THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Communication Telecom Services Company Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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)

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF 75% REGISTERED AND PAID-UP CAPITAL IN CHINA CYBER PORT CO., LIMITED

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

Nuada Limited
Corporate Finance Advisory

The notice convening the extraordinary general meeting of the Company to be held at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 20 January 2011 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the extraordinary general meeting is enclosed with this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

This circular will remain at www.hkgem.com on the "Latest company announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.ccpi.com.hk.

22 December 2010

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

In this circular, the following expressions have the following meanings, unless the context otherwise requires:

"associate(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors from time to time
"Business Day(s)"	a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays, Sundays and public holidays)
"CCC"	神州通信集團有限公司 (China Communication Group Co., Ltd.#), a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in 25% in CCP as well as its interest as to approximately 29.84% of the issued share capital of the Company through CCI, its wholly-owned subsidiary
"CCI"	神州通信投資有限公司 (China Communication Investment Limited), a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of CCC
"CCP"	神州奧美網絡有限公司 (China Cyber Port Co., Ltd.#), a company established under the laws of the PRC, a non-wholly owned subsidiary of the Company, with its entire equity interests beneficially owned by the Company and CCC as to 75% and 25% respectively
"Company"	China Communication Telecom Services Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM (stock code: 8206)
"Completion"	completion of the sale and purchase of the Sale Capital in accordance with the terms and conditions of the Disposal Agreement
"Completion Date"	the third (3rd) Business Day after all the Conditions Precedent have been fulfilled (or such later date as the parties to the Disposal Agreement may agree in writing)

"Conditions Precedent"	the conditions precedent to Completion as set out in the section headed "Conditions" in the Letter from the Board in this circular
"connected person(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Directors"	the directors of the Company (including the independent non-executive directors) from time to time
"Disposal Agreement"	the conditional disposal agreement dated 1 December 2010 and entered into among Oriental Glory as vendor and CCI as purchaser in relation to the sale and purchase of the Sale Capital
"Disposal"	the proposed disposal of 75% equity interests in CCP under the Disposal Agreement
"Disposal Consideration"	the aggregate consideration of HK$140 million for the sale and purchase of the Sale Capital pursuant to the Disposal Agreement
"EGM"	the extraordinary general meeting of the Company to be convened and held by the Company to consider and if thought fit, to approve the Disposal Agreement and the transactions contemplated thereunder
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries (which shall exclude, where the context requires, CCP immediately after Completion) from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	a committee comprising Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong, being all the independent non-executive Directors, to be established to advise the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder

"Independent Shareholders"	Shareholders other than CCC, CCI and their respective associates
"Latest Practicable Date"	17 December 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained therein
"Oriental Glory"	Oriental Glory (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company and the vendor in the Disposal Agreement
"PICC Life"	PICC Life Insurance Company Limited
"PICC Property"	PICC Property and Casualty Company Limited
"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Acquisition Agreement"	the sale and purchase agreement dated 1 November 2007 in relation to the acquisition by the Group of the Sale Capital from CCI
"Promissory Note"	the promissory note in the principal amount of HK$238,690,000 issued by Success Advantage Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, in favour of CCI
"Remaining Group"	the Group excluding CCP
"Sale Capital"	registered and paid-up capital of CCP in a sum of USD9 million (equivalent to approximately HK$70.2 million), being 75% of the entire registered capital of CCP as at the date of the Disposal Agreement
"SFO"	the Securities and Futures Ordinances (Chapter 571 of the Laws of Hong Kong)
"Shareholders"	holders of the issued Shares from time to time
"Share(s)"	share(s) of HK$0.01 each in the capital of the Company

"Shentong Yijia"	北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Success Advantage"	Success Advantage Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Sudden Attack Agreement"	an agreement entered into between Success Advantage, CCI and CCC on 20 October 2006 pursuant to which Success Advantage has acquired, at a consideration of HK$620 million, the right to receive 40% of the net sales revenue derived from operating "Sudden Attack" in the PRC by CCP as disclosed in the Company's announcement dated 26 October 2006 (as amended by a supplemental agreement dated 30 June 2007 as disclosed in the Company's announcement dated 4 July 2007)
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"USD"	United States dollars, the lawful currency of the United States of America
"%"	per cent.

English translations of the Chinese names for identification purpose only

For the purpose of this circular, unless otherwise indicated, conversions of RMB and USD into HK$ are calculated at the approximate exchange rates of RMB0.86 to HK$1.00 and USD1.00 to HK$7.80 respectively. These exchange rates are adopted for the purpose of illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at these rates or any other rates at all.

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)

Executive Directors:
Mr. He Chenguang
Mr. Xiao Haiping
Mr. Zhang Peng
Mr. Bao Yueqing

Independent non-executive Directors:
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

Registered office:
P.O. Box 309 GT, 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

22 December 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF 75% REGISTERED AND PAID-UP CAPITAL IN CHINA CYBER PORT CO., LIMITED

1. INTRODUCTION

Reference is made to the announcement of the Company dated 1 December 2010 in which the Board announced that on 1 December 2010, Oriental Glory, an indirect wholly-owned subsidiary of the Company, as vendor and CCI, a substantial Shareholder, as purchaser entered into the Disposal Agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the Sale Capital, representing 75% of the entire registered and paid-up capital of CCP for the Disposal Consideration of HK$140 million. The remaining 25% of the registered and paid-up capital of CCP is owned by CCC, the holding company of CCI.

The purpose of this circular is to provide you with, amongst other things, further information of the Disposal, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the notice of the EGM.

2. THE DISPOSAL

THE DISPOSAL AGREEMENT

Date: 1 December 2010

Parties:

(1)	Vendor	:	Oriental Glory (H.K.) Limited
(2)	Purchaser	:	China Communication Investment Ltd.

CCI is a substantial Shareholder interested in 356,542,000 Shares, representing approximately 29.84% of the total issued share capital of the Company as at the Latest Practicable Date and is therefore a connected person of the Company. CCI is an investment holding company. CCC, being the holding company of CCI, is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued-added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" (神通卡) platform.

Assets to be disposed of

The Sale Capital, representing 75% of the registered and paid-up capital of CCP.

Consideration

The Disposal Consideration is HK$140 million and shall be paid by CCI by setting off against the face value of the Promissory Note in the sum equivalent to the Disposal Consideration.

The Promissory Note was issued by Success Advantage to CCI for settling part of the consideration under the Sudden Attack Agreement. The Promissory Note had an initial principal amount of HK$425 million, out of which an amount of HK$80 million had been cancelled pursuant to the Previous Acquisition Agreement. The Promissory Note currently has an outstanding principal amount of HK$238.69 million (the "**Principal Sum**"). It is unsecured and carries an interest rate of 2% per annum payable once every year in arrears. The original maturity date was 10 August 2009 which has been extended to 30 June 2011 (or such later date as Success Advantage may agree) and is nontransferable. Success Advantage has the right to repay the whole or part of the Principal Sum at any time at par value together with interest accrued on any Principal Sum outstanding before maturity.

For further details of the Promissory Note, please refer to the circulars of the Company dated 30 November 2006 in relation to the Sudden Attack Agreement and dated 28 December 2007 in relation to the acquisition of the Sale Capital by the Group respectively.

The Board is of the view that instead of settling the Disposal Consideration in cash, the proposed settlement method by offsetting the Disposal Consideration against the face value of the Promissory Note is more appropriate in view of the current financial position of the Group. As disclosed in the latest audited consolidated financial results of the Company for the year ended 31 March 2010, the Company has a gearing ratio of about 1.1 and net liabilities of approximately HK$31.87 million as at 31 March 2010, which is primarily attributable to the Promissory Note (being a non-current liability of the Company). Further, substantial amounts of finance costs will be incurred by the Company during the subsistence of the Promissory Note. The substantial reduction in principal amount of the Promissory Note from HK$238.69 million to HK$98.69 million would bring a positive effect to the financial performance to the Group.

As also disclosed in the unaudited interim financial results of the Company for the six months ended 30 September 2010, the Company has cash and cash equivalent amount to approximately HK$62.52 million. The Directors are of the view that, in the absence of unforeseeable circumstance, the Group will have sufficient working capital for its present requirements. As such, the Directors are of the view that the Company chooses to settle the Disposal Consideration by offsetting the Promissory Note is in the interests of the Company and the Shareholders as a whole taking into account the reduction in gearing and interest burden.

Basis of the Disposal Consideration

The Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to (i) the reasons for the disposal as discussed in the section headed "Reasons for and benefits of the Disposal" below; (ii) the valuation prepared by the independent valuer, Grant Sherman Appraisal Limited, on the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) on asset-based approach as at 30 September 2010; (iii) the unaudited net asset value of CCP in the sum of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) prepared under the PRC accounting standards as at 30 September 2010; and (iv) the financial performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010.

As disclosed in the circular of the Company dated 28 December 2007 in relation to the acquisition of the Sale Capital by the Group, the consideration of approximately HK$800 million was arrived at mainly according to the valuation of the Sale Capital as at 30 September 2007 based on an income approach.

Due to the underperformance of the operation of the e-Sports platform and the distribution of computer games in the PRC business currently engaged by CCP, as well as the absence of sign of improvement in the performance of such business activities, the fair value of the Sale Capital has almost been fully amortised as at 30 September 2010. The Directors and the independent valuer consider it would no longer be realistic and might not be appropriate to value the Sale Capital based on an income approach in the existing circumstances. As advised by the independent valuer, the asset-based approach is selected for the valuation of the Sale Capital taking into account CCP recorded negative net income in 2010 but had intensive assets mainly consisted of intangible assets.

Although it has also been mentioned above in this section that the fair value of the Sale Capital has almost been fully amortised as at 30 September 2010, this assets-based approach derives an indication of the value of the business entity by developing a "fair value" balance sheet (as opposed to the "cost-based" balance sheet which is to be prepared in accordance with relevant accounting standards). As advised by the independent valuer, the asset-based approach places a fair value on all assets of the business on the assumption that no rational investor will pay more for the business assets than the cost of procuring assets of a similar economic utility. Therefore, all of the assets and the liabilities of the business, including the fully amortised accounting items and off balance sheet items in the financial statements of a business entity, would also be identified and listed on the fair value balance sheet for valuation purpose. The Disposal Consideration of HK$140 million is also arrived at after arms' length negotiation between the parties with reference to the valuation of the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) on an asset-based approach, and the unaudited net asset value of the CCP of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) prepared under the PRC accounting standards as at 30 September 2010, and represents premiums to the preliminary valuation and the book value of CCP.

As such, in spite of the difference between the original acquisition costs of the Sale Capital and the Disposal Consideration, given (i) the current financial condition of CCP and the deteriorated performance of business engaged by CCP; (ii) the Disposal Consideration represents premium to both the preliminary valuation and book value of CCP; (iii) the Disposal represents an opportunity for the Group to dispose of its loss-making business; and (iv) the Group is expected to record an unaudited gain on disposal as a result of the Disposal, the Directors (including independent non-executive Directors after having been advised by the independent financial adviser) consider that the terms and conditions of the Disposal Agreement and the transactions contemplated thereunder are entered into on normal commercial terms following arm's length negotiations among the parties to the Disposal Agreement and the terms and conditions of the Disposal Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

Conditions

The Disposal is conditional upon the following Conditions Precedent being satisfied on or before 30 June 2011 or such later date as Oriental Glory and CCI may agree in writing:

(1) the obtaining by CCI of all the registrations, filings, consents and authorisations required for the sale and purchase of the Sale Capital;

(2) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder;

(3) the passing at a meeting of the board of directors of CCI of the necessary resolution to approve the Disposal Agreement and the transactions contemplated thereunder;

(4) the obtaining by Oriental Glory of the PRC legal opinion (in form and substance satisfactory to Oriental Glory) from a firm of PRC legal advisers appointed by Oriental Glory in relation to the Disposal Agreement and the transactions contemplated thereunder; and

(5) the obtaining by Oriental Glory, CCI and CCP of the consents and authorisations required to be obtained on the part of Oriental Glory, CCI and CCP in respect of the Disposal Agreement and the transactions contemplated thereunder.

