

The background is filled with various colorful icons and shapes, including circles, squares, and teardrop shapes in shades of blue, orange, purple, green, red, and yellow. Some icons depict a globe, a microphone, a shopping bag, and a signal tower. The overall style is modern and vibrant.


CHINA COMMUNICATION TELECOM SERVICES

INTERIM REPORT 2011/12



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)



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This report, for which the directors (the “Directors”) of China Communication Telecom Services Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.



Highlights

- Turnover of the Group for the six months ended 30 September 2011 was approximately HK\$14,712,000.
- Net loss attributable to owners of the Company was approximately HK\$5,808,000 for the six months ended 30 September 2011.
- Loss per share for the six months ended 30 September 2011 was approximately HK0.49 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2011.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$14,712,000 for the six months ended 30 September 2011, representing a decrease of approximately 23.7% as compared to approximately HK\$19,286,000 for the six months ended 30 September 2010. The turnover for the six months ended 30 September 2011 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC.

The Group made a net loss attributable to owners of the Company of approximately HK\$5,808,000 for the six months ended 30 September 2011 as compared to approximately HK\$35,843,000 (as restated) for the six months ended 30 September 2010. The improvement in results was mainly attributable to the decrease in cost of sales and selling and distribution expenses.



BUSINESS REVIEW

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

In March 2010, the Group completed acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited[#]). 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.

Provision of promotion and management services

For the six months ended 30 September 2011, the revenue derived from the provision of promotion and management services was approximately HK\$14,712,000 as compared to approximately HK\$19,077,000 for the six months ended 30 September 2010.

Operation of the e-Sports Platform

For the six months ended 30 September 2011, no revenue was derived from the operation of the e-Sports platform as compared to approximately HK\$196,000 for the six months ended 30 September 2010. The decrease was mainly attributable to the cessation of business.

Distribution and selling of computer games in the PRC

For the six months ended 30 September 2011, no revenue was derived from the distribution and selling of computer games in the PRC as compared to approximately HK\$13,000 for the six months ended 30 September 2010. The decrease was mainly attributable to the cessation of business.

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



Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a turnover of approximately HK\$14,712,000 (2010: HK\$19,286,000) for the six months ended 30 September 2011, representing a decrease of approximately 23.7% as compared with 2010/11. Approximately 100%, 0% and 0% of turnover for the six months ended 30 September 2011 (2010: 98.9%, 1.0% and 0.1%) 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 profit for the six months ended 30 September 2011 amounted to approximately HK\$9,338,000 as compared to a loss of approximately HK\$4,945,000 (as restated) for the six months ended 30 September 2010.

Selling and distribution and administrative for the six months ended 30 September 2011 was approximately HK\$11,244,000 as compared to approximately HK\$31,077,000 (as restated) for the six months ended 30 September 2010. The decrease of the expenses was mainly attributable to the continuous efforts to restructure and streamline the business operations.

NET LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The Group made a net loss attributable to the owners of the Company of approximately HK\$5,808,000 for the six months ended 30 September 2011 as compared to approximately HK\$35,843,000 (as restated) for the six months ended 30 September 2010. The improvement in results was mainly attributable to the continuous efforts to restructure and streamline the business operations.



LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2011, the Group had outstanding promissory note at a nominal value of approximately HK\$238.7 million (as at 31 March 2011: approximately HK\$238.7 million) with a discounted value of approximately HK\$257.5 million (as at 31 March 2011: approximately HK\$254.8 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, China Communication Investment Limited (“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 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. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2011 (as at 31 March 2011: HK\$Nil).

