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

2010/11 ANNUAL REPORT

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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.

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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

RSM Nelson Wheeler
29th Floor Caroline Centre
Lee Gardens Two
28 Yun Ping Road
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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Turnover					
Continuing operations	**30,373**	–	–	–	–
Discontinued operation	**299**	14,276	389,463	23,644	21,264
	30,672	14,276	389,463	23,644	21,264
Loss before taxation	**(245,400)**	(237,512)	(1,095,958)	(31,875)	(21,907)
Taxation	**50,483**	6,025	134,494	–	(1,115)
Loss attributable to owners	**(194,505)**	(218,977)	(820,455)	(31,875)	(23,022)
Basic loss per share (HK cents)	**(16.28)**	(27.26)	(102.26)	(4.19)	(3.67)

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**91,942**	309,335	129,566	991,707	939,851
Total liabilities	**(300,635)**	(341,204)	(297,837)	(362,324)	(368,857)
Net (liabilities)/assets	**(208,693)**	(31,869)	(168,271)	629,383	570,994
Net (liabilities)/assets per share (HK cents)	**(17.47)**	(2.67)	(20.97)	78.45	84.52

Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2011.

FINANCIAL PERFORMANCE

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

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

BUSINESS REVIEW

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

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

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

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

Provision of promotion and management services

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

Operation of the e-Sports platform

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

Distribution and selling of computer games in the PRC

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

English translation of the name for identification purpose only

Chairman's Statement

MATERIAL DISPOSAL

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

He Chenguang
Chairman

Hong Kong, 22 June 2011

Management Discussion and Analysis

REVENUE AND PROFITABILITY

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

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

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

NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the Group had outstanding promissory note at a nominal value of approximately HK$238.7 million (as at 31 March 2010: HK$238.7 million) with a discounted value of approximately HK$254.8 million (as at 31 March 2010: HK$244.6 million). The promissory note was originally unsecured, bearing interest at 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before New Maturity Date, the Group has the right to postpone ("Maturity Postponement Right") the maturity date to 30 June 2011 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million. Such Maturity Postponement Right can be exercised before 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2011 (as at 31 March 2010: HK$Nil).

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

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

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

Management Discussion and Analysis

CAPITAL STRUCTURE

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

CHARGE ON ASSETS

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

STAFF COSTS

As at 31 March 2011, the Group had 95 employees (2010: 95). The staff costs for the year ended 31 March 2011 was approximately HK$12,347,000 (2010: HK$9,181,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31 March 2011, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2011 and 31 March 2010.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 50, 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 59, 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 47, 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 41, 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 40, 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 Flexsystem Holdings Limited, GCL-Poly Energy Holdings Limited, iOne Holdings Limited, KH Investment Holdings Limited, Vinco Financial Group Limited and Wing Lee Holdings Limited.

Ms. Cao Huifang, aged 61, 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.

Ms. Liu Hong, aged 49, 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 32, 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 2011.

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 2011. 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 2011 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 2011 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	8/8	1/1	N/A	N/A
Mr. Xiao Haiping	8/8	1/1	N/A	N/A
Mr. Zhang Peng	8/8	1/1	N/A	N/A
Ms. Weng Pinger	2/2	1/1	N/A	N/A
Mr. Bao Yueqing	6/6	0/0	N/A	N/A
Independent Non-Executive Directors				
Mr. Yip Tai Him	8/8	1/1	5/5	2/2
Ms. Cao Huifang	8/8	1/1	5/5	2/2
Ms. Liu Hong	7/8	1/1	4/5	2/2

Note 1: Among the Board meetings held during the year, 1 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. 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. Zhang Peng, Mr. Yip Tai Him and Ms. Cao Huifang will retire at the forthcoming annual general meeting and the re-election of Mr. Zhang Peng as Executive Director and Mr. Yip Tai Him and Ms. Cao Huifang as Independent Non-Executive Directors are to be proposed at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

Crowe Horwath (HK) CPA Limited ("Crowe Horwath") had resigned as auditors of the Group (the "Auditors") with effect from 21 April 2011. Pursuant to articles of association of the Company, RSM Nelson Wheeler has been appointed by the Board on 21 April 2011 as the Auditors to fill the casual vacancy following the resignation of Crowe Horwath 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 2011, the Auditors' remuneration in connection with the provision of audit and non-audit services to the Group is as follows:

	For the year ended 31 March	
	2011	2010
	HK$	HK$
Statutory audit	**606,000**	625,000
Non-audit services	**480,000**	355,000
	1,086,000	980,000

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 2011, the Audit Committee held four meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

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

ACCOUNTABILITY AND AUDIT

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

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

(a) As disclosed in note 25 to the financial statements, on 31 March 2011, the Group agreed with CCI, the substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2012. The substantial shareholder granted the Group the right to further postpone the maturity date annually up to the ultimate maturity date of 30 June 2025 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million with reference to the latest published consolidated financial statements.

(b) The directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

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

The responsibilities of the external auditors with respect to their financial reporting are set out in the Independent Auditor's Report on pages 25 to 26 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 2011.

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 29 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 9 to the financial statements.

RESULTS AND APPROPRIATIONS

The consolidated results of the Group for the year ended 31 March 2011 and the state of affairs of the Group and the Company are set out in the financial statements on pages 27 to 78.

The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2011 (2010: HK$Nil).

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 31 and note 28(b) 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 19 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 2011, the Company's had no distributable reserves (2010: 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 2011.

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 2011, 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 nonexecutive 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 29 July 2010 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 119,469,701 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 43,170,000 option shares were still outstanding under the Share Option Scheme which represents approximately 3.61% 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.

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 2011 were as follows:

				Number of share options					
Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK$	As at 1 April 2010	Options granted during the year	Options exercised during the year(2)	Options lapsed during the year(1)	Options cancelled during the year	As at 31 March 2011
Eligible Participants									
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
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 year.