None of the Conditions Precedent is waivable. If the above Conditions Precedent have not been satisfied on or before 30 June 2011 or such later date as the parties to the Disposal Agreement may agree in writing, neither parties shall be bound to proceed with the sale and purchase of the Sale Capital and the outstanding obligations under the Disposal Agreement shall cease to be of any effect.

Conditions Precedent (3) above has been fulfilled as at the Latest Practicable Date.

Completion

Completion shall take place on the third Business Day after the date of fulfillment of all the Conditions Precedent or such other date as the parties to the Disposal Agreement may mutually agree. Upon Completion, the Group will not hold any equity interest in CCP and CCP will cease to be a subsidiary of the Company, and the Group will no longer be engaged in the business of operation of the e-Sports platform and distribution of computer games in the PRC which is currently operated by CCP.

INTENDED USE OF PROCEEDS

As the Disposal Consideration shall be settled by CCI by setting off against the face value of the Promissory Note in the sum of HK$140 million, no proceeds will be received by the Group under the Disposal.

INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card", operation of the e-Sports platform and distribution of computer games in the PRC.

INFORMATION OF CCP

As at the Latest Practicable Date, CCP is an indirect non-wholly-owned subsidiary of the Company. CCP is principally engaged in operation of the e-Sports platform and distribution of computer games in the PRC.

The following table summarises the unaudited financial results of CCP prepared in accordance with the PRC accounting standards for each of the two financial years ended 31 March 2010:

	For the year ended 31 March 2010 *RMB'000*	**For the year ended 31 March 2009** *RMB000*
Loss before taxation	(29,589)	(69,406)
Loss after taxation	(29,589)	(80,802)

Based on the unaudited management accounts of CCP made up to 30 September 2010 prepared in accordance with the PRC accounting standards, the unaudited net assets value of CCP as at 30 September 2010 was approximately RMB91.97 million (equivalent to approximately HK$106.94 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the circular of the Company dated 28 December 2007 in relation to, among other matters, the acquisition of the Sale Capital by the Group from CCI for the consideration of approximately HK$800 million based on the valuation on the Sale Capital as at 30 September 2007.

As disclosed in 2009 annual report of the Company, the acquisition of Sale Capital allowed the Group to step out from the then competitive and saturated financial information provision services industry and move forward to the then booming animation and game industry in the PRC. However, due to the dynamic and fast-paced business nature of the animation and game industry, the turnover rate of animations and online games is usually high and the business life span for individual animation and online game is generally short. As a result, despite a remarkable increase in consolidated turnover had been recorded by the Group for the year ended 31 March 2009, the financial performance of the operation of e-Sports platform has been deteriorating thereafter.

Also, as disclosed in 2010 annual report of the Company, for the year ended 31 March 2010, the revenue derived from the operation of the e-Sports platform was approximately HK$6.55 million as compared to approximately HK$145.47 million for the year ended 31 March 2009. As regards the operation of online game, the revenue derived therefrom had also decreased from approximately HK$221.27 million for the year ended 31 March 2009 to approximately HK$7.63 million for the year ended 31 March 2010. The performance of distribution of computer games business was also far from satisfaction that for the year ended 31 March 2010, the revenue derived from the distribution and selling computer games in the PRC was approximately HK$0.10 million as compared to approximately HK$22.73 million for the year ended 31 March 2009.

In addition, as disclosed in 2010 interim report of the Company, for the six months ended 30 September 2010, the revenue derived from the operation of the e-Sports platform was approximately HK$0.20 million, which represents a significant drop as compared with the revenue record for the corresponding period in 2009 of HK$5.35 million.

The Directors are of the view that such decreases were attributable to (i) the downturn for the animation and game industry in the PRC during the period; and (ii) the termination of the online game operation upon the expiration of the license rights of the online computer game in the PRC on 10 February 2010. As such, the Directors are not optimistic about the prospect of the animation and game industry in the PRC in the future.

Furthermore, the Disposal Consideration of HK$140 million represents (i) a premium of approximately 30.91% over the unaudited net asset value of CCP in the sum of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) as at 30 September 2010 prepared under the PRC accounting standards; and (ii) a premium of approximately 20.54% over the fair value on the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) based on the asset-based approach as at 30 September 2010.

Besides, notwithstanding the Disposal Consideration shall be settled by CCI by setting off against the face value of the Promissory Note and therefore no real cash flow will be involved on Completion, the reduction in outstanding principal amount of the Promissory Note will bring an improvement of the Group's gearing ratio from approximately 110% as at 31 March 2010 to approximately 56% should the Disposal proceed to Completion with reference to the unaudited net assets value of the Remaining Group as at 31 March 2010.

In light of the recent performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010, the Directors are of the view that the Disposal will allow the Group to focus on the new businesses in the provision of promotion and management services for an electronic smart card "Shentong Card" which are of higher potential as to be discussed in the section headed "Business of the Remaining Group" below, so as to optimise the resources of the Group with a view to generating more return to the Shareholders. Moreover, the Disposal allows the Group to dispose of a loss-making business at premium and thus improving the financial position of the Group.

As such, the Directors (including independent non-executive Directors after having been advised by the independent financial adviser appointed in this regard) consider that the terms of the Disposal are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Business of the Remaining Group

After Completion, the Remaining Group shall be principally engaged in the business of provision of promotion and management services for an electronic smart card "Shentong Card". "Shentong Card" is an electronic wallet launched by CCC, whereby money can be transferred between an individual's bank account and his designated "Shentong Card". As an electronic wallet, "Shentong Card" can be used to pay mobile and fixed line phone recharge fees, transportation fees, online trading fees and utilities fees etc.

Pursuant to the service agreement entered into between Shentong Yijia, an indirect wholly-owned subsidiary of the Company, and CCC dated 30 November 2009, Shentong Yijia shall provide various services to CCC, including the management and sale of the designated "Shentong Card" which, in addition to the existing features of the "Shentong Card", are also preloaded with a passenger insurance provided by PICC Life and a fire and explosion insurance provided by PICC Property.

According to China Insurance Regulatory Commission (CIRC), the total revenue of the PRC's insurance industry in 1999 was only RMB139.3 billion. However, the total insurance revenue at the end of 2008 has already reached RMB978.4 billion, which was increased by approximately 600% as compared with the figures recorded in year 1999. It was indicated by CIRC that the total revenue of the insurance industry in the PRC for the nine months ended 30 September 2009 was approximately RMB858 billion, comprising approximately RMB572.3 billion of life insurance, approximately RMB43.8 billion of health insurance and approximately RMB18.5 billion of casualty insurance. Such remarkable growth of revenue of the insurance market indicates a vast room of development of the insurance business in the PRC.

The acquisition of the entire registered and paid-up capital of Shentong Yijia by the Group was completed on 31 March 2010. As disclosed in the 2010 interim report, the Group has recorded a turnover of approximately HK$19.29 million for the six months ended 30 September 2010, out of which approximately HK$19.08 million, representing approximately 98.9% of the entire turnover of the Group for the period, was attributed to the provision of promotion and management services for an electronic smart card "Shentong Card". The Directors find the financial results of the provision of promotion and management services for an electronic smart card "Shentong Card" to be encouraging, and are confident about that the remaining business of the Group will present the Group with favourable long term prospects.

By reference to the monthly management accounts of Shentong Yijia for the six months ended 30 September 2010, the turnover recorded by Shentong Yijia was on increasing trend during the said six months period. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there has been no circumstance which could render the Directors reasonably believe to have a material and adverse effect on the operation of the business of the Remaining Group.

In addition, based on the unaudited management accounts of CCP made up to 30 September 2010 prepared in accordance with the PRC accounting standards, the unaudited net assets value of CCP of approximately RMB91.97 million (equivalent to approximately HK$106.94 million). However, for the purpose of the financial results of the Company which was prepared in accordance with the Hong Kong Financial Reporting Standard, such net assets value of CCP had largely been impaired. As at 30 September 2010, the unimpaired total assets value of CCP was approximately HK$15.20 million and net liabilities of CCP was approximately HK$20.83 million. As such, approximately HK$268.96 million out of the total assets of the Company of approximately HK$284.16 million as at 30 September 2010 as shown in the 2010 interim report of the Company was made up of the total assets of the Remaining Group.

In light of the above, the Directors are of the view that the Remaining Group would have sufficient level of operations and assets of sufficient value to warrant the listing status of the Company.

Management Discussion and Analysis of the Results of the Remaining Group

(i) For the year ended 31 March 2008

Revenue and profitability

The Remaining Group recorded a turnover of approximately HK$23.64 million for the year ended 31 March 2008, which was increased by approximately 11.2% as compared with the year ended 31 March 2007. The Remaining Group's gross loss for the year ended 31 March 2008 amounted to approximately HK$6.05 million. The increase in turnover of the Remaining Group was mainly attributable to the licensing income from the licensed rights of certain PC games.

Business Review and Prospects

The competition among financial information providers in Hong Kong has always been fierce due to the small size market and the market has already become saturated. In view of this, the Board has been actively seeking other opportunities to broaden the revenue base of the Remaining Group. During the past years, the Remaining Group has made strategic move to entering into the booming animation and game industry in the PRC and successfully completed three substantial acquisitions. Such strategic moves signal the

Remaining Group stepping out from the financial information provision services in Hong Kong and focusing its resources on investment and business in the animation and game industry in the PRC. The Board considers that the PRC animation and game market is a fast growing sector with significant business potential. The Board also believes that the computer games and electronic sports industry in the PRC will expand rapidly in the foreseeable future given the industrial policy supports from the PRC government. The Board is optimistic about the financial and trading prospects of the Remaining Group.

Liquidity and financial resources and funding and treasury policy

As at 31 March 2008, the Remaining Group had outstanding promissory notes at a nominal value of approximately HK$394 million with a discounted value of approximately HK$360.02 million. The promissory note was interest bearing at 2% per annum, and with maturity date on 10 February 2010. Other than the promissory note, the Remaining Group did not have any borrowings outstanding and did not have any committed borrowing facilities.

As at 31 March 2008, the Remaining Group had bank and cash balances of approximately HK$35.81 million and net current assets of approximately HK$111.71 million. The Remaining Group also has non-current assets of approximately HK$879.99 million and non-current liabilities of approximately HK$360.02 million.

The Remaining Group intended to principally finance its operations and investment activities by internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

Gearing ratio

The gearing ratio, as defined as the ratio of total liabilities to total assets, was 0.37 as at 31 March 2008.