As at 30 September 2011, the Group had net current liabilities of approximately HK\$238.8 million (as at 31 March 2011: net current assets of approximately HK\$17.2 million). The Group’s current assets consisted of cash and cash equivalents of approximately HK\$35.7 million (as at 31 March 2011: approximately HK\$41.1 million), other receivables of approximately HK\$0.6 million (as at 31 March 2011: approximately HK\$1.1 million) and assets of disposal group classified as held for sale of approximately HK\$12.3 million (as at 31 March 2011: approximately HK\$12.1 million). The Group’s current liabilities included other payables of approximately HK\$1.0 million (as at 31 March 2011: approximately HK\$0.9 million), amounts due to substantial shareholders of HK\$Nil (as at 31 March 2011: approximately HK\$2.3 million), promissory note of approximately HK\$257.5 million (as at 31 March 2011: HK\$Nil), current taxation of approximately HK\$1.6 million (as at 31 March 2011: approximately HK\$0.1 million) and liabilities directly associated with assets of disposal group classified as held for sale of approximately HK\$34.7 million (as at 31 March 2011: approximately HK\$33.8 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 3.37 as at 30 September 2011 as compared to 3.27 as at 31 March 2011.

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



CAPITAL STRUCTURE

There was no change in the capital structure during the six months ended 30 September 2011.

CHARGE ON ASSETS

The Group did not have any charge on its assets as at 30 September 2011 and 31 March 2011.

STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

As at 30 September 2011, the Group had 84 employees (2010: 104). The staff costs for the six months ended 30 September 2011 was approximately HK\$5.1 million (six months ended 30 September 2010: approximately HK\$5.6 million). 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 30 September 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 30 September 2011 and 31 March 2011.

Condensed Consolidated Income Statement

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Continuing operation					
Turnover	3	8,628	9,558	14,712	19,077
Cost of sales		(2,851)	(11,298)	(5,374)	(23,771)
Gross profit/(loss)		5,777	(1,740)	9,338	(4,694)
Other income	4	6	4	8	15
Selling and distribution expenses		(1,569)	(9,973)	(4,095)	(19,946)
Administrative expenses		(3,335)	(5,843)	(7,042)	(10,053)
Profit/(loss) from operations		879	(17,552)	(1,791)	(34,678)
Finance costs	6	(1,330)	(2,547)	(2,659)	(5,093)
Loss before tax		(451)	(20,099)	(4,450)	(39,771)
Income tax (expense)/credit	7	(1,307)	2,800	(1,287)	5,232
Loss for the period from continuing operation		(1,758)	(17,299)	(5,737)	(34,539)
Discontinued operations					
Loss for the period from discontinued operations	10	(43)	(324)	(95)	(1,304)
Loss for the period	8	(1,801)	(17,623)	(5,832)	(35,843)



	For the three months ended 30 September		For the six months ended 30 September	
	2011	2010	2011	2010
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Attributable to:				
Owners of the Company				
Loss from continuing operation	(1,758)	(17,299)	(5,737)	(34,539)
Loss from discontinued operations	(32)	(324)	(71)	(1,304)
Loss for the period attributable to owners of the Company	(1,790)	(17,623)	(5,808)	(35,843)
Non-controlling interests				
Loss from continuing operation	-	-	-	-
Loss from discontinued operations	(11)	-	(24)	-
Loss for the period attributable to non-controlling interests	(11)	-	(24)	-
	(1,801)	(17,623)	(5,832)	(35,843)
	HK cents (Unaudited)	HK cents (Unaudited) (Restated)	HK cents (Unaudited)	HK cents (Unaudited) (Restated)
Loss per share	11			
From continuing and discontinued operations				
- basic	(0.15)	(1.48)	(0.49)	(3.00)
- diluted	N/A	N/A	N/A	N/A
From continuing operation				
- basic	(0.15)	(1.45)	(0.48)	(2.89)
- diluted	N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	For the three months ended 30 September		For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Loss for the period	(1,801)	(17,623)	(5,832)	(35,843)
Other comprehensive income:				
Exchange differences on translating foreign operations	116	2,726	249	2,662
Total comprehensive income for the period, net of tax	(1,685)	(14,897)	(5,583)	(33,181)
Attributable to:				
Owners of the Company	(1,601)	(14,897)	(5,418)	(33,181)
Non-controlling interests	(84)	–	(165)	–
	(1,685)	(14,897)	(5,583)	(33,181)

