	(2.54 cents)	(3.73 cents)	(6.07 cents)
- Diluted		(1.27 cents)	(2.54 cents)	(3.73 cents)	(6.07 cents)
From continuing operations					
- Basic		(1.25 cents)	(0.99 cents)	(3.60 cents)	(2.96 cents)
- Diluted		(1.25 cents)	(0.99 cents)	(3.60 cents)	(2.96 cents)
From discontinued operations					
- Basic		(0.02 cents)	(1.55 cents)	(0.13 cents)	(3.11 cents)
- Diluted		(0.02 cents)	(1.55 cents)	(0.13 cents)	(3.11 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2010

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Loss for the period	(15,128)	(24,512)	(44,470)	(57,018)
Other comprehensive income for the period				
Exchange differences on translation of financial statements of overseas subsidiaries	2,406	37	5,068	61
Total comprehensive loss for the period (net of tax)	(12,722)	(24,475)	(39,402)	(56,957)
Attributable to:				
Owners of the Company	(12,722)	(20,339)	(39,402)	(48,652)
Non-controlling interest	–	(4,136)	–	(8,305)
	(12,722)	(24,475)	(39,402)	(56,957)



NOTES TO THIRD QUARTERLY REPORT

For the nine months ended 31 December 2010

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 provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC. The operations of the e-Sports platform and online game and distribution of computer games in the PRC were discontinued during the period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the nine months ended 31 December 2010 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). However, this third quarterly report does not contain sufficient information to constitute an interim financial report as defined in HKAS 34.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010. The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2010, except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards as disclosed in third quarterly report.

The condensed consolidated 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.

This condensed consolidated financial statements have not been audited.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

This condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group to operate within budget as set out in its cash flow forecast for the upcoming twelve months. Should there be any unexpected major adverse incidents, such as non-recovery of trade debts, substantial decline of planned operating cash flow, failure to obtain additional funding as planned or any incidents that would adversely affect the Group's financial position such that the Group is unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to restate the values of the Group's 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.

3. TURNOVER

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Continuing operations				
Promotion and management service income	6,229	–	25,306	–
	6,229	–	25,306	–
Discontinued operations (note 7)				
Operation of online game	–	542	–	7,347
Operation of e-Sports platform	90	603	286	5,950
Selling of computer games	–	89	13	97
	90	1,234	299	13,394
	6,319	1,234	25,605	13,394

4. OTHER REVENUE AND OTHER NET INCOME

	For the three months ended 31 December					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Other revenue						
Recovery of bad debts	-	-	-	-	-	-
Interest income	10	-	7	17	17	17
Sundry income	-	-	-	-	-	-
	10	-	7	17	17	17

Other net income						
Gain on disposal of property, plant and equipment	68	-	-	-	68	-

	For the nine months ended 31 December					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Other revenue						
Recovery of bad debts	-	-	-	1,089	-	1,089
Interest income	14	1	32	43	46	44
Sundry income	11	-	-	-	11	-
	25	1	32	1,132	57	1,133

Other net income						
Gain on disposal of property, plant and equipment	68	-	-	-	68	-

5. LOSS FOR THE PERIOD

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

	For the three months ended 31 December					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
(a) Finance costs						
Interest on promissory note	748	5,004	-	-	748	5,004
Total interest expense on financial liabilities not at fair value through profit or loss	748	5,004	-	-	748	5,004
(b) Staff costs (including directors' emoluments)						
Salaries, allowances and benefits in kind	2,472	1,594	45	669	2,517	2,263
Retirement scheme contributions	254	17	12	18	266	35
	2,726	1,611	57	687	2,783	2,298
(c) Other items						
Amortisation on intangible assets						
– included in cost of sales	11,747	-	-	1,345	11,747	1,345
– included in selling and distribution expenses	-	-	-	2,749	-	2,749
	11,747	-	-	4,094	11,747	4,094
Depreciation for property, plant and equipment	390	94	-	1,139	390	1,233
Operating lease charges for land and buildings:						
– minimum lease payments	460	282	1	486	461	768
Cost of inventories*	-	-	-	214	-	214
Equity-settled share-based payment expenses	2,456	-	-	-	2,456	-
Reversal of write down of inventories	-	-	-	-	-	-
(Gain)/loss on disposal of property, plant and equipment	(68)	4	-	-	(68)	4
Other operating expenses						
– Impairment loss on property, plant and equipment	-	-	-	-	-	-
– Impairment loss on intangible assets	-	-	-	8,333	-	8,333
– Impairment loss on trade receivables	-	-	-	3,575	-	3,575
	-	-	-	11,908	-	11,908