Capital structure

During the year ended 31 March 2008, 126,700,000 new ordinary shares were issued and allotted by the Company, among which 105,000,000 new ordinary shares were issued as the consideration for the acquisition for the right to receive the distributable profit from the e-Sports platform in the PRC in August 2007, 20,000,000 new ordinary shares were issued and allotted by subscription in June 2007 and 1,700,000 new ordinary shares were issued upon the exercise of share options.

Charge on assets

The Remaining Group did not have any charge on its assets as at 31 March 2008.

Employees and remuneration policy

As at 31 March 2008, the Remaining Group had 3 employees. The staff costs for the year ended 31 March 2008 was approximately HK$0.88 million. The Remaining Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material acquisitions or disposals

There were no material acquisitions or disposals of subsidiary companies and affiliated companies during the year ended 31 March 2008.

Future plans for material investments or capital assets

As at 31 March 2008, the Remaining Group did not have any plan for material investments or capital assets. Nevertheless, the Remaining Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Significant investment

There was no significant investment during the year ended 31 March 2008.

Foreign currency risks

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

Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 March 2008.

(ii) *For the year ended 31 March 2009*

Revenue and profitability

No turnover was derived from the Remaining Group for the year ended 31 March 2009 as the PC games distribution and licensing business has been transferred to CCP after acquisition of the Sale Capital. The Remaining Group recorded a turnover of approximately HK$23.64 million for the year ended 31 March 2008.

Business Review and Prospects

The competition among financial information providers in Hong Kong has always been fierce due to the small size market and the market has already become saturated. In view of this, the Board has been actively seeking other opportunities to broaden the revenue base of the Remaining Group. During the past years, the Remaining Group has made strategic move to entering into the booming animation and game industry in the PRC and successfully completed three substantial acquisitions. Such strategic moves signal the Remaining Group stepping out from the financial information provision services in Hong Kong and focusing its resources on investment and business in the animation and game industry in the PRC. The Board considers that the PRC animation and game market is a fast growing sector with significant business potential. The Board also believes that the computer games and electronic sports industry in the PRC will expand rapidly in the foreseeable future given the industrial policy supports from the PRC government. The Board is optimistic about the financial and trading prospects of the Remaining Group.

Liquidity and financial resources and funding and treasury policy

As at 31 March 2009, the Remaining Group had outstanding promissory notes at a nominal value of approximately HK$238.69 million with a discounted value of approximately HK$232.88 million. The Promissory Note was interest bearing at the date 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, upon the New Maturity Date, the Group has the right to postpone ("**Maturity Postponement Right**") the maturity date to 30 June 2011 ("**Extended Maturity Date**") if the latest published financial information of the Group indicates that the repayment of principal and accrued interest would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the Promissory Note, the Remaining Group did not have any borrowings outstanding and did not have any committed borrowing facilities.

As at 31 March 2009, the Remaining Group had bank and cash balances of approximately HK$14.51 million and net current assets of approximately HK$14.18 million. The Remaining Group also has non-current assets of approximately HK$0.50 million and non-current liabilities of approximately HK$232.88 million.

The Remaining Group intended to principally finance its operations and investment activities by internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

Gearing ratio

The gearing ratio, as defined as the ratio of total liabilities to total assets, was 15.1 as at 31 March 2009.

Capital structure

There was no change in the capital structure during the year ended 31 March 2009.

Charge on assets

The Remaining Group did not have any charge on its assets as at 31 March 2009.

Employees and remuneration policy

As at 31 March 2009, the Remaining Group had 3 employees. The staff costs for the year ended 31 March 2009 was approximately HK$1.60 million. The Remaining Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material acquisitions or disposals

On 1 November 2007, Favor Grow entered into the Previous Acquisition Agreement with CCI for the acquisition of the Sale Capital at a consideration based on the difference between the valuation of 75% equity interest in CCP and the adjusted benefits accruing to the Group under the Sudden Attack Agreement and the e-Sports Platform Agreement. Pursuant to the Sudden Attack Agreement and the e-Sports Platform Agreement entered into by the Group on 20 October 2006 and 28 May 2007 respectively, the Group acquired from CCI (i) the right to receive the 40% of the net revenue derived from operating "Sudden Attack" in the PRC and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform in the PRC, respectively. Under the Previous Acquisition Agreement, the Group and CCI agreed to cancel these two agreements and to cancel the face value of HK$80 million of the Promissory Notes in settlement of the shortfall. The completion of the acquisition of the Sale Capital took place on 1 April 2008 and CCP became an indirect 75%-owned subsidiary of the Company. Details of the acquisition have been set out in the Company's circular dated 28 December 2007.

Other than the acquisition of the Sale Capital, there were no material acquisitions or disposals of subsidiary companies and affiliated companies during the year ended 31 March 2009. Details of the acquisition have been set out in the Company's circular dated 28 December 2007.

Future plans for material investments or capital assets

As at 31 March 2009, the Remaining Group did not have any plan for material investments or capital assets. Nevertheless, the Remaining Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Significant investment

Other than the acquisition of the Sale Capital, there was no significant investment during the year ended 31 March 2009.

Foreign currency risks

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

Contingent liabilities

The Remaining Group did not have any significant contingent liabilities as at 31 March 2009.

(iii) For the year ended 31 March 2010

Revenue and profitability

No turnover was derived from the Remaining Group for the year ended 31 March 2010 as the PC games distribution and licensing business has been transferred to CCP after acquisition of the Sale Capital. No turnover was recorded from the Remaining Group for the year ended 31 March 2009.

Business Review and Prospects

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 Remaining Group and enhance the business performance, the Board has been actively seeking other opportunities to broaden the revenue base of the Remaining Group. In March 2010, the Group completed acquisition of 100% of the equity interest in Shentong Yijia. The Board considers that this acquisition will enable the Remaining 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 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. The Board is optimistic about the financial and trading prospects of the Remaining Group.

Liquidity and financial resources and funding and treasury policy

As at 31 March 2010, the Remaining Group had outstanding Promissory Notes at a nominal value of approximately HK$238.69 million with a discounted value of approximately HK$244.62 million. The promissory note was interest bearing at 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, CCI agreed to vary the terms of Promissory Note such that the maturity date was changed to 10 August 2010 ("**New Maturity Date**"). In addition, upon the New Maturity Date, the Group has the right to postpone ("**Maturity Postponement Right**") the maturity date to 30 June 2011 ("**Extended Maturity Date**") if the latest published financial information of the Group indicates that the repayment of principal and accrued interest would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the Promissory Note, the Remaining Group did not have any borrowings outstanding and did not have any committed borrowing facilities.

As at 31 March 2010, the Remaining Group had bank and cash balances of approximately HK$52.90 million and net current assets of approximately HK$53.50 million. The Remaining Group also has non-current assets of approximately HK$237.11 million and non-current liabilities of approximately HK$303.31 million.

The Remaining Group intended to principally finance its operations and investment activities by internally generated cash flows. Excess cash held by the Group is generally placed in licensed banks in Hong Kong.

Gearing ratio

The gearing ratio, as defined as the ratio of total liabilities to total assets, was 1.04 as at 31 March 2010.

Capital structure

During the year ended 31 March 2010, 392,410,256 new Shares were issued and allotted by the Company, among which 136,000,000 new Shares were issued as the partial consideration for the acquisition of 100% of the equity interest in Shentong Yijia in March 2010 and 256,410,256 new Shares were issued and allotted by placing of new Shares under a general mandate in March 2010.

Charge on assets

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

Employees and remuneration policy

As at 31 March 2010, the Remaining Group had 3 employees. The staff costs for the year ended 31 March 2010 was approximately HK$1.23 million. The Remaining Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material acquisitions or disposals

On 11 January 2010, Sino Key International Limited, a wholly-owned subsidiary of the Company, entered into the conditional acquisition agreement ("**Yijia Acquisition Agreement**") with CCC for acquisition of the entire registered and paid-up capital of Shentong Yijia at a consideration of HK$256.08 million which has been satisfied in a combination of (i) cash of HK$150,000,000; and (ii) by the allotment and issue of 136,000,000 consideration shares to CCI (being the nominee of CCC) at completion in accordance with the terms and conditions of the Yijia Acquisition Agreement. The completion of the acquisition took place on 31 March 2010 and Shentong Yijia became an indirect wholly-owned subsidiary of the Company. Details of the acquisition have been set out in the Company's circular dated 5 February 2010.

Other than the acquisition of 100% equity interest in Shentong Yijia, there were no material acquisitions or disposals of subsidiary companies and affiliated companies during the year ended 31 March 2010.

Future plans for material investments or capital assets

As at 31 March 2010, the Remaining Group did not have any plan for material investments or capital assets. Nevertheless, the Remaining Group is constantly looking for opportunities for investments or capital assets to enhance the shareholders' value.

Significant investment

Other than the acquisition of 100% equity interest in Shentong Yijia, there was no significant investment during the year ended 31 March 2010.

Foreign currency risks

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

Contingent liabilities

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

FUTURE PLAN

In the coming future, the Group will continue to conduct various research and promotion projects to increase its market share in the current business in the PRC. The Group will focus on the business of provision of promotion and management services for an electronic smart card "Shentong Card" which is considered to be of great potential and likely to prosper in view of its current development in the PRC.

The provision of promotion and management services for "Shentong Card" is principally operated by Shentong Yijia. For the six months ended 30 September 2010, the segment of promotion and management services has recorded an unaudited turnover of approximately HK$19.08 million and unaudited profits of approximately HK$1.93 million. As at 30 September 2010, the total assets of Shentong Yijia was approximately HK$222.40 million.

In addition to the promotion activities launched on the sale platforms established by CCC throughout the PRC as in the circular of the Company dated 5 February 2010 in relation to the acquisition of Shentong Yijia, for the period commencing from March 2010 until November 2010, various promotion activities have also been launched and the details are as follows:

(1) Broadcasting TV commercial: In order to promote the corporate image and to enhance the promotion coverage of "Shentong Card", a TV commercial for the "Shentong Yijia" brandname has been broadcasted on the CCTV (China Central Television) channel since May 2010;

(2) Launching lucky draw event for holders of "Shentong Card": Every Shentong card holders who spends money on the sales platform through his Shentong Cards will automatically enrolled in the lucky draw organized by Shentong Yijia. The winners of the lucky draw will be informed through the sales platform or through the customer service officers by phone; and

(3) Organising bonus point redemption scheme: Every spending on the sales platform by Shentong Card will earn bonus points to be credited in the Shentong Card holders' account and the accumulated bonus points can be used to redeem specified products.

As informed by CCC, the geographical coverage of the promotion activities of "Shentong Card" has been expanded to cover 9 regions in the PRC, including Beijing, Shanghai, Chongqing, Guangzhou and Harbin etc. CCC believes that the promotion activities, together with other publication and publicity, will be able to simulate the sale of the "Shentong Card" throughout the PRC, and thus enhancing the revenue of CCC and the Group.

Under the present condition of the investment environment, the Board will pay more attention to projects which can generate stable income to the Group. The Board currently considers that it will focus on the business of provision of promotion and management services for an electronic smart card "Shentong Card", as the prospect is the most promising among all business segments. The Board will continue to look for investment opportunities to diversify and broaden the revenue base of the Group. As at the Latest Practicable Date, the Company has not identified any acquisition opportunities and accordingly has not developed any acquisition plans.