Directors' Report

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 112 of the Articles, one-third of the Directors shall retire from office by rotation. Accordingly, Mr. Zhang Peng, Mr. Yip Tai Him and Ms. Cao Huifang 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 2011 or any time during the year ended 31 March 2011.

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 2011, 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 2011.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2011, 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 2011, 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.

English translation of the name for identification purpose only

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	47%
– five largest suppliers	100%
Sales	
– the largest customer	99%
– five largest customers	100%

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 the relevant connected person

CCC, a company established under the laws of the PRC. By virtue of its interests as to approximately 29.84% of the entire issued share capital of China Communication Investment Limited, 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.

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 2011 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 11 January 2010, 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#) ("Shentong Yijia"), a company established under the laws of the PRC and a wholly owned subsidiary of the Company, and CCC entered into the customers service hotline rental agreement (as supplemented by a supplemental agreement dated 31 March 2010), pursuant to which CCC shall provide a designated national customer service hotline number 95130*** to Shentong Yijia, in consideration of which CCC would charge Shentong 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 "VoIP" (Voice-Over Internet Protocol) telephone system. The calling charge rate were subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time;

2. On 11 January 2010, CCC and Shentong Yijia entered into the server hosting agreement (as supplemented by a supplemental agreement dated 31 March 2010), pursuant to which (i) Shentong Yijia would place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to Shentong Yijia and (ii) CCC would provide dedicated 300M-bandwidth share of the broadband leased line to Shentong Yijia for the operation of its website and CCC will also provide 90 IP addresses and five (5) racks of servers for the use of Shentong Yijia and supply 2200W (10A) electricity for each rack of servers rented to Shentong Yijia, in consideration of which CCC would charge Shentong Yijia an annual rental fee of RMB2.7 million;

English translation of the name for identification purpose only

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

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

3. On 30 November 2009, CCC and Shentong Yijia entered into the service agreement (as supplemented by a supplemental agreement dated 31 March 2010), pursuant to which Shentong Yijia would provide to CCC services regarding (i) the management and sale of the designated "Shentong Cards" preloaded with certain insurance products of CCC; (ii) assistance in the after-sale-services for the designated "Shentong Cards"; and (iii) follow-up with the enquiries and/or complaints raised by the users of the designated "Shentong Cards"; and (iv) customer management service, and promotion and marketing of the designated "Shentong Cards", in consideration of which Shentong Yijia would charge CCC (i) issuance handling fees of RMB5 for each designated Shentong Card issued by Shentong Yijia; (ii) technical service commission of 20% of the total value of purchases made by the users through the designated "Shentong Cards" issued by Shentong Yijia; (iii) sale commission of RMB3 for the insurance products preloaded in the designated "Shentong Cards" issued by Shentong Yijia; and (iv) sale commission of 20% of the total value of purchases made by the users through the designated "Shentong Cards" issued by Shentong Yijia for the property and life insurance products and 10% for the purchases of health insurance products;

4. On 11 January 2010, CCC and Shentong Yijia entered into the web advertising agreement (as supplemented by a supplemental agreement dated 31 March 2010), pursuant to which Shentong Yijia agreed to place and CCC agreed to arrange for the web advertisements of Shentong Yijia to be published on the website of CCC "Shentong Net", and 24-hour technical support services shall also be provided by CCC to Shentong Yijia to handle all technical issues arising out of the publication of the advertisements. The amount of advertising fees to be incurred by Shentong Yijia during the term of such web advertising agreement shall not be made than RMB5 million for each of three years ended 31 March 2013 and details of the advertising arrangement and the payment methods shall be determined based on mutual agreement of Shentong Yijia and CCC to be reached at least three days prior to the publication of the relevant advertisements;

5. 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);

6. 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); and

7. 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).

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 nothing has come to their attention that had caused them to believe that the above agreements (a) have not been approved by the Board, and (b) were not entered into, in all material respects, in accordance with the terms of the relevant agreements governing the transactions.

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.

AUDITORS

The financial statements have been audited by RSM Nelson Wheeler who retire and, being eligible, offer themselves for re-appointment.

By Order of the Board
He Chenguang
Chairman

Hong Kong, 22 June 2011

Independent Auditor's Report

RSM! Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 78, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 this 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 Group as at 31 March 2011, and of the Group's results 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.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$194,505,000 and net operating cash outflow of approximately HK$13,269,000 for the year ended 31 March 2011 and as at 31 March 2011 the Group had net liabilities of approximately HK$208,693,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

22 June 2011

Consolidated Income Statement

FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2011 HK$'000**	2010 HK$'000 (Restated)
Continuing operation			
Turnover	7	**30,373**	–
Cost of sales		**(47,556)**	–
Gross loss		**(17,183)**	–
Other income	8	**93**	3
Selling and distribution expenses		**(38,900)**	–
Administrative expenses		**(19,311)**	(13,674)
Other operating expenses		**(158,265)**	(136,862)
Loss from operations		**(233,566)**	(150,533)
Finance costs	10	**(10,186)**	(11,740)
Loss before tax		**(243,752)**	(162,273)
Income tax credit	11	**50,483**	–
Loss for the year from continuing operation		**(193,269)**	(162,273)
Discontinued operations			
Loss for the year from discontinued operations	16	**(1,648)**	(69,214)
Loss for the year	12	**(194,917)**	(231,487)
Attributable to:			
Owners of the Company			
Loss from continuing operation		**(193,269)**	(162,273)
Loss from discontinued operations		**(1,236)**	(56,704)
Loss for the year attributable to owners of the Company	14	**(194,505)**	(218,977)
Non-controlling interests			
Loss from continuing operation		**–**	–
Loss from discontinued operations		**(412)**	(12,510)
Loss for the year attributable to non-controlling interests		**(412)**	(12,510)
		(194,917)	(231,487)
		HK cents	HK cents (Restated)
Loss per share	17		
From continuing and discontinued operations			
– basic		**(16.28)**	(27.26)
– diluted		**N/A**	N/A
From continuing operation			
– basic		**(16.18)**	(20.20)
– diluted		**N/A**	N/A

