



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**

2012/13 INTERIM REPORT

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

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

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

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2012 was approximately HK\$16,934,000.
- Net loss attributable to owners of the Company was approximately HK\$7,628,000 for the six months ended 30 September 2012.
- Loss per share for the six months ended 30 September 2012 was approximately HK0.64 cents.
- The board of the Directors (the "Board") does not recommend the payment of a dividend for the six months ended 30 September 2012.

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 2012.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$16,934,000 for the six months ended 30 September 2012, representing an increase of approximately 15.1% as compared to approximately HK\$14,712,000 for the six months ended 30 September 2011. The turnover for the six months ended 30 September 2012 was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

The Group made a net loss attributable to owners of the Company of approximately HK\$7,628,000 for the six months ended 30 September 2012 as compared to approximately HK\$5,808,000 for the six months ended 30 September 2011.

BUSINESS REVIEW

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group. In March 2010, the Group completed acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited#) (“Yijia”). Since December 2011, the Group concentrates on the business in promotion and management services for Shentong Card in the PRC.

The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 15.1% as compared with the six months ended 30 September 2011.

Apart from concentrating on the business in promotion and management services for Shentong Card, the Directors will continue to do their best to deploy their strengths and capabilities to expand the revenue base of the Group and capture the new opportunities offered by the prosperity of PRC market.

Provision of promotion and management services

For the six months ended 30 September 2012, the revenue derived from the provision of promotion and management services was approximately HK\$16,934,000 as compared to approximately HK\$14,712,000 for the six months ended 30 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$16,934,000 (2011: HK\$14,712,000) for the six months ended 30 September 2012, representing an increase of approximately 15.1% as compared with 2011/12. The turnover was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC.

The Group's gross profit for the six months ended 30 September 2012 amounted to approximately HK\$10,231,000 as compared to approximately HK\$9,338,000 for the six months ended 30 September 2011.

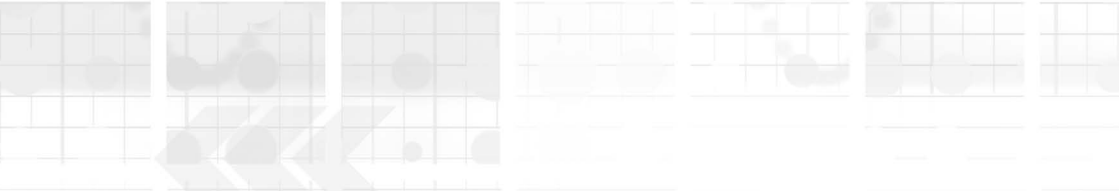
Selling and distribution and administrative expenses for the six months ended 30 September 2012 was approximately HK\$17,158,000 as compared to approximately HK\$11,244,000 for the six months ended 30 September 2011. The increase of the expenses was mainly attributable to the increase in advertising fee to boost the sales of Shentong Card.

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\$7,628,000 for the six months ended 30 September 2012 as compared to approximately HK\$5,808,000 for the six months ended 30 September 2011. The increase was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Shentong Card.

Liquidity and financial resources

As at 30 September 2012, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2012: HK\$98.7 million) with a discounted value of approximately HK\$95.3 million (as at 31 March 2012: HK\$99.3 million). The promissory note was unsecured, bearing interest at 2% per annum. On 31 March 2012, the Group and CCI, being the noteholder, agreed to extend the maturity date from 30 June 2012 to 30 June 2013. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2012 (as at 31 March 2012: HK\$Nil).



As at 30 September 2012, the Group had net current liabilities of approximately HK\$70.5 million (as at 31 March 2012: net current assets of approximately HK\$32.1 million). The Group's current assets consisted of cash and cash equivalents of approximately HK\$34.1 million (as at 31 March 2012: approximately HK\$38.4 million) and other receivables of approximately HK\$1.9 million (as at 31 March 2012: approximately HK\$4.3 million). The Group's current liabilities included accruals and other payables of approximately HK\$0.9 million (as at 31 March 2012: approximately HK\$0.9 million), promissory note of approximately HK\$95.3 million (as at 31 March 2012: HK\$Nil) and current taxation of approximately HK\$10.3 million (as at 31 March 2012: approximately HK\$9.7 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 2.22 as at 30 September 2012 as compared to 1.87 as at 31 March 2012.

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 2012.

Charge on assets

The Group did not have any charge on its assets as at 30 September 2012 and 31 March 2012.