In view of the above, the Directors (including independent non-executive Directors after having been advised by the independent financial adviser appointed in this regard) consider that the terms of the Disposal are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$172.55 million from the Disposal and partial cancellation of the Promissory Note with reference to (i) the Disposal Consideration of HK$140 million; (ii) the unaudited net liabilities value of CCP of approximately HK$20.83 million prepared under Hong Kong Accounting Standards as at 30 September 2010; (iii) exchange reserve of approximately HK$8.87 million to be realised of as at 30 September 2010; (iv) an estimated professional fee of approximately HK$1.5 million; and (v) the excess of carrying amount of approximately HK$144.35 million allocated to the part derecognised of the Promissory Note over the Disposal Consideration of HK$140 million.

Accordingly, the Board expects that there will be an overall improvement of the Group's financial position, including an improvement of its gearing ratio from approximately 110% as at 31 March 2010 to approximately 56% should the Disposal proceed to Completion with reference to the unaudited net assets value of the Remaining Group as at 31 March 2010.

THE FINANCIAL AND TRADING PROSPECT OF THE GROUP FOR THE CURRENT FINANCIAL YEAR

It is expected to have improvement in the financial results of the Group in the current financial year when compared with the year ended 31 March 2010, given that the PRC insurance market is expected to maintain rapid growth in the coming years. After Completion, in the absence of any unforeseeable circumstances, the Group will have sufficient internal resources to finance further development of the Remaining Group. The Group can allocate more resources in the research and development of new marketing tactics for "Shentong Cards", and the Group can further expand and improve its facilities to cope with the growing demand of its services and to establish a solid foundation for the future development.

As mentioned in the paragraph headed "Reasons for and benefits of the Disposal", in view of the growing trend of the turnover amount in the first 6 months of the 2010–11 financial year, it is expected that the provision of promotional and management services business will have continuous growth in the current financial year and provide fruitful return to the Shareholders.

IMPLICATIONS UNDER THE GEM LISTING RULES

As the relevant percentage ratio of the Disposal exceeds 75%, the Disposal would constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. In addition, as at the Latest Practicable Date, CCI is a substantial Shareholder which is interested in 356,542,000 Shares, representing about 29.84% of the total issued capital of the Company. As such, CCI is considered to be an associate of a connected person of the Company and the Disposal would constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. Since each of the relevant percentage ratios as defined under the GEM Listing Rules is more than 25% and the Disposal Consideration is more than HK$10,000,000, the Disposal shall be subject to the reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules.

Completion of the Disposal and the transactions contemplated thereunder may or may not take place. Shareholders and potential investors should exercise caution when dealing in the Shares.

GENERAL

An Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Disposal and as to how to vote at the EGM regarding the relevant resolution(s) (to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder. Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee in relation to the Disposal Agreement and the transactions contemplated thereunder.

As CCI is a party to the Disposal Agreement, CCI and its associate, including but not limited to CCC, shall abstain from voting and being counted towards the quorum in respect of the ordinary resolution to approve the Disposal Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed above, no Shareholder has a material interest in the Disposal Agreement and is therefore required to abstain from voting on the relevant resolutions to be proposed at the EGM to approving the Disposal Agreement and the transactions contemplated thereunder.

3. EGM

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to be held at the Meeting Room, Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Thursday, 20 January 2011 at 11:00 a.m. at which the relevant resolutions will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreement and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4. RECOMMENDATION

The Board (including the independent non-executive Directors), having taken into account the advice of the Independent Financial Adviser, considers that the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM for approving the Disposal Agreement and the transactions contemplated thereunder.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 26 of this circular which contains its views in relation to the Disposal Agreement and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser set out on pages 27 to 33 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by it in arriving its opinions.

5. ADDITIONAL INFORMATION

Your attention is drawn to the addition information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
China Communication Telecom Services Company Limited
He Chenguang
Chairman

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)

22 December 2010

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF 75% REGISTERED AND PAID-UP CAPITAL IN CHINA CYBER PORT CO., LIMITED

We refer to the circular of the Company dated 22 December 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee and to advise you as to whether, in our opinion, the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Nuada Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 27 to 33 of the Circular.

You attention is also drawn to the letter from the Board set out on pages 5 to 25 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms and conditions of the Disposal Agreement, the principal factors and reasons considered by, and the advice of Nuada Limited, we are of the opinion that the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
China Communication Telecom Services Company Limited

Yip Tai Him
Independent non-executive Director

Cao Huifang
Independent non-executive Director

Liu Hong
Independent non-executive Director

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the Disposal prepared for the purpose of incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街 111 號 BLINK 17 字樓

22 December 2010

To the Independent Board Committee and
the Independent Shareholders of
China Communication Telecom Services Company Limited

Dear Sirs,

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF 75% OF THE REGISTERED AND PAID-UP CAPITAL IN CHINA CYBER PORT CO., LIMITED

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Disposal, details of which are set out in the letter from the Board (the "**Letter**") contained in the circular of the Company dated 22 December 2010 to the Shareholders (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

On 1 December 2010, Oriental Glory (an indirect wholly-owned subsidiary of the Company), as vendor and CCI, as purchaser entered into the Disposal Agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the Sale Capital for the Disposal Consideration of HK$140 million. The Sale Capital represents 75% of the entire registered and paid-up capital of CCP. The remaining 25% of the registered and paid-up capital of CCP is owned by CCC, the holding company of CCI.

The Disposal would constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. In addition, as CCI is a substantial Shareholder, the Disposal would constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules, and shall be subject to reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Disposal Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, the Company and its management in connection with the Disposal Agreement and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Disposal Agreement. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Disposal Agreement. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM. We have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, CCI, CCC and/or their respective subsidiaries or associates and/or any of their partners. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Disposal Agreement.

We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the Disposal Agreement have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Disposal Agreement.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the Disposal Agreement. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Disposal Agreement and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background and reasons for the Disposal

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card", operation of e-Sports platform and distribution of computer games in the PRC.

As at the Latest Practicable Date, CCP is owned as to 75% by Oriental Glory and as to 25% by CCI, a substantial Shareholder. CCP is an indirect non-wholly-owned subsidiary of the Company. CCP is principally engaged in operation of the e-Sports platform and distribution of computer games in the PRC.

For each of the financial two years ended 31 March 2010, CCP recorded unaudited loss prepared in accordance with the PRC accounting standards of approximately RMB80.80 million and approximately RMB29.59 million respectively. The unaudited turnover of CCP prepared in accordance with the PRC accounting standards for the financial year ended 31 March 2010 was approximately RMB10.72 million, representing a decrease of approximately 97.01% as compared to approximately RMB358.72 million for the previous financial year. As disclosed in the annual report 2010 of the Company, for the financial year ended 31 March 2010, the revenue derived from the operation of e-Sports platform was approximately HK$6.55 million as compared to approximately HK$145.47 million for the previous financial year. As regards the operation of online game, the revenue derived therefrom had also decreased from approximately HK$221.27 million for the financial year ended 31 March 2009 to approximately HK$7.63 million for the financial year ended 31 March 2010. The performance of distribution of computer games business was also far from satisfactory that for the financial year ended 31 March 2010, the revenue derived from the distribution and selling computer games in the PRC was approximately HK$0.10 million as compared to approximately HK$22.73 million for the previous financial year. In addition, as disclosed in the interim report 2010 of the Company, for the six months ended 30 September 2010, the revenue derived from the operation of the e-Sports platform was approximately HK$0.20 million, which represents a significant drop as compared with the revenue record for the previous corresponding period of approximately HK$5.35 million.

In light of the recent performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010, the executive Directors are of the view that the Disposal will allow the Group to focus on the new businesses in the provision of promotion and management services for an electronic smart card "Shentong Card" which are of higher potentials, so as to optimize the resources of the Group with a view to generating more return to the Shareholders. After Completion, the Remaining Group shall be principally engaged in the business of provision of promotion and management services for an electronic smart card "Shentong Card". For reference purpose, for the six months ended 30 September 2010, 98.9% of the Group's turnover was attributable to the provision of promotion and management services for the electronic smart card "Shentong Card", which has recorded unaudited profits of approximately HK$1.93 million. For further details regarding the business and future plan of the Remaining Group, please refer to the sections headed "Business of the Remaining Group" and "Future Plan" in the Letter.

Taking into account the loss-making record of CCP for the two financial years ended 31 March 2010 with deteriorating turnover, we consider that the Disposal would enable the Group to dispose of loss-making businesses and focus on remaining business which has taken over to become the major source of income for the Group and the executive Directors consider are of higher potentials. In addition, the Disposal represents an opportunity for the Group to reduce its gearing through the settlement of the Disposal Consideration by setting off against the face value of the Promissory Note on a dollar-to-dollar basis pursuant to the terms of the Disposal Agreement.

Principal terms of the Disposal Agreement

Pursuant to the Disposal Agreement, the Disposal Consideration is HK$140 million and shall be paid by CCI by setting off against the face value of the Promissory Note in the sum equivalent to the Disposal Consideration. As stated in the Letter, the Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to (i) the reasons for the Disposal as discussed in the section headed "Reasons for and benefits of the Disposal" in the Letter; (ii) the valuation prepared by the independent valuer, Grant Sherman Appraisal Limited, on the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) on asset-based approach as at 30 September 2010; (iii) the unaudited net asset value of CCP in the sum of RMB91.97 million (equivalent to approximately HK$106.94 million) prepared under the PRC accounting standards as at 30 September 2010; and (iv) the financial performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010.

As stated in the Letter, the Board is of the view that instead of settling the Disposal Consideration in cash, the proposed settlement method by offsetting the Disposal Consideration against the face value of the Promissory Note is more appropriate in view of the current financial position of the Group. As disclosed in the latest audited consolidated financial results of the Company for the year ended 31 March 2010, the Company has a gearing ratio of about 1.1 and net liabilities of approximately HK$31.87 million as at 31 March 2010, which is primarily attributable to the Promissory Note (being a noncurrent liability of the Company). Further, substantial amounts of finance costs will be incurred by the Company during the subsistence of the Promissory Note. The substantial reduction in principal amount of the Promissory Note from HK$238.69 million to HK$98.69 million would bring a positive effect to the financial performance to the Group. It is noted that the Promissory Note was issued by the Group to CCI as part of the consideration under the Sudden Attack Agreement. After settlement of the Disposal Consideration by setting off against the face value of the Promissory Note in the sum of HK$140 million, the Group is still liable to repay the Promissory Note in the outstanding amount of HK$98.69 million. Given the Promissory Note is an existing liabilities of the Group and the Group is obliged to repay the outstanding amount of the Promissory Note and the interest incurred thereon in due course, we consider that the settlement of the Disposal Consideration by setting off against the face value of the Promissory Note in the sum equivalent to the Disposal Consideration is fair and reasonable given the settlement is on a dollar-to-dollar term, and as the Promissory Note carries an interest rate of 2% per annum, the reduction in the principal amount of the Promissory Note for the settlement of the Disposal Consideration would reduce the interest burden of the Group.