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(194,917)**	(231,487)
Other comprehensive income:		
Exchange differences on translating foreign operations	**2,854**	111
Total comprehensive income for the year, net of tax	**(192,063)**	(231,376)
Attributable to:		
Owners of the Company	**(191,443)**	(218,894)
Non-controlling interests	**(620)**	(12,482)
	(192,063)	(231,376)

Consolidated Statement of Financial Position

AT 31 MARCH 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	19	**2,667**	2,372
Intangible assets	20	**34,938**	234,740
		37,605	237,112
Current assets			
Trade and other receivables	21	**1,130**	4,981
Bank and cash balances	22	**41,088**	67,242
		42,218	72,223
Assets of disposal group classified as held for sale	18	**12,119**	–
		54,337	72,223
Current liabilities			
Trade and other payables	23	**941**	36,829
Amount due to a substantial shareholder	24	**2,274**	–
Current tax liabilities		**102**	454
		3,317	37,283
Liabilities directly associated with assets of disposal group classified as held for sale	18	**33,776**	–
		37,093	37,283
Net current assets		**17,244**	34,940
Total assets less current liabilities		**54,849**	272,052
Non-current liabilities			
Amount due to a substantial shareholder	24	**–**	615
Promissory note	25	**254,807**	244,621
Deferred tax liabilities	26	**8,735**	58,685
		263,542	303,921
NET LIABILITIES		**(208,693)**	(31,869)

Consolidated Statement of Financial Position

AT 31 MARCH 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Capital and reserves			
Share capital	27	**11,947**	11,947
Reserves	28	**(220,020)**	(43,816)
Equity attributable to owners of the Company		**(208,073)**	(31,869)
Non-controlling interests		**(620)**	–
TOTAL EQUITY		**(208,693)**	(31,869)

Approved by the Board of Directors on 22 June 2011.

He Chenguang
Director

Zhang Peng
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2011

		Attributable to owners of the Company								
	Note	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009		8,023	679,423	8,320	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
Total comprehensive income for the year		–	–	–	83	–	(218,977)	(218,894)	(12,482)	(231,376)
Issue of new shares										
– consideration shares	27(ii)	1,360	165,920	–	–	–	–	167,280	–	167,280
– subscription shares	27(iii)	2,564	197,436	–	–	–	–	200,000	–	200,000
Share option scheme										
– share-based payments		–	–	–	–	498	–	498	–	498
– forfeiture of share options granted		–	–	–	–	(1,914)	1,914	–	–	–
Changes in equity for the year		3,924	363,356	–	83	(1,416)	(217,063)	148,884	(12,482)	136,402
At 31 March 2010		11,947	1,042,779	8,320	9,218	1,830	(1,105,963)	(31,869)	–	(31,869)
At 1 April 2010		11,947	1,042,779	8,320	9,218	1,830	(1,105,963)	(31,869)	–	(31,869)
Total comprehensive income for the year		–	–	–	3,062	–	(194,505)	(191,443)	(620)	(192,063)
Share option scheme										
– share-based payments		–	–	–	–	15,239	–	15,239	–	15,239
– forfeiture of share options granted		–	–	–	–	(1,781)	1,781	–	–	–
Changes in equity for the year		–	–	–	3,062	13,458	(192,724)	(176,204)	(620)	(176,824)
At 31 March 2011		11,947	1,042,779	8,320	12,280	15,288	(1,298,687)	(208,073)	(620)	(208,693)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2011 HK$'000**	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax			
Continuing operation		**(243,752)**	(162,273)
Discontinued operations	16	**(1,648)**	(75,239)
Adjustments for:			
Amortisation of intangible assets		**46,242**	12,678
Depreciation		**1,193**	5,330
Equity-settled share-based payments		**15,239**	498
Finance costs		**10,186**	11,740
Impairment of property, plant and equipment		**–**	10,351
Impairment of goodwill		**–**	136,862
Impairment of intangible assets		**158,265**	38,031
Allowance for inventories		**–**	256
Allowance for trade receivables		**–**	8,246
Reversal of allowance for trade receivables		**–**	(1,091)
Interest income		**(108)**	(45)
(Gain)/loss on disposals of property, plant and equipment		**(68)**	4
Operating loss before working capital changes		**(14,451)**	(14,652)
Decrease in inventories		**–**	223
Decrease in trade and other receivables		**2,025**	31,257
Increase/(decrease) in trade and other payables		**162**	(7,055)
Cash (used in)/generated from operations		**(12,264)**	9,773
Income tax paid		**(1,005)**	–
Net cash (used in)/generated from operating activities		**(13,269)**	9,773
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of a subsidiary	31	**–**	(149,108)
Purchase of property, plant and equipment		**(2,162)**	(47)
Proceeds from disposal of property, plant and equipment		**843**	2
Interest received		**108**	45
Net cash used in investing activities		**(1,211)**	(149,108)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011

	Note	**2011** **HK$'000**	2010 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new shares		**–**	199,870
Decrease in amount due to a substantial shareholder		**(615)**	(11,628)
Net cash (used in)/generated from financing activities		**(615)**	188,242
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(15,095)**	48,907
Effect of foreign exchange rate changes		**(766)**	151
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**67,242**	18,184
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**51,381**	67,242
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances			
Continuing operation		**41,088**	67,242
Discontinued operations	18	**10,293**	–
		51,381	67,242

1. GENERAL

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 is an investment holding company. The principal activities of its subsidiaries are set out in note 29 to the financial statements.

2. GOING CONCERN BASIS

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

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

(a) As disclosed in note 25 to the financial statements, on 31 March 2011, 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 2012. The substantial shareholder granted the Group the right to further postpone the maturity date annually up to the ultimate maturity date of 30 June 2025 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million with reference to the latest published consolidated financial statements.