Staff costs (including directors' emoluments)

As at 30 September 2012, the Group had 60 employees (2011: 84). The staff costs for the six months ended 30 September 2012 was approximately HK\$4.9 million (six months ended 30 September 2011: approximately HK\$5.1 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 2012, 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 2012 and 31 March 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Note	For the three months ended		For the six months ended	
		30 September		30 September	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operation					
Turnover	3	8,809	8,628	16,934	14,712
Cost of sales		(3,283)	(2,851)	(6,703)	(5,374)
Gross profit		5,526	5,777	10,231	9,338
Other income	4	33	6	41	8
Selling and distribution expenses		(4,442)	(1,569)	(8,200)	(4,095)
Administrative expenses		(4,415)	(3,335)	(8,958)	(7,042)
(Loss)/profit from operations		(3,298)	879	(6,886)	(1,791)
Finance costs	6	(452)	(1,330)	(941)	(2,659)
Loss before tax		(3,750)	(451)	(7,827)	(4,450)
Income tax (expense)/credit	7	(205)	(1,307)	199	(1,287)
Loss for the period from continuing operation		(3,955)	(1,758)	(7,628)	(5,737)
Discontinued operations					
Loss for the period from discontinued operations	10	-	(43)	-	(95)
Loss for the period	8	(3,955)	(1,801)	(7,628)	(5,832)

	Note	For the three months ended		For the six months ended	
		30 September		30 September	
		2012	2011	2012	2011
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Attributable to:					
Owners of the Company					
Loss from continuing operation		(3,955)	(1,758)	(7,628)	(5,737)
Loss from discontinued operations		–	(32)	–	(71)
Loss for the period attributable to owners of the Company		(3,955)	(1,790)	(7,628)	(5,808)
Non-controlling interests					
Loss from discontinued operations		–	(11)	–	(24)
Loss for the period attributable to non-controlling interests		–	(11)	–	(24)
		(3,955)	(1,801)	(7,628)	(5,832)
		HK cents (Unaudited)	HK cents (Unaudited)	HK cents (Unaudited)	HK cents (Unaudited)
Loss per share	11				
From continuing and discontinued operations					
— basic		(0.33)	(0.15)	(0.64)	(0.49)
— diluted		N/A	N/A	N/A	N/A
From continuing operation					
— basic		(0.33)	(0.15)	(0.64)	(0.48)
— diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	For the three months ended 30 September		For the six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Loss for the period	(3,955)	(1,801)	(7,628)	(5,832)
Other comprehensive income:				
Exchange differences on translating foreign operations	(62)	116	(42)	249
Total comprehensive income for the period, net of tax	(4,017)	(1,685)	(7,670)	(5,583)
Attributable to:				
Owners of the Company	(4,017)	(1,601)	(7,670)	(5,418)
Non-controlling interests	-	(84)	-	(165)
	(4,017)	(1,685)	(7,670)	(5,583)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2012

	Note	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	12	1,563	2,231
Intangible assets		11,755	15,868
		13,318	18,099
Current assets			
Deposits, prepayments and other receivables		1,355	1,300
Amount due from a substantial shareholder	13	600	3,007
Bank and cash balances		34,125	38,425
		36,080	42,732
Current liabilities			
Accruals and other payables		948	997
Promissory note	14	95,337	–
Current tax liabilities		10,297	9,678
		106,582	10,675
Net current (liabilities)/ assets		(70,502)	32,057
Total assets less current liabilities		(57,184)	50,156

	Note	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Non-current liabilities			
Promissory note	14	–	99,303
Deferred tax liabilities		2,939	3,967
		2,939	103,270
NET LIABILITIES		(60,123)	(53,114)
Capital and reserves			
Share capital	15	11,947	11,947
Reserves		(72,070)	(65,061)
TOTAL EQUITY		(60,123)	(53,114)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

Attributable to owners of the Company

	Share capital	Share premium	Merger reserve	Foreign	Share-based	Accumulated losses	Total	Non-controlling interests	Total equity
				currency translation reserve	payment reserve				
	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)	HKS'000 (unaudited)
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)
At 1 April 2012	11,947	1,042,779	8,320	1,512	13,204	(1,130,876)	(53,114)	-	(53,114)
Total comprehensive income for the period	-	-	-	(42)	-	(7,628)	(7,670)	-	(7,670)
Share option scheme — forfeiture of share options granted	-	-	-	-	(12,220)	12,220	-	-	-
— share-based payments	-	-	-	-	661	-	661	-	661
Changes in equity for the period	-	-	-	(42)	(11,559)	4,592	(7,009)	-	(7,009)
At 30 September 2012	11,947	1,042,779	8,320	1,470	1,645	(1,126,284)	(60,123)	-	(60,123)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	For the six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	613	(7,369)
NET CASH GENERATED FROM/ (USED IN) INVESTING ACTIVITIES	13	(39)
NET CASH USED IN FINANCING ACTIVITIES	(4,906)	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,280)	(7,408)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	38,425	51,381
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(20)	(447)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	34,125	43,526
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances		
Continuing operation	34,125	35,700
Discontinued operations	–	7,826
	34,125	43,526

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

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 2012. 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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2012. 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 2012, 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 to 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 directors have obtained 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 shareholders of the Company that CCC will continue to provide adequate fund for the Group to meet its financial obligation as they fall due, both present and future. 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.