Condensed Consolidated Statement of Financial Position

AT 30 SEPTEMBER 2011

	Note	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	2,237	2,667
Intangible assets		31,576	34,938
		33,813	37,605
Current assets			
Other receivables		629	1,130
Amount due from a substantial shareholder		7,204	–
Bank and cash balances		35,700	41,088
		43,533	42,218
Assets of disposal group classified as held for sale	12	12,338	12,119
		55,871	54,337
Current liabilities			
Other payables		972	941
Amount due to a substantial shareholder		–	2,274
Promissory note	14	257,465	–
Current tax liabilities		1,614	102
		260,051	3,317
Liabilities directly associated with assets of disposal group classified as held for sale	12	34,655	33,776
		294,706	37,093
Net current (liabilities)/assets		(238,835)	17,244
Total assets less current liabilities		(205,022)	54,849



	<i>Note</i>	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Non-current liabilities			
Promissory note	14	–	254,807
Deferred tax liabilities		7,894	8,735
		7,894	263,542
NET LIABILITIES		(212,916)	(208,693)
Capital and reserves			
Share capital	15	11,947	11,947
Reserves		(224,078)	(220,020)
Equity attributable to owners of the Company		(212,131)	(208,073)
Non-controlling interests		(785)	(620)
TOTAL EQUITY		(212,916)	(208,693)

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Attributable to owners of the Company								
	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
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 period	-	-	-	2,662	-	(35,843)	(33,181)	-	(33,181)
Share option scheme									
- share-based payments	-	-	-	-	7,640	-	7,640	-	7,640
- forfeiture of share options granted	-	-	-	-	(1,781)	1,781	-	-	-
Changes in equity for the period	-	-	-	2,662	5,859	(34,062)	(25,541)	-	(25,541)
At 30 September 2010 (Restated)	11,947	1,042,779	8,320	11,880	7,689	(1,140,025)	(57,410)	-	(57,410)
At 1 April 2011	11,947	1,042,779	8,320	12,280	15,288	(1,298,687)	(208,073)	(620)	(208,693)
Total comprehensive income for the period	-	-	-	390	-	(5,808)	(5,418)	(165)	(5,583)
Share option scheme									
- share-based payments	-	-	-	-	1,360	-	1,360	-	1,360
Changes in equity for the period	-	-	-	390	1,360	(5,808)	(4,058)	(165)	(4,223)
At 30 September 2011	11,947	1,042,779	8,320	12,670	16,648	(1,304,495)	(212,131)	(785)	(212,916)

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	For the six months ended 30 September	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
NET CASH USED IN OPERATING ACTIVITIES	(7,369)	(5,786)
NET CASH USED IN INVESTING ACTIVITIES	(39)	(1,647)
NET CASH GENERATED FROM FINANCING ACTIVITIES	–	3,013
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,408)	(4,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	51,381	67,242
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(447)	(306)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	43,526	62,516
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances		
Continuing operation	35,700	47,725
Discontinued operations	7,826	14,791
	43,526	62,516



Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 and its subsidiaries (the "Group") are principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements ("Latest Annual Financial Statements") for the year ended 31 March 2011. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Latest Annual Financial Statements except as stated below.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

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

Despite the fact that the Group has incurred loss attributable to owners of the Company for the current period and the Group's financial position showing net current liabilities and net liabilities as at 30 September 2011, these condensed consolidated financial statements have been prepared on a going concern basis, based on (i) China Communication Investment Limited ("CCI") granted the Group the right to further postpone the maturity date of promissory note by one year on every 30 June up to the ultimate maturity date of 30 June 2025 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK\$50 million with reference to the latest published consolidated financial statements and (ii) the financial support obtained from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC") and CCI, the substantial shareholders of the Company at a level sufficient to finance the working capital requirements of the Group. The directors are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustment would have to be made to the condensed consolidated 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.