(b) The directors have obtained the confirmation from 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 CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

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

* *For identification purpose*

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for its accounting year 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 significant changes to the Group's accounting policies and amounts reported for the current year and prior years except as stated below.

Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires that total comprehensive income to be attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

The requirement of HKAS 27 (Revised) has been applied prospectively from 1 April 2010 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2011 **HK$'000**
Consolidated Income Statement	
Decrease in loss attributable to owners of the Company	**412**
Increase in loss attributable to non-controlling interests	**412**
Decrease in loss per share	**HK cents 0.03**
Consolidated Statement of Comprehensive Income	
Increase in total comprehensive income for the year attributable to owners of the Company net of tax	**620**
Decrease in total comprehensive income for the year attributable to non-controlling interests net of tax	**620**
Consolidated Statement of Changes in Equity	
Increase in foreign currency translation reserve	**208**
Decrease in accumulated losses	**412**
Decrease in non-controlling interests	**620**

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 those 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.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the disclosure requirements of Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy 4(u) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

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

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

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	5-7 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 reporting period.

(f) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(g) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below in notes 4(k) to 4(m).

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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.

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.

Promotion and management services income includes issuance handling fees and sales commission which is based on the number of electronic smart card “Shentong Card” activated, technical services commission which is based on the total value of expenditures of Shentong Card users. Revenue recognised in respect of promotion and management services income is net of business tax.

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

(o) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees’ basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and others providing similar services.

Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Non-current assets and disposal group classified as held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group, the operations 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 operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, 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 in accordance with HKFRS 5, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the consolidated 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 constituting the discontinued operation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present 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 stated at the present value of the expenditures 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 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 is remote.

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

The Group adopted the going concern basis in the preparation of the financial statements. Details of the assumptions adopted by the directors for adopting the going concern basis in preparing the financial statements are set out in note 2 to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *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.

(b) *Impairment of intangible assets*

Determining whether intangible assets impaired requires an estimation of the value in use of the cash-generating unit to which they have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the impairment losses are stated in note 20 to financial statements.

(c) *Impairment loss for bad and doubtful debts*

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(d) *Share-based payment expenses*

The fair value of the share options granted to the directors, employees and others providing similar services 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 (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected volatility, expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

(e) *Income taxes*

The Group is subject to various taxes in the People's Republic of China ("PRC"). Significant estimates are required in determining the provision for those taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal 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. 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 arise.

(b) Credit risk

The carrying amount of the bank and cash balances and trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

The amount due from a substantial shareholder is closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are registered banks.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2011				
Trade and other payables	941	–	–	–
Amount due to a substantial shareholder	2,274	–	–	–
Promissory note	–	261,464	–	–
At 31 March 2010				
Trade and other payables	36,829	–	–	–
Amount due to a substantial shareholder	–	615	–	–
Promissory note	–	248,331	–	–

As described in notes 2 and 25 to the financial statements, the Group has reached an agreement with CCI to postpone the maturity date of promissory note to 30 June 2012. The directors are of the view that this agreement would be adequate to maintain the liquidity risk to an acceptable level.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group has minimal exposure to interest rate risk as the changes in market interest rates have insignificant effect on the Group's operating cash flow.

The Group's interest-rate risk arises from promissory note, which are issued at fixed rate and will expose the Group to fair value interest-rate risk.

(e) Categories of financial instruments at 31 March:

	2011 HK$'000	2010 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
– Trade and other receivables (excluding prepayments)	719	4,334
– Bank and cash balances	41,088	67,242
Financial liabilities:		
Financial liabilities at amortised cost		
– Trade and other payables	941	36,829
– Amount due to a substantial shareholder	2,274	615
– Promissory note	254,807	244,621

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. TURNOVER

The Group's turnover which represents sales of goods and services rendered to customers (after business tax) are as follows:

	2011 HK$'000	2010 HK$'000 (Restated)
Continuing operation		
– Promotion and management services	30,373	–
Discontinued operations (note 16)		
– Online game operation	–	7,627
– e-Sports platform	285	6,550
– Computer games distribution and licensing	14	99
	299	14,276
	30,672	14,276

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000 (Restated)
Gain on disposals of property, plant and equipment	68	–
Interest income	108	45
Reversal of allowance for trade receivables	–	1,091
Sundry income	7	2
	183	1,138
Representing:		
Continuing operation	93	3
Discontinued operations (note 16)	90	1,135
	183	1,138

9. SEGMENT INFORMATION

The Group has four reportable segments as follows:

Continuing operation

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

Discontinued operations

Online game operation – Operation of a licensed online game "Sudden Attack"

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

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

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

The accounting policies of the operating segments are the same as those described in note 4 to the financial statements. Segment profits or losses do not include finance costs, income tax credit and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

9. SEGMENT INFORMATION (CONTINUED)

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

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

9. SEGMENT INFORMATION (CONTINUED)

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

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

9. SEGMENT INFORMATION (CONTINUED)

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

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

9. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

Major customer

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

10. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on promissory note	**10,186**	11,740

11. INCOME TAX CREDIT

	2011	2010
	HK$'000	HK$'000
		(Restated)
Current tax	**(643)**	–
Deferred tax (note 26)	**51,126**	6,025
	50,483	6,025
Representing:		
Continuing operation	**50,483**	–
Discontinued operations (note 16)	**–**	6,025
	50,483	6,025

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

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

11. INCOME TAX CREDIT (CONTINUED)

The reconciliation between the income tax credit and the product of loss before tax multiplied by the PRC enterprise income tax rate is as follows:

(i) Continuing operation

	2011 **HK$'000**	2010 HK$'000 (Restated)
Loss before tax	**(243,752)**	(162,273)
Tax at PRC Enterprise Income Tax rate of 25% (2010: 25%)	**(60,938)**	(40,568)
Tax effect of income that is not taxable	**(456)**	(1,626)
Tax effect of expenses that are not deductible	**10,911**	42,194
Income tax credit	**(50,483)**	–