In assessing the fairness and reasonableness of the Disposal Consideration, we have reviewed the valuation report prepared by Grant Sherman Appraisal Limited (the "**Valuer**") regarding the fair value of the Sale Capital (the "**Valuation Report**") and discussed with the Valuer regarding, among other things, the assumptions, basis and methodologies adopted therein. We note that the Valuer has considered three generally accepted approaches, namely the income approach, the market approach and the asset-based approach in valuing CCP and had selected the asset-based approach, which provides an indication of the value of the business entity by developing a fair value balance sheet, and all of the assets and the liabilities of the business are identified and listed on the balance sheet, which is not the cost-based balance sheet that is prepared in accordance with accounting principles. As stated in the Valuation Report, the asset-based approach is usually used in liquidation or with companies that are asset intensive but have poor financial results. We understand from the Valuer that the asset-based approach was selected taking into consideration CCP recorded negative net income in 2010 but had intensive assets mainly consisting of intangible assets. It is also noted that under the asset-based approach, the Valuer had made certain adjustments to the book value of the assets (which is divided into three categories for valuation purposes, which include financial assets, tangible assets and intangible assets) and liabilities of CCP, so as to reflect the fair value of the relevant assets and liabilities. In general, we note that for the valuation of CCP under the assets-based approach (i) certain inventories and trade receivables which were written down in accounting treatment were adjusted to reflect the fair value of the relevant inventories and trade receivables; (ii) certain fixed assets which were fully depreciated for accounting purposes are revalued; (iii) the intangible assets of Distribution Network and Technology are identified and revalued; and (iv) some of the liabilities due to CCC and CCI are eliminated due to the fact that the potential buyers of CCP in the hypothetical market will unlikely need to repay these liabilities in the future. For further details regarding such adjustments, please refer to the sub-section headed "Selection of Valuation Method" under the section headed "IV. Valuation Methodology" in Appendix III to the Circular. According to the Valuation Report, the fair value of the Sale Capital as at 30 September 2010 is approximately RMB99.88 million (the "**Appraised Value**") (equivalent to approximately HK$116.14 million). As such, the Disposal

Consideration represents a premium of approximately 20.54% over the Appraised Value. In addition, the Disposal Consideration represents a premium of approximately 74.54% over the unaudited net asset value attributable to 75% interest in CCP of approximately RMB68.98 million (the "**Book Value**") (equivalent to approximately HK$80.21 million).

Furthermore, as a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$172.55 million from disposal and partial cancellation of promissory note with reference to (i) the Disposal Consideration of HK$140 million; (ii) the unaudited net liabilities value of CCP of approximately HK$20.83 million prepared under Hong Kong Accounting Standards as at 30 September 2010; (iii) exchange reserve of approximately HK$8.87 million to be realized of as at 30 September 2010; (iv) an estimated professional fee of approximately HK$1.5 million; and (v) the excess of carrying amount of approximately HK$144.35 million allocated to the part derecognised of the promissory note over the Disposal Consideration of HK$140 million.

It is noted that the Sale Capital was acquired by the Group in April 2008 at the consideration of approximately HK$800 million (the "**Acquisition Consideration**"), which was arrived at mainly according the valuation of the Sale Capital as at 30 September 2007 based on an income approach. The Disposal Consideration represents a discount of approximately 82.5% as compared to the Acquisition Consideration. As advised by the Company, despite a remarkable increase in consolidated turnover had been recorded by the Group for the year ended 31 March 2009, the financial performance of the operation of e-Sports platform has been deteriorating. Details regarding the financial performance of the operation of e-Sports platform and online games and the distribution of computer games business have been set out in the section headed "Background and reasons for the Disposal" above. Due to the underperformance of the operation of the e-Sports platform and the distribution of computer games in the PRC business currently engaged by CCP as well as the absence of sign of improvement in the performance of such business activities, the fair value of the Sale Capital has almost been fully amortised as at 30 September 2010. The Directors and independent valuer consider it would no longer be realistic and might not be appropriate to value the Sale Capital based on an income approach in the existing circumstances. Taking into account CCP recorded negative net income in 2010 but had intensive assets mainly consisting of intangible assets, we consider it is reasonable for the Valuer to adopt the asset-based approach for the valuation of the Sale Capital as the asset-based approach derives an indication of the value of the business entity by developing a fair value balance sheet (as opposed to the cost-based balance sheet which is to be prepared in accordance with relevant accounting standards) and all of the assets and liabilities of the business, including the fully amortised accounting items and off balance sheet items in the financial statements of a business entity, would also be identified and listed on the fair value balance sheet for valuation purpose.

Notwithstanding the Disposal Consideration represents a discount of approximately 82.5% as compared to the Acquisition Consideration and the Group is still liable to repay the Promissory Note in the outstanding amount of HK$98.69 million after settlement of the Disposal Consideration by setting off against the face value of the Promissory Note in the sum of HK$140 million, given the Promissory Note is an existing liabilities of the Group and the Group is obliged to repay the outstanding amount of the Promissory Note and the interest incurred thereon in due course and under the existing circumstances, in particular the current financial condition of CCP and the deteriorated performance of the business engaged by CCP as detailed above, we consider that it may not be in the best interests of the Company and the Shareholders as a whole to continuing operating CCP. Instead, the Disposal represents an opportunity for the Group to dispose of its loss-making business and reduce its gearing and interest burden through settling the Disposal Consideration by settling off against the face value of the Promissory Note on a dollar-to-dollar term. Furthermore taking into account (i) the Disposal Consideration represents premiums to both the Book Value and the Appraised Value; and (ii) the Group is expected to record an unaudited gain on disposal as a result of the Disposal, we consider that the terms of the Disposal, including the Disposal Consideration, are on normal commercial terms and fair and reasonable, and the Disposal, which is not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Nevertheless, our opinion contained herein does not in any manner constitute forecasts on profit or loss of CCP in the future.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that the Disposal, which is in not the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole, and the terms of the Disposal Agreement are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Bernard Chan
Executive Director

1. ACCOUNTANT'S REVIEW REPORT ON THE GROUP

The following is the text of a review report prepared for the sole purpose of incorporation in this circular, received from Crowe Horwath (HK) CPA Limited, the independent reporting accountants of the Company.

Crowe Horwath™

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

22 December 2010

The Directors
China Communication Telecom Services Company Limited
Units 2115-2116 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs,

We set out below our review report on the financial information (the "Financial Information") of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010 (the "Relevant Periods"), for inclusion in a circular issued by the Company dated 22 December 2010 (the "Circular") in connection with the proposed very substantial disposal regarding the disposal of 75% of the registered and paid-up capital in China Cyber Port Co. Limited, pursuant to the Disposal Agreement dated 1 December 2010 entered into between the Group and China Communication Investment Limited. The comparative unaudited financial information of the Group for the six months ended 30 September 2009 (the "Comparative Financial Information") was prepared on the same basis for the purpose of this report.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Company is principally engaged in investment holding. The principal activities of its subsidiaries are set out in Note 18 below.

The consolidated financial statements of the Group for the year ended 31 March 2008, 2009 and 2010 were audited by Baker Tilly Hong Kong Limited, RSM Nelson Wheeler and CCIF CPA Limited respectively. Audited consolidated financial statements of the Group for the years ended 31 March 2008, 2009 and 2010 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2009 and 2010 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared based on the Underlying Financial Statements. No adjustments were deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are also responsible for the preparation and presentation of the Financial Information of the Group for the Relevant Periods set out in this report in accordance with HKFRSs issued by HKICPA. Our responsibility is to form a conclusion, based on our review, on the Financial Information and to report our conclusion solely to you, as a body and for no other purpose.

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2400 "Engagements to Review Financial Statements" issued by the HKICPA. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Financial Information are free of material misstatement. A review is limited primarily to inquiries of the Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Financial Information does not give a true and fair view (or are not presented fairly, in all material respects) in accordance with Hong Kong Financial Reporting Standards.

Yours faithfully,

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong
Sze Chor Chun, Yvonne
Practising Certificate Number P05049

CONSOLIDATED INCOME STATEMENT

	Note	For the year ended 31 March 2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000	For the six months ended 30 September 2009 HK$'000 (Unaudited) (Restated)	2010 HK$'000 (Unaudited)
Continuing operations						
Turnover	3	23,644	168,198	6,649	5,355	19,286
Cost of sales		(29,689)	(105,971)	(9,049)	(4,372)	(29,082)
Gross profit/(loss)		(6,045)	62,227	(2,400)	983	(9,796)
Other revenue	4	42,211	69	47	27	40
Other net income	4	5,701	2,954	–	–	–
Selling and distribution expenses		–	(77,073)	(7,702)	(4,914)	(7,817)
Administrative expenses		(21,107)	(20,556)	(16,065)	(6,922)	(15,512)
Other operating expenses		(29,060)	(421,147)	(175,753)	–	–
Loss from operations		(8,300)	(453,526)	(201,873)	(10,826)	(33,085)
Finance costs	*5(a)*	(22,288)	(25,377)	(11,740)	(10,007)	(1,489)
Share of loss of an associate	*19*	(1,287)	–	–	–	–
Loss before taxation		(31,875)	(478,903)	(213,613)	(20,833)	(34,574)
Income tax	*6(a)*	–	38,750	2,709	387	5,232
Loss for the year/period from continuing operations		(31,875)	(440,153)	(210,904)	(20,446)	(29,342)
Discontinued operation						
Loss for the year/period from discontinued operation	7	–	(521,311)	(20,583)	(12,060)	–
Loss for the year/period	5	(31,875)	(961,464)	(231,487)	(32,506)	(29,342)
Attributable to:						
Owners of the Company	10	(31,875)	(820,455)	(218,977)	(28,331)	(29,342)
Non-controlling interest		–	(141,009)	(12,510)	(4,175)	–
Loss for the year/period		(31,875)	(961,464)	(231,487)	(32,506)	(29,342)
Loss per share	12					
From continuing and discontinued operations						
– Basic		HK(4.19) cents	HK(102.26) cents	HK(27.26) cents	HK(3.53) cents	HK(2.46) cents
– Diluted		HK(4.19) cents	HK(102.26) cents	HK(27.26) cents	HK(3.53) cents	HK(2.46) cents
From continuing operations						
– Basic		HK(4.19) cents	HK(53.53) cents	HK(25.34) cents	HK(2.40) cents	HK(2.46) cents
– Diluted		HK(4.19) cents	HK(53.53) cents	HK(25.34) cents	HK(2.40) cents	HK(2.46) cents
From discontinued operation						
– Basic		N/A	HK(48.73) cents	HK(1.92) cents	HK(1.13) cents	N/A
– Diluted		N/A	HK(48.73) cents	HK(1.92) cents	HK(1.13) cents	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	(Unaudited)
Loss for the year/period	(31,875)	(961,464)	(231,487)	(32,506)	(29,342)
Other comprehensive income/(loss) for the year/period					
Exchange differences on translation of financial statements of foreign operations					
–Increase for the year	31	12,180	111	24	2,662
–Reclassification adjustment on disposal of an associate	(322)	–	–	–	–
Revaluation of assets in an associate	(1,499)	–	–	–	–
Revaluation deficits on available-for-sale financial assets	(214,751)	–	–	–	–
Total comprehensive loss for the year/period (net of tax)	(248,416)	(949,284)	(231,376)	(32,482)	(26,680)
Attributable to:					
Owners of the Company	(248,416)	(811,320)	(218,894)	(28,313)	(26,680)
Non-controlling interest	–	(137,964)	(12,482)	(4,169)	–
	(248,416)	(949,284)	(231,376)	(32,482)	(26,680)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 31 March 2008 HK$'000 (Restated)	At 31 March 2009 HK$'000	At 31 March 2010 HK$'000	At 30 September 2010 HK$'000 (Unaudited)
Non-current assets					
Property, plant and equipment	*14(a)*	870	15,700	2,372	3,636
Intangible assets	*15*	353,428	50,508	234,740	215,693
Goodwill	*16*	–	–	–	–
Available-for-sale financial assets	*17*	525,696	–	–	–
Interest in an associate	*19*	–	–	–	–
Deferred tax assets	*26(b)*	–	3,221	–	–
		879,994	69,429	237,112	219,329
Current assets					
Inventories	*20*	–	479	–	–
Trade and other receivables	*21*	75,904	41,474	4,981	2,310
Cash and cash equivalents	*22*	35,809	18,184	67,242	62,516
		111,713	60,137	72,223	64,826
Current liabilities					
Trade and other payables	*24*	335	43,491	36,829	34,209
Amounts due to substantial shareholders	*23*	–	–	–	3,628
Promissory note	*25*	–	–	–	246,110
Current taxation	*26(a)*	–	–	454	91
		(335)	(43,491)	(37,283)	(284,038)
Net current assets/(liabilities)		111,378	16,646	34,940	(219,212)
Total assets less current liabilities		991,372	86,075	272,052	117
Non-current liabilities					
Amounts due to substantial shareholders	*23*	–	12,243	615	–
Promissory note	*25*	361,989	232,881	244,621	–
Deferred tax liabilities	*26(b)*	–	9,222	58,685	53,923
		(361,989)	(254,346)	(303,921)	(53,923)
NET ASSETS/(LIABILITIES)		629,383	(168,271)	(31,869)	(53,806)
EQUITY					
Equity attributable to owners of the Company	*28(a)*				
Share capital		8,023	8,023	11,947	11,947
Reserves		621,360	(188,776)	(43,816)	(65,753)
		629,383	(180,753)	(31,869)	(53,806)
Non-controlling interest		–	12,482	–	–
TOTAL EQUITY		629,383	(168,271)	(31,869)	(53,806)