3. TURNOVER

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

	For the three months ended 30 September		For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Continuing operation				
– Promotion and management services	8,628	9,558	14,712	19,077
Discontinued operations (note 10)				
– e-Sports platform	-	157	-	196
– Computer games distribution and licensing	-	-	-	13
	-	157	-	209
	8,628	9,715	14,712	19,286

* For identification purpose

4. OTHER INCOME

	For the three months ended 30 September 2011		For the six months ended 30 September 2011	
	HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Interest income	13	6	20	29
Sundry income	-	-	-	11
	13	6	20	40
Representing:				
Continuing operation	6	4	8	15
Discontinued operations (note 10)	7	2	12	25
	13	6	20	40

5. SEGMENT INFORMATION

	Continuing operation	Discontinued operations		Total HK\$'000 (Unaudited)
	Promotion and management services HK\$'000 (Unaudited)	e-Sports platform HK\$'000 (Unaudited)	Computer games distribution and licensing HK\$'000 (Unaudited)	
Six months ended 30 September 2011:				
Revenue from external customers	14,712	-	-	14,712
Segment profit/(loss)	4,864	(95)	-	4,769
As at 30 September 2011:				
Segment assets	44,049	-	-	44,049
Six months ended 30 September 2010 (Restated):				
Revenue from external customers	19,077	196	13	19,286
Segment loss	(21,355)	(1,229)	(75)	(22,659)
As at 31 March 2011:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	41,099	-	-	41,099

For the six months ended 30 September	
2011	2010
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Reconciliations of segment profit or loss:

Total profit or loss of reportable segments	4,769	(22,659)
Finance costs	(2,659)	(5,093)
Income tax (expense)/credit	(1,287)	5,232
Unallocated head office and corporate expenses	(6,655)	(13,323)
Elimination of discontinued operations	95	1,304
Loss for the period from continuing operation	(5,737)	(34,539)

6. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
Interest on promissory note	1,330	2,547	2,659	5,093

7. INCOME TAX (EXPENSE)/CREDIT

	For the three months ended 30 September		For the six months ended 30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax	(1,850)	(93)	(2,344)	(504)
Deferred tax	543	2,893	1,057	5,736
	(1,307)	2,800	(1,287)	5,232

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and six months ended 30 September 2011 and 2010.

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

8. LOSS FOR THE PERIOD

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

	For the three months ended 30 September					
	Continuing operation		Discontinued operations		Total	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Amortisation of intangible assets						
– included in cost of sales	1,680	9,123	-	-	1,680	9,123
– included in selling and distribution expenses	494	2,446	-	-	494	2,446
	2,174	11,569	-	-	2,174	11,569
Depreciation	286	216	-	-	286	216
Operating lease charges for land and buildings	697	788	-	-	697	788
Equity-settled share-based payment	264	3,841	-	-	264	3,841
Staff costs including directors' emoluments						
– Salaries, bonus and allowances	2,131	2,367	27	121	2,158	2,488
– Retirement benefits scheme contributions	190	199	9	23	199	222
	2,321	2,566	36	144	2,357	2,710
	For the six months ended 30 September					
	Continuing operation		Discontinued operations		Total	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Amortisation of intangible assets						
– included in cost of sales	3,265	18,091	-	-	3,265	18,091
– included in selling and distribution expenses	962	4,851	-	-	962	4,851
	4,227	22,942	-	-	4,227	22,942
Depreciation	553	463	-	-	553	463
Operating lease charges for land and buildings	1,373	1,306	-	82	1,373	1,388
Equity-settled share-based payment	1,360	7,640	-	-	1,360	7,640
Reversal of write down of inventories	-	-	-	(14)	-	(14)
Staff costs including directors' emoluments						
– Salaries, bonus and allowances	4,584	4,655	65	441	4,649	5,096
– Retirement benefits scheme contributions	416	384	19	147	435	531
	5,000	5,039	84	588	5,084	5,627

9. DIVIDENDS

No dividends have been paid or proposed during the three months and six months ended 30 September 2011, nor has any dividend been proposed since the end of reporting period (three months and six months ended 30 September 2010: HK\$Nil).

10. DISCONTINUED OPERATIONS

During the year ended 31 March 2011, the Group ceased its online game, e-Sports platform and computer games distribution and licensing operations upon the extraordinary general meeting held on 20 January 2011, approving the agreement dated 1 December 2010 for the disposal 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.