(ii) Discontinued operations

	2011 **HK$'000**	2010 HK$'000 (Restated)
Loss before tax	**(1,648)**	(75,239)
Tax at PRC Enterprise Income Tax rate of 25% (2010: 25%)	**(412)**	(18,810)
Tax effect of income that is not taxable	**–**	(796)
Tax effect of expenses that are not deductible	**–**	1,937
Tax effect of temporary differences not recognised	**(3,282)**	3,236
Tax effect of unused tax losses not recognised	**3,694**	8,408
Income tax credit	**–**	(6,025)

12. LOSS FOR THE YEAR

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

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

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of each director were as follows:

	Note	Fees	Salary and allowances	Retirement benefit scheme contributions	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
He Chenguang		**–**	**1,950**	**12**	**1,962**
Zhang Peng		**–**	**1,820**	**12**	**1,832**
Xiao Haiping		**–**	**720**	**12**	**732**
Bao Yueqing	(a)	**–**	**600**	**11**	**611**
Weng Pinger	(b)	**–**	**60**	**–**	**60**
Independent non-executive directors					
Yip Tai Him		**100**	**–**	**–**	**100**
Cao Huifang		**100**	**–**	**–**	**100**
Liu Hong		**100**	**–**	**–**	**100**
Total for 2011		**300**	**5,150**	**47**	**5,497**
Executive directors					
He Chenguang		–	1,800	12	1,812
Zhang Peng		–	1,680	12	1,692
Xiao Haiping		–	720	12	732
Weng Pinger	(b)	–	720	1	721
Independent non-executive directors					
Yip Tai Him		100	–	–	100
Cao Huifang		100	–	–	100
Liu Hong		100	–	–	100
Total for 2010		300	4,920	37	5,257

Notes: (a) Appointed on 30 April 2010
(b) Resigned on 30 April 2010

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals in the Group during the year included four (2010: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2010: one) employee are set out below:

	2011	2010
	HK$'000	HK$'000
Salary and allowances	**765**	540
Retirement benefits scheme contributions	**12**	12
	777	552

The emoluments fell within the following band:

	Number of individuals	
	2011	2010
HK$Nil to HK$1,000,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

15. DIVIDENDS

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

16. DISCONTINUED OPERATIONS

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

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

* *For identification purpose*

16. DISCONTINUED OPERATIONS (CONTINUED)

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

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

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

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

17. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

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

(ii) From continuing operation

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

(iii) From discontinued operations

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

(b) Diluted loss per share

No dilutive loss per share are presented as the potential ordinary shares outstanding during the years ended 31 March 2011 and 2010 have anti-dilutive effect on the basic loss per share for both years.

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in note 16 to the financial statements, the assets and liabilities of CCP, which are expected to be disposed within 12 months after the reporting period, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The disposal group is included in three reportable segments of the Group – Online game operation, e-Sports platform and computer games distribution and licensing.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale at 31 March 2011 are as follows:

	HK$'000
Other receivables	86
Amount due from a substantial shareholder, CCC (note 21(b))	1,525
Amount due from a director (note i)	215
Bank and cash balances	10,293
Total assets of disposal group classified as held for sale	12,119
Trade and other payables (note ii)	(22,398)
Receipts in advance from a related party	
– 北京龍騰興達導航定位技術有限公司 (Beijing Longteng Xingda Guiding and Positioning Technology Limited*) ("Longteng") (note iii)	(11,378)
Total liabilities directly associated with assets of disposal group classified as held for sale	(33,776)
Net liabilities of disposal group classified as held for sales	(21,657)

At 31 March 2011, cumulative income or expense recognised in other comprehensive income relating to the disposal group classified as held for sale amounted to approximately HK$11,456,000.

* *For identification purpose*

18. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

Notes:

(i) The amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Terms of loan	Balance at 31 March 2011	Balance at 1 April 2010	Maximum amount outstanding during the year
		HK$'000	HK$'000	HK$'000
Mr. Bao Yeuqing	Denominated in RMB, unsecured, interest-free and repayable on demand	215	251	307

(ii) Trade and other payables

		HK$'000
Trade payables	(a)	13,536
Other payables and accruals		8,862
		22,398

(a) Trade payables

The trade payables are aged over 1 year based on the date of receipt of goods or rendering of services.

The trade payables are denominated in Renminbi ("RMB").

(iii) Mr. He Chenguang, a director of the Company, has beneficial interest.

19. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2009	51,623	944	1,288	1,072	54,927
Acquisition of a subsidiary (note 31)	2,056	–	195	–	2,251
Additions	–	–	47	–	47
Disposals	(37)	–	–	–	(37)
Exchange differences	441	–	11	9	461
At 31 March 2010 and 1 April 2010	54,083	944	1,541	1,081	57,649
Additions	358	–	118	1,686	2,162
Disposals	–	–	–	(843)	(843)
Transfer to disposal group classified as held for sale	(54,045)	–	(1,258)	(1,126)	(56,429)
Exchange differences	2,244	–	58	65	2,367
At 31 March 2011	**2,640**	**944**	**459**	**863**	**4,906**
Accumulated depreciation and impairment losses					
At 1 April 2009	38,041	540	358	288	39,227
Charge for the year	4,411	303	327	289	5,330
Impairment losses	9,214	–	639	498	10,351
Disposals	(31)	–	–	–	(31)
Exchange differences	387	–	7	6	400
At 31 March 2010 and 1 April 2010	52,022	843	1,331	1,081	55,277
Charge for the year	779	101	95	218	1,193
Disposals	–	–	–	(68)	(68)
Transfer to disposal group classified as held for sale	(54,045)	–	(1,258)	(1,126)	(56,429)
Exchange differences	2,166	–	52	48	2,266
At 31 March 2011	**922**	**944**	**220**	**153**	**2,239**
Carrying amount					
At 31 March 2011	**1,718**	**–**	**239**	**710**	**2,667**
At 31 March 2010	2,061	101	210	–	2,372