For the nine months ended 31 December

	Continuing operations		Discontinued operations		Consolidated	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
(a) Finance costs						
Interest on promissory note	2,237	15,011	-	-	2,237	15,011
Total interest expense on financial liabilities not at fair value through profit or loss	2,237	15,011	-	-	2,237	15,011
(b) Staff costs (including directors' emoluments)						
Salaries, allowances and benefits in kind	7,127	4,787	486	1,747	7,613	6,534
Retirement scheme contributions	638	51	159	384	797	435
	7,765	4,838	645	2,131	8,410	6,969
(c) Other items						
Amortisation on intangible assets						
- included in cost of sales	34,689	-	-	5,125	34,689	5,125
- included in selling and distribution expenses	-	-	-	8,351	-	8,351
	34,689	-	-	13,476	34,689	13,476
Depreciation for property, plant and equipment	853	284	-	3,419	853	3,703
Operating lease charges for land and buildings:						
minimum lease payments	1,765	880	84	2,197	1,849	3,077
Cost of inventories*	5	-	-	222	5	222
Equity-settled share-based payment expenses	7,199	449	-	-	7,199	449
Reversal of write down of inventories	-	-	(14)	-	(14)	-
(Gain)/loss on disposal of property, plant and equipment	(68)	4	-	-	(68)	4
Other operating expenses						
- Impairment loss on property, plant and equipment	-	-	-	413	-	413
- Impairment loss on intangible assets	-	-	-	12,923	-	12,923
- Impairment loss on trade receivables	-	-	-	8,226	-	8,226
	-	-	-	21,562	-	21,562

* Cost of inventories include reversal of write down of inventories for the period which amount are also included in the respective total amount disclosed separately above.

6. INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

	For the three months ended 31 December					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Current tax						
– PRC Enterprise Income Tax	(40)	–	–	–	(40)	–
Deferred tax						
– Origination and reversal of temporary differences	2,936	–	–	2,857	2,936	2,857
	2,896	–	–	2,857	2,896	2,857

	For the nine months ended 31 December					
	Continuing operations		Discontinued operations		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Current tax						
– PRC Enterprise Income Tax	(544)	–	–	–	(544)	–
Deferred tax						
– Origination and reversal of temporary differences	8,672	–	–	3,735	8,672	3,735
	8,128	–	–	3,735	8,128	3,735

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

No Hong Kong Profits Tax has been provided for in the condensed consolidated financial statements as the Group has no assessable profits for the three months and nine months ended 31 December 2010 (three months and nine months ended 31 December 2009: HK\$Nil).

7. DISCONTINUED OPERATIONS

During the year ended 31 March 2010, 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.

Further on 1 December 2010, Oriental Glory (H.K.) Limited ("Oriental Glory"), an indirect wholly-owned subsidiary of the Company, as vendor and China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, as purchaser entered into a disposal agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the 75% equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.) ("CCP") for a consideration of HK\$140,000,000 which shall be paid by CCI by setting off against the face value of the promissory note, which is in the principal amount of HK\$238,690,000 issued by the Group in favour of CCI, in the sum equivalent to the consideration of HK\$140,000,000. CCP is principally engaged in the operation of the e-Sports platform and online game and distribution of computer games in the PRC. The disposal has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 20 January 2011. The disposal has not completed up to 9 February 2011 due to the processing of relevant transfer and registration procedures by the Group.

The results of CCP for the period from 1 April 2010 to 31 December 2010, which have been included in the condensed consolidated income statement, are as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Turnover (note 3)	90	1,234	299	13,394
Cost of sales	(169)	(3,828)	(629)	(15,482)
Gross loss	(79)	(2,594)	(330)	(2,088)
Other revenue (note 4)	7	17	32	1,132
Selling and distribution expenses	(15)	(3,421)	(378)	(10,235)
Administrative expenses	(116)	(1,533)	(832)	(4,264)
Other operating expenses (note 5(c))	-	(11,908)	-	(21,562)
Loss from operations	(203)	(19,439)	(1,508)	(37,017)
Finance costs (note 5(a))	-	-	-	-
Loss before taxation	(203)	(19,439)	(1,508)	(37,017)
Income tax (note 6)	-	2,857	-	3,735
Loss for the period from discontinued operations	(203)	(16,582)	(1,508)	(33,282)

8. DIVIDENDS

No dividends was paid or proposed during the three months and nine months ended 31 December 2010, nor has any dividend been proposed since the end of the reporting period (three months and nine months ended 31 December 2009: HK\$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of the basic loss per share for the three months and nine months ended 31 December 2010 is based on the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$15,128,000 (three months ended 31 December 2009: HK\$20,367,000) and HK\$44,470,000 (nine months ended 31 December 2009: HK\$48,698,000) respectively and the weighted average number of 1,194,697,017 ordinary shares (three months ended 31 December 2009: 802,286,761 ordinary shares) and 1,194,697,017 ordinary shares (nine months ended 31 December 2009: 802,286,761 ordinary shares) in issue during the period.