The results of the discontinued operations for the three months and six months ended 30 September 2011, which have been included in the condensed consolidated income statement, are as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Turnover (note 3)	-	157	-	209
Cost of sales	-	(270)	-	(460)
Gross loss	-	(113)	-	(251)
Other income (note 4)	7	2	12	25
Selling and distribution expenses	(13)	(49)	(25)	(363)
Administrative expenses	(37)	(164)	(82)	(715)
Loss for the period from discontinued operations	(43)	(324)	(95)	(1,304)

* For identification purpose

11. 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 for the three months and six months ended 30 September 2011 is based on the loss for the period attributable to owners of the Company of approximately HK\$1,790,000 (three months ended 30 September 2010 (Restated): HK\$17,623,000) and HK\$5,808,000 (six months ended 30 September 2010 (Restated): HK\$35,843,000) respectively and the weighted average number of ordinary shares of 1,194,697,017 (three months and six months ended 30 September 2010: 1,194,697,017) in issue during both periods.

(ii) *From continuing operation*

The calculation of basic loss per share from continuing operation attributable to owners of the Company for the three months and six months ended 30 September 2011 is based on the loss for the period from continuing operation attributable to owners of the Company of approximately HK\$1,758,000 (three months ended 30 September 2010 (Restated): HK\$17,299,000) and HK\$5,737,000 (six months ended 30 September 2010 (Restated): HK\$34,539,000) respectively 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 for the three months and six months ended 30 September 2011 are HK cents 0.003 per share (three months ended 30 September 2010 (Restated): HK cents 0.03 per share) and HK cents 0.01 per share (six months ended 30 September 2010: HK cents 0.11 per share) respectively, based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$32,000 (three months ended 30 September 2010 (Restated): HK\$324,000) and HK\$71,000 (six months ended 30 September 2010 (Restated): HK\$1,304,000) respectively and the denominator used is the same as that detailed above.

(b) Diluted loss per share

No diluted loss per share is presented as the potential ordinary shares outstanding during the periods have anti-dilutive effect on the basic loss per share.

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As described in note 10 to the condensed consolidated financial statements, the assets and liabilities of CCP, have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position. The disposal is expected to be completed within 12 months after the reclassification. 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 the end of reporting periods are as follows:

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Other receivables	295	86
Amount due from a substantial shareholder	3,996	1,525
Amount due from an officer/a director	221	215
Bank and cash balances	7,826	10,293
Total assets of disposal group classified as held for sale	12,338	12,119
Trade and other payables (<i>note i</i>)	(22,974)	(22,398)
Receipts in advance from a related party	(11,681)	(11,378)
Total liabilities directly associated with assets of disposal group classified as held for sale	(34,655)	(33,776)
Net liabilities of disposal group classified as held for sales	(22,317)	(21,657)

Note:

- (i) Trade and other payables

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Trade payables (a)	13,888	13,536
Other payables and accruals	9,086	8,862
	22,974	22,398

- (a) As at 30 September and 31 March 2011, the trade payables are aged over 1 year based on the date of receipt of goods or rendering of services.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2011, the Group acquired property, plant and equipment of approximately HK\$59,000 (Six months ended 30 September 2010: HK\$1,676,000).

14. PROMISSORY NOTE

As at 30 September 2011, the promissory note is held by CCI with principle amount of HK\$238,690,000 (At 31 March 2011: 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 30 September 2011 is 2.09% (At 31 March 2011: 2.09%).

15. SHARE CAPITAL

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,194,697,017 ordinary shares of HK\$0.01 each	11,947	11,947

16. CONTINGENT LIABILITIES

As at 30 September 2011, the Group did not have any significant contingent liabilities (At 31 March 2011: HK\$ Nil).

17. 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:

	At 30 September 2011 HK\$'000 (Unaudited)	At 31 March 2011 HK\$'000 (Audited)
Within one year	1,608	2,276
In the second to fifth years inclusive	1,148	1,837
	2,756	4,113

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.