20. INTANGIBLE ASSETS

	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 2009	3,125	217,522	49,923	89,148	370,864	33,818	31,157	–	795,557
Acquisition of a subsidiary (note 31)	–	–	–	–	67,335	–	–	167,405	234,740
Exchange differences	27	1,863	428	763	3,175	290	267	–	6,813
At 31 March 2010 and 1 April 2010	3,152	219,385	50,351	89,911	441,374	34,108	31,424	167,405	1,037,110
Transfer to disposal group classified as held for sale	(3,282)	(228,463)	(52,434)	(93,632)	(389,518)	(35,519)	(32,724)	–	(835,572)
Exchange differences	130	9,078	2,083	3,721	18,266	1,411	1,300	6,927	42,916
At 31 March 2011	**–**	**–**	**–**	**–**	**70,122**	**–**	**–**	**174,332**	**244,454**
Accumulated amortisation and impairment losses									
At 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 differences	24	1,844	392	763	3,043	279	267	–	6,612
At 31 March 2010 and 1 April 2010	3,152	219,385	50,351	89,911	374,039	34,108	31,424	–	802,370
Amortisation for the year	–	–	–	–	9,778	–	–	36,464	46,242
Impairment losses	–	–	–	–	47,580	–	–	110,685	158,265
Transfer to disposal group classified as held for sale	(3,282)	(228,463)	(52,434)	(93,632)	(389,518)	(35,519)	(32,724)	–	(835,572)
Exchange differences	130	9,078	2,083	3,721	16,884	1,411	1,300	3,604	38,211
At 31 March 2011	**–**	**–**	**–**	**–**	**58,763**	**–**	**–**	**150,753**	**209,516**
Carrying amount									
At 31 March 2011	**–**	**–**	**–**	**–**	**11,359**	**–**	**–**	**23,579**	**34,938**
At 31 March 2010	–	–	–	–	67,335	–	–	167,405	234,740

20. INTANGIBLE ASSETS (CONTINUED)

At 31 March 2011, the Group carried out reviews of the recoverable amounts of cash generating units which include the intangible assets, having regard to the actual operating result of the continuing operation (2010: in view of the operating loss of e-Sports platform and the expiration of the licence rights of the online computer game "Sudden Attack" in the PRC on 10 February 2010). The total impairment losses of approximately HK$158,265,000 (2010: HK$38,031,000) of these intangible assets have been charged to the consolidated profit or loss and have affected the following cash generating units/operating segments of the Group:

For the year ended 31 March 2011

	Promotion and management services HK$'000
Distribution network	47,580
Service contract	110,685
Total	158,265

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

The recoverable amount of the relevant intangible assets has been determined on the basis of their value in use. The discount rates used in measuring value in use at the end of reporting period is 24.09% (2010: 19.86%).

21. TRADE AND OTHER RECEIVABLES

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

(a) Trade receivables, net

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

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

Reconciliation of allowance for trade receivables:

	2011 HK$'000	2010 HK$'000
At 1 April	20,686	13,383
Allowance for the year	–	8,246
Reversal of impairment loss	–	(1,091)
Exchange differences	856	148
Transfer to disposal group classified as held for sale	(21,542)	–
At 31 March	–	20,686

The carrying amounts of the Group's trade receivables are denominated in RMB.

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Amount due from a substantial shareholder

The amount due from a substantial shareholder disclosed pursuant to section 161B of the Hong Kong Companies Ordinance is as follows:

Name	Balance at 31 March 2011	Balance at 1 April 2010	Maximum amount outstanding during the year
	HK$'000	HK$'000	HK$'000
CCC (note 18)	1,525	1,420	1,525

The amount due from a substantial shareholder is denominated in RMB, unsecured, interest-free and repayable on demand. Mr. He Chenguang, a director of the Company has a beneficial interest in CCC.

22. BANK AND CASH BALANCES

As at 31 March 2011, the bank and cash balances of the Group denominated in RMB amounted to HK$2,786,000 (2010: HK$14,305,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. TRADE AND OTHER PAYABLES

		2011	2010
		HK$'000	HK$'000
Trade payables	(a)	**–**	12,998
Receipts in advance from a related company, Longteng and a substantial shareholder, CCC		**–**	13,066
Other payables and accruals		**941**	10,765
		941	36,829

(a) Trade payables

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

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

The trade payables are denominated in RMB.

24. AMOUNT DUE TO A SUBSTANTIAL SHAREHOLDER

	Note	2011 HK$'000	2010 HK$'000
CCC	(a)	**2,274**	–
CCI	(b)	**–**	615
		2,274	615

Notes:

(a) The amount due to CCC is denominated in RMB, unsecured, interest-free and repayable on demand.

(b) The amount due to CCI 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.

25. PROMISSORY NOTE

As at 31 March 2011, the promissory note is held by CCI with principle amount of HK$238,690,000 (2010: HK$238,690,000).

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

On 31 March 2010, the Group and CCI agreed to extend the maturity date from 10 August 2010 to 30 June 2011. On 31 March 2011, the Group and CCI agreed to extend the maturity date from 30 June 2011 to 30 June 2012.

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

26. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Deferred income HK$'000	Revaluation of acquired intangible assets HK$'000	Total HK$'000
At 1 April 2009	3,221	(9,222)	(6,001)
Acquisition of a subsidiary (note 31)	–	(58,685)	(58,685)
(Charge)/credit to consolidated profit or loss for the year (note 11)	(3,234)	9,259	6,025
Exchange differences	13	(37)	(24)
At 31 March 2010 and 1 April 2010	–	(58,685)	(58,685)
Credit to consolidated profit or loss for the year (note 11)	–	51,126	51,126
Exchange differences	–	(1,176)	(1,176)
At 31 March 2011	**–**	**(8,735)**	**(8,735)**

At 31 March 2011 the Group has unused tax losses of approximately HK$19,566,000 (2010 (Restated): HK$101,691,000) available for offset against future profits. Except for the tax loss of approximately HK$19,566,000 (2010 (Restated): HK$19,566,000) that may be carried forward indefinitely, other tax losses will expire before the end of 2016.