(ii) From continuing operations

The calculation of the basic loss per share from continuing operations for the three months and nine months ended 31 December 2010 is based on the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$14,925,000 (three months ended 31 December 2009: HK\$7,930,000 (restated)) and HK\$42,962,000 (nine months ended 31 December 2009: HK\$23,736,000 (restated)) respectively and the weighted average number of 1,194,697,017 ordinary shares (three months ended 31 December 2009: 802,286,761 ordinary shares) and 1,194,697,017 ordinary shares (nine months ended 31 December 2009: 802,286,761 ordinary shares) in issue during the period. The unaudited consolidated loss attributable to the owners of the Company are calculated as follows:

	For the three months ended 31 December		For the nine months ended 31 December	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	(15,128)	(20,367)	(44,470)	(48,698)
Loss for the period from discontinued operations	(203)	(16,582)	(1,508)	(33,282)
Add: Loss for the period attributable to non-controlling interest from discontinued operations	-	4,145	-	8,320
Loss for the period attributable to the owners of the Company from discontinued operations	(203)	(12,437)	(1,508)	(24,962)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	(14,925)	(7,930)	(42,962)	(23,736)

(iii) *From discontinued operations*

The calculation of the basic loss per share from discontinued operations for the three months and nine months ended 31 December 2010 is based on the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$203,000 (three months ended 31 December 2009: HK\$12,437,000 (restated)) and HK\$1,508,000 (nine months ended 31 December 2009: HK\$24,962,000 (restated)) respectively and the weighted average number of 1,194,697,017 ordinary shares (three months ended 31 December 2009: 802,286,761 ordinary shares) and 1,194,697,017 ordinary shares (nine months ended 31 December 2009: 802,286,761 ordinary shares) in issue during the period.

(b) **Diluted loss per share**

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

10. **MOVEMENT OF RESERVES**

	Attributable to owners of the Company						Total	Non-controlling interest	Total equity
	Share capital	Share premium	Merger reserve	Exchange reserve	Share-based payment reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
At 1 April 2009	8,023	679,423	8,320	9,135	3,246	(888,900)	(180,753)	(168,271)	
Total comprehensive loss for the period	-	-	-	46	-	(48,698)	(48,652)	(56,957)	
Share option scheme									
- equity-settled share-based payment expenses	-	-	-	-	449	-	449	449	
- forfeiture of share options granted	-	-	-	-	(1,914)	1,914	-	-	
At 31 December 2009	8,023	679,423	8,320	9,181	1,781	(935,684)	(228,956)	(224,779)	
At 1 April 2010	11,947	1,042,779	8,320	9,218	1,830	(1,105,963)	(31,869)	(31,869)	
Total comprehensive loss for the period	-	-	-	5,068	-	(44,470)	(39,402)	(39,402)	
Share option scheme									
- equity-settled share-based payment expenses	-	-	-	-	7,199	-	7,199	7,199	
- forfeiture of share options granted	-	-	-	-	(1,781)	1,781	-	-	
At 31 December 2010	11,947	1,042,779	8,320	14,286	7,248	(1,148,652)	(64,072)	(64,072)	

11. **COMPARATIVE FIGURES**

Certain comparative figures have been restated or reclassified as a result of the presentation of discontinued operations and conformation with the current period's presentation.

OTHER INFORMATION

Interests and Short Positions of Directors and Chief Executives in Shares and Underlying Shares and Debentures

As at 31 December 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:

Name of Director	Number of shares held				Total interests in shares	Number of underlying shares		Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme	Aggregate interests	
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 December 2010.

Interests and Short Positions of Shareholders in Shares and Underlying Shares

As at 31 December 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:

Name of shareholder	Number of shares held				Total interests in shares	Number of underlying shares		Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme	Aggregate interests	
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 December 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.

Share Option Schemes

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Share Option Scheme") conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the Company's annual report of year 2009/2010.

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

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2010	Number of share options				As at 31 December 2010
					Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
<i>Other Eligible Participants</i>									
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

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2010	Number of share options				As at 31 December 2010
					Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
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
In aggregate	7 April 2010	7 April 2011 to 6 April 2012	1.25	-	31,170,000	-	-	-	31,170,000
				15,500,000	31,170,000	-	(4,500,000)	-	42,170,000

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' Right to Acquire Shares

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

Pre-Emptive Rights

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

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.

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 nine months ended 31 December 2010.



Audit Committee

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. During this quarter, it comprises three Independent Non-Executive Directors, namely Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditor. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the nine months ended 31 December 2010.

Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2010.



Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the nine months ended 31 December 2010.

By order of the Board
China Communication Telecom Services Company Limited
He Chenguang
Chairman

As at the date of this report, the Board comprises:

Mr. He Chenguang (Executive Director and Chairman)
Mr. Xiao Haiping (Executive Director)
Mr. Zhang Peng (Executive Director and Chief Executive Officer)
Mr. Bao Yueqing (Executive Director)
Mr. Yip Tai Him (Independent Non-Executive Director)
Ms. Cao Huifang (Independent Non-Executive Director)
Ms. Liu Hong (Independent Non-Executive Director)

Hong Kong, 9 February 2011