STATEMENT OF FINANCIAL POSITION

		At 31 March			At 30 September
		2008	2009	2010	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Non-current assets					
Property, plant and equipment	*14(b)*	26	13	2	–
Investments in subsidiaries	*18*	20	20	20	20
		46	33	22	20
Current assets					
Other receivables	*21*	–	53	–	5
Amounts due from subsidiaries	*18*	574,386	–	181,419	182,578
Cash and cash equivalents	*22*	28,420	7,099	50,999	44,225
		602,806	7,152	232,418	226,808
Current liabilities					
Other payables and accruals	*24*	297	704	1,826	546
Amounts due to subsidiaries	*18*	4,583	4,552	2,189	2,188
		(4,880)	(5,256)	(4,015)	(2,734)
Net current assets		597,926	1,896	228,403	224,074
NET ASSETS		597,972	1,929	228,425	224,094
EQUITY					
Equity attributable to owners of the parent	*28(a)*				
Share capital		8,023	8,023	11,947	11,947
Reserves		589,949	(6,094)	216,478	212,147
TOTAL EQUITY		597,972	1,929	228,425	224,094

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Share premium	Merger reserve	Capital surplus	Asset revaluation reserve	Exchange reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interest	Total equity
		Attributable to owners of the Company										
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007		6,756	335,313	8,320	1,499	214,751	291	5,014	(42,249)	529,695	–	529,695
Total comprehensive loss for the year		–	–	–	(1,499)	(214,751)	(291)	–	(31,875)	(248,416)	–	(248,416)
Issue of shares	28(b)(iii)&(iv)	1,250	342,550	–	–	–	–	–	–	343,800	–	343,800
Share option scheme												
– equity-settled share-based payment expenses		–	–	–	–	–	–	3,181	–	3,181	–	3,181
– exercise of share options		17	1,560	–	–	–	–	(454)	–	1,123	–	1,123
– forfeiture of share options granted		–	–	–	–	–	–	(3,283)	3,283	–	–	–
At 31 March 2008		8,023	679,423	8,320	–	–	–	4,458	(70,841)	629,383	–	629,383
At 1 April 2008		8,023	679,423	8,320	–	–	–	4,458	(70,841)	629,383	–	629,383
Total comprehensive loss for the year		–	–	–	–	–	9,135	–	(820,455)	(811,320)	(137,964)	(949,284)
Acquisition of a subsidiary	30(a)	–	–	–	–	–	–	–	–	–	150,446	150,446
Share option scheme												
– equity-settled share-based payment expenses		–	–	–	–	–	–	1,184	–	1,184	–	1,184
– forfeiture of share options granted		–	–	–	–	–	–	(2,396)	2,396	–	–	–
At 31 March 2009		8,023	679,423	8,320	–	–	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
At 1 April 2009		8,023	679,423	8,320	–	–	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
Total comprehensive loss for the year		–	–	–	–	–	83	–	(218,977)	(218,894)	(12,482)	(231,376)
Allotment of consideration shares	28(b)(iv)	1,360	165,920	–	–	–	–	–	–	167,280	–	167,280
Allotment of subscription shares	28(b)(v)	2,564	197,436	–	–	–	–	–	–	200,000	–	200,000
Share option scheme												
– equity-settled share-based payment expenses		–	–	–	–	–	–	498	–	498	–	498
– forfeiture of share options granted		–	–	–	–	–	–	(1,914)	1,914	–	–	–
At 31 March 2010		11,947	1,042,779	8,320	–	–	9,218	1,830	(1,105,963)	(31,869)	–	(31,869)

		Attributable to owners of the Company										
	Note	**Share capital**	**Share premium**	**Merger reserve**	**Capital surplus**	**Asset revaluation reserve**	**Exchange reserve**	**Share-based payment reserve**	**Accumulated losses**	**Total**	**Non-controlling interest**	**Total equity**
		HK$'000	*HK$'000*	*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)	(Unaudited)	(Unaudited)
At 1 April 2009		8,023	679,423	8,320	–	–	9,135	3,246	(888,900)	(180,753)	12,482	(168,271)
Total comprehensive loss for the period		–	–	–	–	–	18	–	(28,331)	(28,313)	(4,169)	(32,482)
Share option scheme												
– equity-settled share-based payment expenses		–	–	–	–	–	–	449	–	449	–	449
– forfeiture of share options granted		–	–	–	–	–	–	(1,914)	1,914	–	–	–
At 30 September 2009		8,023	679,423	8,320	–	–	9,153	1,781	(915,317)	(208,617)	8,313	(200,304)
At 1 April 2010		11,947	1,042,779	8,320	–	–	9,218	1,830	(1,105,963)	(31,869)	–	(31,869)
Total comprehensive loss for the period		–	–	–	–	–	2,662	–	(29,342)	(26,680)	–	(26,680)
Share option scheme												
– equity-settled share-based payment expenses		–	–	–	–	–	–	4,743	–	4,743	–	4,743
– forfeiture of share options granted		–	–	–	–	–	–	(1,781)	1,781	–	–	–
At 30 September 2010		11,947	1,042,779	8,320	–	–	11,880	4,792	(1,133,524)	(53,806)	–	(53,806)

Consolidated Statement of Cash Flows

	Note	For the year ended 31 March 2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000	For the six months ended 30 September 2009 HK$'000 (Unaudited) (Restated)	2010 HK$'000 (Unaudited)
OPERATING ACTIVITIES						
Loss before taxation						
Continuing operations		(31,875)	(478,903)	(213,613)	(20,833)	(34,574)
Discontinued operation	7	–	(617,055)	(23,899)	(12,551)	–
Adjustments for:						
Amortisation of intangible assets		29,689	164,429	12,678	9,382	22,942
Depreciation		368	11,187	5,330	2,470	463
Equity-settled share-based payments expenses		3,181	1,184	498	449	4,743
Finance costs		22,288	25,377	11,740	10,007	1,489
Impairment loss on property, plant and equipment		–	27,614	10,351	413	–
Impairment loss on goodwill		–	354,610	136,862	–	–
Impairment loss on intangible assets		–	579,340	38,031	4,590	–
Impairment loss on available-for-sale financial assets		29,060	–	–	–	–
Write down of inventories		–	3,930	256	–	–
Reversal of write down of inventories		–	–	–	–	(14)
Impairment loss on trade receivables		–	13,361	8,246	4,651	–
Reversal of impairment loss on trade receivables		–	–	(1,091)	(1,089)	–
Interest income		(901)	(66)	(45)	(27)	(29)
Net loss on disposal of property, plant and equipment		25	–	4	–	–
Share of loss of an associate		1,287	–	–	–	–
Gain on disposal of an associate		(655)	–	–	–	–
Operating profit/(loss) before changes in working capital		52,467	85,008	(14,652)	(2,538)	(4,980)
Decrease in inventories		–	30,914	223	8	14
(Increase)/decrease in trade and other receivables		(68,720)	42,481	31,257	21,948	2,671
Increase/(decrease) in trade and other payables		217	(162,680)	(7,055)	(8,891)	(2,620)
Cash generated from/(used in) operations		(16,036)	(4,277)	9,773	10,527	(4,915)
Income tax paid		–	(21,561)	–	–	(871)
Interest paid		(4,037)	–	–	–	–

	Note	For the year ended 31 March 2008 HK$'000 (Restated)	2009 HK$'000 (Restated)	2010 HK$'000	For the six months ended 30 September 2009 HK$'000 (Unaudited) (Restated)	2010 HK$'000 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		(20,073)	(25,838)	9,773	10,527	(5,786)
INVESTING ACTIVITIES						
Net cash inflow/(outflow) on acquisition of a subsidiary	30	–	76,881	(149,108)	–	–
Payment for the purchase of property, plant and equipment		(1,148)	(191)	(47)	(22)	(1,676)
Proceeds from disposal of property, plant and equipment		1	–	2	–	–
Proceeds from disposal of an associate		1,000	–	–	–	–
Interest received		892	66	45	27	29
Repayment of loan receivable from an associate		2,029	–	–	–	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		2,774	76,756	(149,108)	5	(1,647)
FINANCING ACTIVITIES						
Proceeds from issue of new shares		54,000	–	199,870	–	–
Issue of shares on exercise of share options		1,123	–	–	–	–
Repayment of promissory note		(25,000)	(40,000)	–	–	–
(Decrease)/increase in amount due to a substantial shareholder		–	(30,177)	(11,628)	–	3,013
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		30,123	(70,177)	188,242	–	3,013
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		12,824	(19,259)	48,907	10,532	(4,420)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		22,985	35,809	18,184	18,184	67,242
Effect of foreign exchange rates changes		–	1,634	151	(4)	(306)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	22	35,809	18,184	67,242	28,712	62,516

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Financial Information, the Group has adopted all new and revised HKFRSs applicable to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 September 2010. The revised and new accounting standards and interpretations issued but not yet effective for the Relevant Periods are set out in Note 37.

(b) Going concern basis

The Group sustained a loss attributable to owners of the Company of approximately HK$31,875,000, HK$820,455,000, HK$218,977,000, HK$28,331,000 and HK$29,342,000 for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively. At the end of the reporting period, the Group had net assets of approximately HK$629,383,000, net liabilities of approximately HK$168,271,000, HK$31,869,000 and HK$53,806,000 at 31 March 2008, 2009, 2010 and at 30 September 2010 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the Financial Information has been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of directors, the liquidity of the Group will improve in the coming year, after taking into account several measures adopted and to be adopted subsequent to the end of the reporting period as further detailed below:

(i) As disclosed in note 25 to the Financial Information, on 31 March 2010, the Group agreed with China Communication Investment Limited ("CCI"), the substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2011. The substantial shareholder granted the Group the right to further postpone the maturity date by one year on every subsequent 30 June up to the ultimate maturity date of 30 June 2025 if the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK$50 million with reference to the latest published consolidated financial statements.