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

27. SHARE CAPITAL

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

27. SHARE CAPITAL (CONTINUED)

The movements in the Company's authorised and issued share capital during the year are set out as follows:

Authorised:

	Number of shares	
	2011	2010
At 1 April	**10,000,000,000**	1,000,000,000
Increase in authorised share capital (note i)	**–**	9,000,000,000
At 31 March	**10,000,000,000**	10,000,000,000

Issued and fully paid:

	Number of shares	
	2011	2010
At 1 April	**1,194,697,017**	802,286,761
Issue of new shares		
– consideration shares (note ii)	**–**	136,000,000
– subscription shares (note iii)	**–**	256,410,256
At 31 March	**1,194,697,017**	1,194,697,017

Notes:

(i) 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 shares of the Company in all respects.

(ii) On 31 March 2010, 136,000,000 new ordinary shares of HK$0.01 each were issued at HK$1.23 per share as part of consideration for 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").

(iii) 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.

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.

* *For identification purpose*

27. SHARE CAPITAL (CONTINUED)

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

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio below 300%. The Group's gearing ratios as at 31 March 2011 and 2010 were as follows:

	2011 **HK'$000**	2010 HK'$000
Total liabilities	**300,635**	341,204
Total assets	**91,942**	309,335
Gearing ratio	**327%**	110%

As at 31 March 2011, the Group's gearing ratio exceeds 300%. The management is of the view that the Group's gearing ratio will fall below 300% upon the completion of disposal of CCP which is expected to be completed within 12 months after the reporting period due to derecognition of the promissory note with face value of HK$140 million.

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

28. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

28. RESERVES (CONTINUED)

(b) Company

	Note	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009		679,423	3,246	(688,763)	(6,094)
Loss for the year		–	–	(141,282)	(141,282)
Issue of new shares					
– consideration shares	27(ii)	165,920	–	–	165,920
– subscription shares	27(iii)	197,436	–	–	197,436
Share option scheme					
– share-based payments		–	498	–	498
– forfeiture of share options granted		–	(1,914)	1,914	–
At 31 March 2010		1,042,779	1,830	(828,131)	216,478
At 1 April 2010		**1,042,779**	**1,830**	**(828,131)**	**216,478**
Loss for the year		**–**	**–**	**(180,163)**	**(180,163)**
Share option scheme					
– share-based payments		**–**	**15,239**	**–**	**15,239**
– forfeiture of share options granted		**–**	**(1,781)**	**1,781**	**–**
At 31 March 2011		**1,042,779**	**15,288**	**(1,006,513)**	**51,554**

(c) Nature and purpose of reserves

(i) *Share premium reserve*

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) *Foreign currency translation reserve*

The foreign currency translation 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 4(c) 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 adopted for share-based payments in note 4(p) to the financial statements.

29. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

Investments in subsidiaries

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted investments, at cost	**3,293**	3,293
Less: impairment losses (note iii)	**(3,273)**	(3,273)
	20	20

Particulars of the subsidiaries as at 31 March 2011 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
Hong Kong Financial Institute Limited	Hong Kong	HK$1,307 ordinary shares	–	100%	Inactive
hk6.com Limited	Hong Kong	HK$1,000 ordinary shares	–	100%	Inactive
HK6 Media Limited	Hong Kong	HK$2 ordinary shares	–	100%	Inactive
Oriental Glory (H.K.) Limited	Hong Kong	HK$1 ordinary share	–	100%	Investment holding
神州奧美網絡(國際)有限公司	Hong Kong	HK$1 ordinary share	100%	–	Not yet commence business
HK6 Investment Limited	British Virgin Islands	US$2,614 ordinary shares	100%	–	Investment holding
HK6 Investment China (BVI) Limited	British Virgin Islands	US$1 ordinary share	100%	–	Investment holding
Sino Key International Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Pro-Concept Development Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Success Advantage Investments Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Favor Grow Holdings Limited	British Virgin Islands	US$10 ordinary shares	100%	–	Investment holding
Grandsun International Creation Limited	Hong Kong	HK$1 ordinary share	–	100%	Investment holding

29. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (CONTINUED)

Investments in subsidiaries (Continued)

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest Direct	Percentage of ownership interest Indirect	Principal activities
神州奧美網絡有限公司(note a) (China Cyber Port Co., Ltd.*)	PRC	US$12,000,000 registered capital	–	75%	Inactive
北京神通益家科技服務有限公司 (note b) (Beijing Shentong Yijia Technology Services Company Limited*)	PRC	RMB1,000,000 ordinary shares	–	100%	Provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC

Notes:

(a) Established in the PRC as a sino-foreign equity joint venture enterprise.

(b) Established in the PRC as a wholly foreign-owned enterprise.

Amounts due from/(to) subsidiaries

	The Company 2011 HK$'000	The Company 2010 HK$'000
Amounts due from subsidiaries (note i)	**951,131**	948,585
Less: Allowance for doubtful debts (note ii)	**(921,284)**	(767,166)
	29,847	181,419
Amount due to a subsidiary (note i)	**(2,177)**	(2,189)

Notes:

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

(ii) Movements in the allowance for doubtful debts

	The Company 2011 HK$'000	The Company 2010 HK$'000
At 1 April	**767,166**	630,657
Impairment losses recognised	**154,118**	136,509
At 31 March (note iii)	**921,284**	767,166

(iii) The recoverable amounts of these subsidiaries are determined based on the present value of estimated future cash flows. In view of the recurring operating loss of certain subsidiaries and the net liability positions of these subsidiaries, the directors decided that impairment loss as at 31 March 2011 of approximately HK$3,273,000 (2010: HK$3,273,000) and HK$921,284,000 (2010: HK$767,166,000) in respect of the Company's investments in subsidiaries and the amounts due from subsidiaries are to be recognised respectively.