* *For identification purpose*

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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Continuing operation				
— Promotion and management services	8,809	8,628	16,934	14,712
Discontinued operations (note 10)				
— e-Sports platform	—	—	—	—
— Computer games distribution and licensing	—	—	—	—
	—	—	—	—
	8,809	8,628	16,934	14,712

4. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest income	8	13	16	20
Sundry income	25	—	25	—
	33	13	41	20
Representing:				
Continuing operation	33	6	41	8
Discontinued operations (note 10)	—	7	—	12
	33	13	41	20

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 2012:				
Revenue from external customers	16,934	-	-	16,934
Segment loss	(810)	-	-	(810)
As at 30 September 2012:				
Segment assets	27,427	-	-	27,427
Six months ended 30 September 2011:				
Revenue from external customers	14,712	-	-	14,712
Segment profit/(loss)	4,864	(95)	-	4,769
As at 31 March 2012:	(Audited)	(Audited)	(Audited)	(Audited)
Segment assets	33,350	-	-	33,350
		For the six months ended 30 September		
		2012	2011	
		HK\$'000	HK\$'000	
		(Unaudited)	(Unaudited)	
Reconciliations of segment profit or loss:				
Total profit or loss of reportable segments		(810)	4,769	
Other income		41	-	
Finance costs		(941)	(2,659)	
Income tax credit/(expense)		199	(1,287)	
Unallocated head office and corporate expenses		(6,117)	(6,655)	
Elimination of discontinued operations		-	95	
Loss for the period from continuing operation		(7,628)	(5,737)	

6. FINANCE COSTS

	For the three months ended		For the six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on promissory note payable to CCI	452	1,330	941	2,659

7. INCOME TAX (EXPENSE)/CREDIT

	For the three months ended		For the six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax	(716)	(1,850)	(823)	(2,344)
Deferred tax	511	543	1,022	1,057
	(205)	(1,307)	199	(1,287)

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 2012 and 2011.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2011: 25%).

8. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	For the three months ended 30 September					
	Continuing operation		Discontinued operations		Total	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Amortisation of intangible assets						
— included in cost of sales	1,406	1,680	-	-	1,406	1,680
— included in selling and distribution expenses	635	494	-	-	635	494
	2,041	2,174	-	-	2,041	2,174
Depreciation	333	286	-	-	333	286
Directors' emoluments	1,082	1,131	-	-	1,082	1,131
Operating lease charges for land and buildings	699	697	-	-	699	697
Equity-settled share-based payment	332	264	-	-	332	264
Staff costs excluding directors' emoluments						
— Salaries, bonus and allowances	1,212	1,081	-	31	1,212	1,112
— Retirement benefits scheme contributions	85	109	-	5	85	114
	1,297	1,190	-	36	1,297	1,226

For the six months ended 30 September

	Continuing operation		Discontinued operations		Total	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Amortisation of intangible assets						
— included in cost of sales	2,814	3,265	-	-	2,814	3,265
— included in selling and distribution expenses	1,272	962	-	-	1,272	962
	4,086	4,227	-	-	4,086	4,227
Depreciation	667	553	-	-	667	553
Directors' emoluments	2,222	2,423	-	-	2,222	2,423
Operating lease charges for land and buildings	1,398	1,373	-	-	1,398	1,373
Equity-settled share-based payment	661	1,360	-	-	661	1,360
Staff costs excluding directors' emoluments						
— Salaries, bonus and allowances	2,458	2,368	-	75	2,458	2,443
— Retirement benefits scheme contributions	165	209	-	9	165	218
	2,623	2,577	-	84	2,623	2,661

9. DIVIDENDS

No dividends have been paid or proposed during the three months and six months ended 30 September 2012, nor has any dividend been proposed since the end of reporting period (three months and six months ended 30 September 2011: HK\$Nil).

10. DISCONTINUED OPERATIONS

During the year ended 31 March 2012, 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.

* For identification purpose

The disposal was completed on 7 December 2011.

The results of the discontinued operations for the three months and six months ended 30 September 2012, 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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Turnover (note 3)	-	-	-	-
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Other income (note 4)	-	7	-	12
Selling and distribution expenses	-	(13)	-	(25)
Administrative expenses	-	(37)	-	(82)
Loss for the period from discontinued operations	-	(43)	-	(95)

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 2012 is based on the loss for the period attributable to owners of the Company of approximately HK\$3,955,000 (three months ended 30 September 2011: HK\$1,790,000) and HK\$7,628,000 (six months ended 30 September 2011: HK\$5,808,000) respectively and the weighted average number of ordinary shares of 1,194,697,017 (three months and six months ended 30 September 2011: 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 2012 is based on the loss for the period from continuing operation attributable to owners of the Company of approximately HK\$3,955,000 (three months ended 30 September 2011: HK\$1,758,000) and HK\$7,628,000 (six months ended 30 September 2011: HK\$5,737,000) 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 and HK cents 0.01 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 and HK\$71,000 respectively and the denominator used is the same as that detailed above.