(ii) As disclosed in note 23 to the Financial Information, on 31 March 2010, the Group agreed with CCI, the substantial shareholder of the Company, to postpone the repayment date of an amount due to it to 30 June 2011. The substantial shareholder granted the Group the right to further postpone the repayment date by one year on every subsequent 30 June without time limitation if the repayment would cause the net current assets of the Group fall below HK$50 million with reference to the latest published consolidated financial statements.

(iii) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that the latter will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

(iv) The Group has taken measures during the Relevant Periods to restructure its operation in the PRC in order to reduce selling and administrative expenses.

(v) The directors have adopted various cost control measures to improve the cash flows of the Group such as reducing various general and administrative and other operating expenses.

(vi) The Group is expected to derive stable cash inflows from its operating activities in the year ending 31 March 2011.

In the opinion of the directors, when the above-mentioned measures are successfully implemented, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the Financial Information on a going concern basis.

Should the Group be unable to implement the above measures and fail to continue in business as a going concern, adjustments would have to be made to restate the values of its assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the Financial Information.

(c) Basis of preparation of the Financial Information

The Financial Information during the Relevant Periods comprises the Company and its subsidiaries and the Group's interest in an associate.

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

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

* *For identification purpose only*

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

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

Judgements made by management in the application of HKFRSs that have a significant effect on the Financial Information and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

(d) Subsidiaries and non-controlling interest

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

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

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

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

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

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

(e) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)(ii)). The Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Goodwill

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

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

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

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

(g) Other investments in equity securities

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

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

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

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

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

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

(h) Property, plant and equipment

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

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

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

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

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

(i) Intangible assets (other than goodwill)

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

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

Computer games license rights	10 years
Right to receive distributable profit from the e-Sports platform	10 years
Online game software platform	10 years
Online game license rights	Over the license period
e-Sports platform portal	5 years
Computer games distribution rights	5 years
Distribution network	5–7 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 each reporting period.

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(k) Impairment of assets

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

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

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

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

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

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

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

(ii) Impairment of other assets

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

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(l) Inventories

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

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

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

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

(m) Trade and other receivables

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

(n) Cash and cash equivalents

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

(o) Interest-bearing borrowings

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

(p) Trade and other payables

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

(q) Employee benefits

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

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

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

(ii) Termination benefits

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

(r) Share-based payment transactions

(i) Share options granted to employees

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

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

(ii) Share options granted to suppliers/consultants

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

(s) Income tax

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

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

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

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

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

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

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

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

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

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

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

  – the same taxable entity; or

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

(t) Provisions and contingent liabilities

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

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

(u) Revenue recognition

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

(i) Online game services income

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

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

(ii) Sale of goods

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

(iii) Advertising income

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

(iv) Promotion and management service income

Revenue from promotion and management services include the followings:

1. revenue of issuance handling fee of RMB5 for each Shentong Card issued is recognised when the Shentong Card is issued by the Group and activated by the Shentong Card users;

2. revenue of technical service commission of 20% of the total value of purchases made by the Shentong Card users through the Shentong Card is recognised when the purchases were made by the Shentong Card users;

3. revenue of sale commission of RMB3 for the insurance products preloaded in the Shentong Card is recognised when the Shentong Card is issued by the Group and activated by the Shentong Card users;

4. revenue of sale commission of 20% of the total value of purchases made by the Shentong Card users through the Shentong Card for the insurance products is recognised when the insurance products were purchased by the Shentong Card users.

(v) Income from exploitation of an online game

Revenue from exploitation of certain online game is recognised in accordance with the terms of agreement for the underlying transactions.

(vi) Interest income

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

(v) Translation of foreign currencies

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

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

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

(w) Borrowing costs

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

(x) Related parties

For the purpose of the Financial Information, parties are considered to be related to the Group if:

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

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

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

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

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

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

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

(y) Research and development expenditure

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

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

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

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

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

(z) Segment reporting

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

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

(aa) Discontinued operations

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

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

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

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

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

3. TURNOVER

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

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Unaudited) (Restated)	*HK$'000* (Unaudited)
Continuing operations					
Promotion and management service income	–	–	–	–	19,077
Operation of e-Sports platform	–	145,471	6,550	5,347	196
Selling of computer games	23,644	22,727	99	8	13
	23,644	168,198	6,649	5,355	19,286
Discontinued operation *(note 7)*					
Operation of online game	–	221,265	7,627	6,805	–
	23,644	389,463	14,276	12,160	19,286

4. OTHER REVENUE AND OTHER NET INCOME

	For the year ended 31 March								
	Continuing operations			Discontinued operation			Consolidated		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			(Restated)			(Restated)	
Other revenue									
Interest income on bank deposits	901	66	45	–	–	–	901	66	45
Total interest income on financial assets not at fair value through profit or loss	901	66	45	–	–	–	901	66	45
Income from exploitation of an online game	41,309	–	–	–	–	–	41,309	–	–
Sundry income	1	3	2	–	–	–	1	3	2
Recovery of bad debts	–	–	–	–	–	1,091	–	–	1,091
	42,211	69	47	–	–	1,091	42,211	69	1,138
Other net income									
Net foreign exchange gain	5,046	2,954	–	–	–	–	5,046	2,954	–
Gain on disposal of an associate	655	–	–	–	–	–	655	–	–
	5,701	2,954	–	–	–	–	5,701	2,954	–

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2009	2010	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Restated)		(Restated)		(Restated)	
Other revenue						
Recovery of bad debts	–	–	1,089	–	1,089	–
Interest income	27	29	–	–	27	29
Sundry income	–	11	–	–	–	11
	27	40	1,089	–	1,116	40

5. LOSS FOR THE YEAR/PERIOD

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

	For the year ended 31 March								
	Continuing operations			Discontinued operation			Consolidated		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Restated)	(Restated)		(Restated)	(Restated)	
(a) Finance costs									
Interest on promissory note *(note 25)*	22,288	25,377	11,740	–	–	–	22,288	25,377	11,740
Total interest expense on financial liabilities not at fair value through profit or loss	22,288	25,377	11,740	–	–	–	22,288	25,377	11,740
(b) Staff costs (including directors' emoluments)									
Salaries, allowances and benefits in kind	6,811	13,069	7,467	–	6,205	1,246	6,811	19,274	8,713
Retirement scheme contributions	74	1,200	445	–	582	396	74	1,782	841
	6,885	14,269	7,912	–	6,787	1,642	6,885	21,056	9,554
(c) Other items									
Amortisation on intangible assets									
– included in cost of sales	29,689	17,833	1,749	–	86,707	3,126	29,689	104,540	4,875
– included in selling and distribution expenses	–	28,976	6,555	–	30,913	1,248	–	59,889	7,803
	29,689	46,809	8,304	–	117,620	4,374	29,689	164,429	12,678
Depreciation for property, plant and equipment	368	8,124	5,057	–	3,063	273	368	11,187	5,330
Loss on disposal of property, plant and equipment	25	–	4	–	–	–	25	–	4
Operating lease charges for land and buildings: minimum lease payments	1,070	15,607	1,891	–	13,039	925	1,070	28,646	2,816
Auditor's remuneration									
– audit services	250	650	625	–	–	–	250	650	625
– other services	–	400	355	–	–	–	–	400	355
Cost of inventories* *(note 20)*	–	40,183	452	–	–	29	–	40,183	481
Equity-settled share-based payment expenses	3,181	1,184	498	–	–	–	3,181	1,184	498
Write down of inventories	–	3,930	227	–	–	29	–	3,930	256
Other operating expenses									
– Impairment loss on property, plant and equipment *(note 14(a))*	–	16,533	9,752	–	11,081	599	–	27,614	10,351
– Impairment loss on intangible assets *(note 15)*	–	298,444	29,139	–	280,896	8,892	–	579,340	38,031
– Impairment loss on goodwill *(note 16)*	–	96,702	136,862	–	257,908	–	–	354,610	136,862
– Impairment loss on trade receivables *(note 21(b))*	–	9,468	–	–	3,893	8,246	–	13,361	8,246
– Impairment loss on available-for-sale financial assets	29,060	–	–	–	–	–	29,060	–	–
	29,060	421,147	175,753	–	553,778	17,737	29,060	974,925	193,490

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

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2009	2010	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)
(a) Finance costs						
Interest on promissory note *(note 25)*	10,007	1,489	–	–	10,007	1,489
Total interest expense on financial liabilities not at fair value through profit or loss	10,007	1,489	–	–	10,007	1,489
(b) Staff costs (including directors' emoluments)						
Salaries, allowances and benefits in kind	3,668	5,096	603	–	4,271	5,096
Retirement scheme contributions	195	531	205	–	400	531
	3,863	5,627	808	–	4,671	5,627
(c) Other items						
Amortisation on intangible assets						
– included in cost of sales	1,169	22,942	2,611	–	3,780	22,942
– included in selling and distribution expenses	4,365	–	1,237	–	5,602	–
	5,534	22,942	3,848	–	9,382	22,942
Depreciation for property, plant and equipment	2,294	463	176	–	2,470	463
Operating lease charges for land and buildings: minimum lease payments	1,250	1,388	1,059	–	2,309	1,388
Cost of inventories * *(note 20)*	8	5	–	–	8	5
Equity-settled share-based payment expenses	449	4,743	–	–	449	4,743
Reversal of write down of inventories	–	(14)	–	–	–	(14)
Other operating expenses						
– Impairment loss on property, plant and equipment	–	–	413	–	413	–
– Impairment loss on intangible assets	–	–	4,590	–	4,590	–
– Impairment loss on trade receivables	–	–	4,651	–	4,651	–
	–	–	9,654	–	9,654	–

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

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

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

	For the year ended 31 March								
	Continuing operations			Discontinued operation			Consolidated		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(Restated)			(Restated)			(Restated)	
Current tax									
– PRC Enterprise Income Tax	–	(8,996)	–	–	(3,885)	–	–	(12,881)	–
Deferred tax									
– Origination and reversal of temporary differences *(note 26(b))*	–	47,746	2,709	–	99,629	3,316	–	147,375	6,025
	–	38,750	2,709	–	95,744	3,316	–	134,494	6,025

	For the six months ended 30 September					
	Continuing operations		Discontinued operation		Consolidated	
	2009	2010	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)
Current tax						
– PRC Enterprise Income Tax	–	(504)	–	–	–	(504)
Deferred tax						
– Origination and reversal of temporary differences *(note 26(b))*	387	5,736	491	–	878	5,736
	387	5,232	491	–	878	5,232

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the years ended 31 March 2009 and 2010 and for the six months ended 30 September 2009 and 2010.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. No Hong Kong Profits Tax has been provided for in the Financial Information as the Group has no assessable profits for the year ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010.