18. 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 period:

	For the three months ended 30 September		For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Promotion and management service income receivable from CCC	8,628	9,558	14,712	19,077
Interest on promissory note payable to CCI	(1,330)	(2,547)	(2,659)	(5,093)
Online game income received on behalf by CCC	-	220	-	275
Internet payment and settlement service fee payable to CCC	-	(55)	-	(69)
Net online game income receivable through CCC recognised by the Group	-	165	-	206
Service fee payable to CCC				
– Customer service hotline rental	(191)	(141)	(336)	(306)
– Dedicated leased lines	-	(225)	-	(374)
– Server hosting service	(839)	(783)	(1,630)	(1,555)



19. COMPARATIVE FIGURES

Certain comparative figures in the condensed financial statements of the Group for the six months ended 30 September 2010 have been restated or reclassified as a result of presentation of discontinued operations and conformation with the current period's presentation.

In addition, amortisation of intangible assets amounted to HK\$9,629,000 included in cost of sales and selling and distribution expenses, deferred tax income amounted to HK\$2,407,000 included in income tax (expense)/credit and exchange differences on translating foreign operations amounted to HK\$1,061,000 included in other comprehensive income for the three months ended 30 June 2011 have been overstated by the Group but these errors have been corrected in the condensed financial statements of the Group for the six months ended 30 September 2011. As such, the figures for the three months ended 30 June 2011 have been restated accordingly which included the decrease in the cost of sales of approximately HK\$7,627,000, the decrease in the selling and distribution expenses of approximately HK\$2,002,000, the decrease in the income tax credit of approximately HK\$2,407,000 and the decrease in the other comprehensive income of approximately HK\$1,061,000. The above restatements have resulted in a decrease in the Group's loss and total comprehensive loss by HK\$7,222,000 and HK\$6,161,000 respectively for the period of three months ended 30 June 2011.

Furthermore, interest on promissory note and equity-settled share-based payment amounted to HK\$1,798,000 included in finance costs and HK\$1,386,000 included in selling and distribution expenses respectively for the three months ended 30 September 2010 and HK\$3,604,000 included in finance costs and HK\$2,897,000 included in selling and distribution expenses respectively for the six months ended 30 September 2010 have been understated by the Group, which have been corrected in the audited financial statements of the Group for the year ended 31 March 2011. As such, the comparative figures have been restated accordingly which included the increase in the finance costs and selling and distribution expenses of approximately HK\$1,798,000 and HK\$1,386,000 respectively for the three months ended 30 September 2010 and HK\$3,604,000 and HK\$2,897,000 respectively for the six months ended 30 September 2010. The above restatements have resulted in an increase in the Group's loss and total comprehensive loss by HK\$3,184,000 and HK\$6,501,000 for the three months ended 30 September 2010 and six months ended 30 September 2010 respectively.

Other Information

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

As at 30 September 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:

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

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2011.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 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:

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

Notes:

- (1) 神州通信集團有限公司 (China Communication Group Co., Ltd.#) (“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.

English translation of the name for identification purpose only

Save as disclosed above, as at 30 September 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.

SHARE OPTION SCHEMES

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Share Option Scheme") conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the Company's annual report of year 2011.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 2011 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2011	Number of share options				As at 30 September 2011
					Options granted during the period	Options exercised during the period ⁽ⁱ⁾	Options lapsed during the period ⁽ⁱ⁾	Options cancelled during the period	
Other Eligible Participants									
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
In aggregate	14 April 2011	14 October 2011 to 13 October 2012	1.75	-	1,000,000	-	-	-	1,000,000
In aggregate	14 September 2011	14 November 2011 to 13 November 2013	1.50	-	1,000,000	-	-	-	1,000,000
				42,170,000	2,000,000	-	-	-	44,170,000



Notes:

- (1) In accordance with the Share Option Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its subsidiary companies, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation.
- (2) No share options were exercised during the period.

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

PRE-EMPTIVE RIGHTS

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the six months ended 30 September 2011.



AUDIT COMMITTEE

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

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2011.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2011.

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



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

Mr. He Chenguang (*Executive Director and Chairman*)

Mr. Xiao Haiping (*Executive Director*)

Mr. Zhang Peng (*Executive Director and Chief Executive Officer*)

Mr. Yip Tai Him (*Independent Non-Executive Director*)

Ms. Cao Huifang (*Independent Non-Executive Director*)

Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 7 November 2011