* *For identification purpose*

30. SHARE-BASED PAYMENTS

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 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.

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 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.

30. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

Details of the outstanding options granted under the Share Option Scheme as at 31 March 2011 are as follows:

Employees and others providing similar services

Date of grant	Vesting period	Exercisable period	Exercise price HK$	Number of shares issuable under options granted 2011 '000	2010 '000
30 July 2007	31 July 2007 to 29 January 2008	30 January 2008 to 29 July 2010	2.80	**–**	800
14 August 2008	15 August 2008 to 13 August 2009	14 August 2009 to 13 August 2010	0.97	**–**	1,000
15 August 2008	16 August 2008 to 14 August 2009	15 August 2009 to 14 August 2010	1.30	**–**	1,500
14 January 2009	15 January 2009 to 13 July 2009	14 July 2009 to 13 July 2010	0.82	**–**	1,200
19 March 2010	20 March 2010 to 18 March 2011	19 March 2011 to 18 March 2012	1.12	**1,000**	1,000
22 March 2010	23 March 2010 to 21 March 2011	22 March 2011 to 21 March 2012	1.15	**2,000**	2,000
24 March 2010	25 March 2010 to 23 March 2011	24 March 2011 to 23 March 2012	1.17	**7,000**	7,000
29 March 2010	30 March 2010 to 28 March 2011	29 March 2011 to 28 March 2012	1.23	**1,000**	1,000
7 April 2010	8 April 2010 to 6 April 2011	7 April 2011 to 6 April 2012	1.25	**31,170**	–
				42,170	15,500

Options not exercised will expire after the exercisable period.

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

	2011 Number of share options '000	**2011** Weighted average exercise price HK$	2010 Number of share options '000	2010 Weighted average exercise price HK$
Outstanding at the beginning of the year	**15,500**	**1.22**	8,300	1.30
Granted during the year	**31,170**	**1.25**	11,000	1.17
Forfeited during the year	**(4,500)**	**1.37**	(3,800)	1.23
Outstanding at the end of the year	**42,170**	**1.23**	15,500	1.22
Exercisable at the end of the year	**11,000**	**1.17**	4,500	1.37

30. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

The options outstanding at the end of the year have a weighted average remaining contractual life of 1 year (2010: 1.5 years) and the exercise prices range from HK$1.12 to HK$1.25 (2010: HK$0.82 to HK$2.80). For the year ended 31 March 2011, options were granted on 7 April 2010. The estimated fair value of the options on that day is HK$0.392. For the year ended 31 March 2010, options were granted on 19 March, 22 March, 24 March and 29 March 2010. The estimated fair values of the options on those dates are HK$0.350, HK$0.360, HK$0.366 and HK$0.386 respectively.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

	For the year ended 31 March 2011	For the year ended 31 March 2010			
Grant date	**7 April 2010**	19 March 2010	22 March 2010	24 March 2010	29 March 2010
Share price on grant date	**HK$1.25**	HK$1.12	HK$1.15	HK$1.17	HK$1.23
Exercise price	**HK$1.25**	HK$1.12	HK$1.15	HK$1.17	HK$1.23
Expected volatility	**65.37%**	65.20%	65.24%	65.20%	65.34%
Expected life	**1.50 years**	1.50 years	1.50 years	1.50 years	1.50 years
Risk-free rate	**0.498%**	0.446%	0.475%	0.472%	0.506%
Expected dividend yield	**–**	–	–	–	–
Fair value per option granted	**HK$0.392**	HK$0.350	HK$0.360	HK$0.366	HK$0.386

Expected volatility was determined by using 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.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Acquisition of a subsidiary 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.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Acquisition of a subsidiary for the year ended 31 March 2010 (Continued)

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

	Carrying amounts	**Fair value adjustments**	**Fair value (note iii)**
	HK$'000	HK$'000	HK$'000
Property, plant and equipment (note 19)	2,251	–	2,251
Intangible assets (note 20)	–	234,740	234,740
Prepayments, deposits & other receivables	647	–	647
Bank and cash balances	892	–	892
Amount due from a substantial shareholder	1,420	–	1,420
Other payables and accruals	(393)	–	(393)
Current tax liabilities	(454)	–	(454)
Deferred tax liabilities (note ii and 26)	–	(58,685)	(58,685)
Net assets	4,363	176,055	180,418
Goodwill			136,862
Total consideration			317,280

	HK$'000
Satisfied by:	
Cash	150,000
Equity instruments 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.

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.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Acquisition of a subsidiary for the year ended 31 March 2010 (Continued)

Notes:

(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.

32. CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any significant contingent liabilities (2010: Nil).

33. LEASE COMMITMENTS

At end of each of the reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**2,276**	3,230
In the second to fifth years inclusive	**1,837**	4,970
	4,113	8,200

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

	2011	2010
	HK$'000	HK$'000
Promotion and management service income receivable from CCC	**32,075**	–
Interest on promissory note payable to CCI	**(20,210)**	(19,703)
Online game income received on behalf by CCC	**400**	15,917
Internet payment and settlement service fee payable to CCC	**(100)**	(1,740)
Net online game income receivable through CCC recognised by the Group	**300**	14,177
Service fee payable to CCC		
– Customer service hotline rental	**(679)**	(565)
– Dedicated leased lines	**(528)**	(2,881)
– Server hosting service	**(3,134)**	–

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		–	2
Investments in subsidiaries	29	20	20
		20	22
Current assets			
Amounts due from subsidiaries	29	29,847	181,419
Bank and cash balances		36,395	50,999
		66,242	232,418
Current liabilities			
Other payables and accruals		584	1,826
Amount due to a subsidiary	29	2,177	2,189
		2,761	4,015
Net current assets		63,481	228,403
NET ASSETS		63,501	228,425
Capital and reserves			
Share capital		11,947	11,947
Reserves	28(b)	51,554	216,478
TOTAL EQUITY		63,501	228,425

36. COMPARATIVE FIGURES

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

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2011.