No loss per share from the discontinued operations attributable to owners of the Company for the three and six months ended 30 September 2012.

(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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group acquired property, plant and equipment of approximately HK\$3,000 (six months ended 30 September 2011: HK\$59,000).

13. AMOUNT DUE FROM A SUBSTANTIAL SHAREHOLDER

The amount due from a substantial shareholder, CCC, is denominated in RMB, unsecured, interest-free and repayable on demand.

14. PROMISSORY NOTE

As at 30 September 2012, the promissory note is held by CCI with principle amount of HK\$94,427,000 (At 31 March 2012: HK\$98,690,000).

On 31 March 2012, the Group and CCI agreed to extend the maturity date from 30 June 2012 to 30 June 2013.

The principal amount of the promissory note is denominated in Hong Kong dollars.

The promissory note is unsecured. As at 30 September 2012, the coupon rate is 2% per annum (At 31 March 2012: 2% per annum) and the effective interest rate is 1.99% (At 31 March 2012: 1.99%).

15. SHARE CAPITAL

	At 30 September 2012 HK\$'000 (Unaudited)	At 31 March 2012 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 2012, the Group did not have any significant contingent liabilities (At 31 March 2012: 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 2012 HK\$'000 (Unaudited)	At 31 March 2012 HK\$'000 (Audited)
Within one year	1,412	2,305
In the second to fifth years inclusive	–	459
	1,412	2,764

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		For the six months ended	
	30 September 2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	30 September 2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Promotion and management service income receivable from CCC	8,809	8,628	16,934	14,712
Interest on promissory note payable to CCI	(495)	(1,330)	(984)	(2,659)
Service fee payable to CCC				
— Advertising expenses	(1,470)	–	(2,941)	–
— Customer service hotline rental	(297)	(191)	(548)	(336)
— Server hosting service	(1,323)	(839)	(2,647)	(1,630)

OTHER INFORMATION

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

As at 30 September 2012, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2012.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

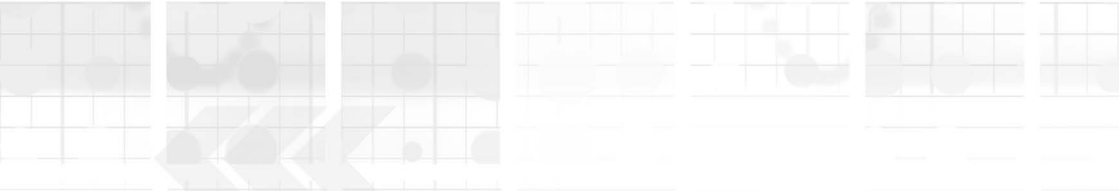
As at 30 September 2012, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to 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	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other 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%	
Yang Shaoyao (Note 4)	-	-	-	128,205,128	128,205,128	-	128,205,128	10.73%	
Jin Yan (Note 5)	-	-	-	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

- 
- (4) Mr. Jin Lin Jun has pledged his equity interest in Amazing International Holdings Limited to Mr. Yang Shaoxiao, and Mr. Yang Shaoxiao is therefore considered to have a security interest in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.
 - (5) Mr. Jin Xian Gen has pledged his equity interest in Full Ocean Development Limited to Ms. Jin Yan, and Ms. Jin Yan is therefore considered to have security interest in 128,205,128 shares held by Full Ocean Development Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2012, 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 2011/12.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 September 2012 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	As at 1 April 2012	Number of share options				As at 30 September 2012
					Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
Other Eligible Participants									
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
In aggregate	2 December 2011	2 December 2012 to 1 December 2013	1.24	6,000,000	-	-	-	-	6,000,000
				39,170,000	-	-	(31,170,000)	-	8,000,000

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 2012.

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 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except as hereinafter mentioned, 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 2012.

Pursuant to Code Provision A.6.7, if an independent non-executive Director of the Company serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by the shareholders. Mr. Yip Tai Him has served as an independent non-executive Director for over nine years, but Mr. Yip Tai Him is not due to retirement by rotation yet. The Company opined that a service term of over nine years is not the key factor in determining the independence of an independent non-executive Director, the Company believes that Mr. Yip Tai Him can exercise his own integrity and experience and to express opinions on matters of the Company independently and therefore his independence is confirmed.

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 2012.

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

Hong Kong, 9 November 2012