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

(i) Continuing operations

	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Unaudited) (Restated)	(Unaudited)
Loss before taxation	(31,875)	(478,903)	(213,613)	(20,833)	(34,574)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	(5,578)	(85,944)	(34,811)	(3,865)	(7,631)
Tax effect of non-taxable income	(13,190)	(7)	(2,926)	–	(2)
Tax effect of non-deductible expenses	15,726	65,583	24,901	2,608	1,968
Tax effect of unused tax losses not recognised	3,006	29,364	12,836	1,257	326
Others	36	(47,746)	(2,709)	(387)	107
Actual income tax	–	(38,750)	(2,709)	(387)	(5,232)

(ii) Discontinued operation

	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Unaudited) (Restated)	(Unaudited)
Loss before taxation	–	(617,055)	(23,899)	(12,551)	–
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	–	(154,264)	(5,974)	(3,138)	–
Tax effect of unused tax losses not recognised	–	158,149	5,974	3,138	–
Others	–	(99,629)	(3,316)	(491)	–
Actual income tax	–	(95,744)	(3,316)	(491)	–

7. DISCONTINUED OPERATION

During the year ended 31 March 2010, the Group ceased its online game operation upon the expiration of the license rights of the online computer game "Sudden Attack" in the PRC on 10 February 2010.

The results of the online game operation for the period from 1 April 2008, the date of acquisition of CCP by the Group, to 10 February 2010, which have been included in the consolidated income statement, are as follows:

	1/4/2008 to 31/3/2009	**1/4/2009 to 10/2/2010**	**For the six months ended 30 September 2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Unaudited) (Restated)	(Unaudited)
Turnover *(note 3)*	221,265	7,627	6,805	–
Cost of sales	(190,373)	(8,882)	(7,282)	–
Gross profit/(loss)	30,892	(1,255)	(477)	–
Other revenue *(note 4)*	–	1,091	1,089	–
Selling and distribution expenses	(90,050)	(2,601)	(1,900)	–
Administrative expenses	(4,119)	(3,397)	(1,609)	–
Other operating expenses *(note 5(c))*	(553,778)	(17,737)	(9,654)	–
Loss from operations	(617,055)	(23,899)	(12,551)	–
Finance costs	–	–	–	–
Loss before taxation	(617,055)	(23,899)	(12,551)	–
Income tax *(note 6(b)(ii))*	95,744	3,316	491	–
Loss for the year/period from discontinued operation	(521,311)	(20,583)	(12,060)	–

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

	1/4/2008 to 31/3/2009	**1/4/2009 to 10/2/2010**	**For the six months ended 30 September 2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Unaudited) (Restated)	(Unaudited)
Net cash generated from operating activities	(204,387)	(2,574)	(3,524)	–
Net cash generated from investing activities	–	–	–	–
Net cash generated from financing activities	–	–	–	–
	(204,387)	(2,574)	(3,524)	–

8. DIRECTORS' EMOLUMENTS

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

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	(Unaudited)
Directors' fees	298	290	300	119	152
Salaries, allowances and benefits in kind	5,660	5,404	4,920	2,702	2,435
Retirement scheme contributions	48	48	37	24	27
	6,006	5,742	5,257	2,845	2,614

The directors' emoluments are analysed as follows:

	For the year ended 31 March 2008			
	Directors' fees	**Salaries, allowances and benefits in kind**	**Retirement scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
He Chenguang	–	1,840	12	1,852
Zhang Peng	–	1,740	12	1,752
Xiao Haiping	–	1,040	12	1,052
Zhang Jialin (Resigned on 31 March 2008)	–	1,040	12	1,052
Independent non-executive directors				
Yip Tai Him	82	–	–	82
Lam Lee G (Resigned on 14 May 2007)	12	–	–	12
Liu Jie	110	–	–	110
Weng Pinger (Appointed on 16 May 2007)	94	–	–	94
	298	5,660	48	6,006

	For the year ended 31 March 2009			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
He Chenguang	–	1,890	12	1,902
Zhang Peng	–	1,770	12	1,782
Xiao Haiping	–	900	12	912
Weng Pinger	10	844	12	866
Independent non-executive directors				
Yip Tai Him	100	–	–	100
Cao Huifang (Appointed on 16 May 2008)	84	–	–	84
Liu Hong (Appointed on 16 October 2008)	44	–	–	44
Liu Jie (Resigned on 16 October 2008)	52	–	–	52
	290	5,404	48	5,742

	For the year ended 31 March 2010			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
He Chenguang	–	1,800	12	1,812
Zhang Peng	–	1,680	12	1,692
Xiao Haiping	–	720	12	732
Weng Pinger	–	720	1	721
Independent non-executive directors				
Yip Tai Him	100	–	–	100
Cao Huifang	100	–	–	100
Liu Hong	100	–	–	100
	300	4,920	37	5,257

	For the six months ended 30 September 2009			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors				
He Chenguang	–	945	6	951
Zhang Peng	–	885	6	891
Xiao Haiping	–	450	6	456
Weng Pinger	5	422	6	433
Independent non-executive directors				
Yip Tai Him	50	–	–	50
Cao Huifang	42	–	–	42
Liu Hong	22	–	–	22
	119	2,702	24	2,845

	For the six months ended 30 September 2010			
	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Executive directors				
He Chenguang	–	900	6	906
Zhang Peng	–	840	6	846
Xiao Haiping	–	360	6	366
Weng Pinger (Resigned on 30 April 2010)	–	60	1	61
Bao Yueqing (Appointed on 30 April 2010)	–	275	8	283
Independent non-executive directors				
Yip Tai Him	52	–	–	52
Cao Huifang	52	–	–	52
Liu Hong	48	–	–	48
	152	2,435	27	2,614

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

At the end of the reporting period, certain directors held share options under the Company's share option scheme. The details of the share options are disclosed in note 27.

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

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four, four, four, four and four are directors of the Company whose emoluments are included in the disclosure in note 8 above for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively. The emoluments of the remaining one, one, one, one and one individual for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively is as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	465	840	540	270	345
Retirement scheme contributions	12	12	12	6	6
	477	852	552	276	351

The emoluments of the one, one, one, one and one individual with the highest emoluments are within the following band:

	Number of individual				
	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
				(Unaudited)	(Unaudited)
HK$ Nil to HK$1,000,000	1	1	1	1	1

10. LOSS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The consolidated loss attributable to the owners of the Company includes a loss of approximately HK$17,698,000, HK$597,227,000, HK$141,282,000, HK$4,455,000 and HK$9,074,000 for the year ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively, which has been dealt with in the Financial Information of the Company.

11. DIVIDENDS

No dividends was paid or proposed during the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of the basic loss per share is based on the loss attributable to the owners of the Company of approximately HK$31,875,000, HK$820,455,000, HK$218,977,000, HK$28,331,000 and HK$29,342,000 for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively and the weighted average number of 761,155,067 ordinary shares, 802,286,761 ordinary shares, 803,361,858 ordinary shares, 802,286,761 ordinary shares and 1,194,697,017 ordinary shares in issue during the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010 respectively, calculated as follows:

Weighted average number of ordinary shares

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	'000	*'000*	*'000*	*'000*	*'000*
				(Unaudited)	(Unaudited)
Issued ordinary shares at beginning of the year/period	675,587	802,287	802,287	802,287	1,194,697
Effect of issue of new shares *(note 28(b))*	85,568	–	1,075	–	–
Weighted average number of ordinary shares in issue	761,155	802,287	803,362	802,287	1,194,697

(ii) From continuing operations

The calculation of the basic loss per share from continuing operations is based on the loss attributable to the owners of the Company from continuing operations and the weighted average number of ordinary shares in issue during the year/period. The loss attributable to the owners of the Company are calculated as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Unaudited) (Restated)	*HK$'000* (Unaudited)
Loss for the year/period attributable to the owners of the Company for the purpose of basic loss per share	(31,875)	(820,455)	(218,977)	(28,331)	(29,342)
Loss for the year/period from discontinued operation	–	(521,311)	(20,583)	(12,060)	–
Add: Loss for the year/period attributable to non-controlling interest from discontinued operation	–	130,328	5,146	3,015	–
Loss for the year/period attributable to the owners of the Company from discontinued operation	–	(390,983)	(15,437)	(9,045)	–
Loss for the year/period attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	(31,875)	(429,472)	(203,540)	(19,286)	(29,342)

(iii) From discontinued operation

The calculation of the basic loss per share from discontinued operation is based on the loss attributable to the owners of the Company of approximately HK$Nil, HK$390,983,000, HK$15,437,000, HK$9,045,000 and HK$Nil for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2009 and 2010 respectively and the weighted average number of 761,155,067 ordinary shares, 802,286,761 ordinary shares, 803,361,858 ordinary shares, 802,286,761 ordinary shares and 1,194,697,017 ordinary shares in issue during the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010 respectively.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share as the potential ordinary shares outstanding during the years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2009 and 2010 have an anti-dilutive effect on the basic loss per share for the Relevant Periods.

13. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. On adoption of HKFRS 8, Operating Segments and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has identified the following three reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Continuing operations:

(i) Promotion and management services: Provision of promotion and management services for an electronic smart card "Shentong Card".

(ii) Computer games distribution and licensing: Selling and distribution of computer games.

(iii) e-Sports Platform: Operation of an electronic platform ("e-Sports Platform") for online computer game tournaments.

(a) Segment results, assets and liabilities

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

Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities managed directly by the segments with the exception of corporate liabilities.

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

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

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

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below:

	For the year ended 31 March 2008			
	Promotion and management services	**Computer games distribution and licensing**	**e-Sports Platform**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)
Revenue from external customers	–	23,644	–	23,644
Reportable segment revenue	–	23,644	–	23,644
Reportable segment profit (adjusted EBITDA)	–	23,644	–	23,644
Depreciation and amortisation	–	10,369	19,320	29,689
Reportable segment assets	–	114,083	270,480	384,563
Additions to non-current segment assets during the year	–	–	289,800	289,800
Reportable segment liabilities	–	–	–	–

	For the year ended 31 March 2009			
	Promotion and management services	**Computer games distribution and licensing**	**e-Sports Platform**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)	(Restated)	(Restated)
Revenue from external customers	–	22,727	145,471	168,198
Reportable segment revenue	–	22,727	145,471	168,198
Reportable segment profit (adjusted EBITDA)	–	896	35,815	36,711
Depreciation and amortisation	–	21,239	31,036	52,275
Impairment loss on				
– property, plant and equipment	–	–	16,533	16,533
– intangible assets	–	140,476	120,228	260,704
– goodwill	–	27,606	69,096	96,702
– trade receivables	–	5,575	3,893	9,468
Write down of inventories	–	3,930	–	3,930
Income tax	–	–	47,746	47,746
Reportable segment assets	–	2,362	54,511	56,873
Additions to non-current segment assets during the year	–	185,983	288,811	474,794
Reportable segment liabilities	–	–	17,452	17,452

	For the year ended 31 March 2010			
	Promotion and management services	**Computer games distribution and licensing**	**e-Sports Platform**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	–	99	6,550	6,649
Reportable segment revenue	–	99	6,550	6,649
Reportable segment profit/(loss) (adjusted EBITDA)	–	(617)	1,236	619
Depreciation and amortisation	–	–	12,123	12,123
Impairment loss on				
– property, plant and equipment	–	–	7,964	7,964
– intangible assets	–	–	29,139	29,139
– goodwill	136,862	–	–	136,862
Write down of inventories	–	227	–	227
Income tax	–	–	2,709	2,709
Reportable segment assets	239,951	–	–	239,951
Additions to non-current segment assets during the year	373,853	–	–	373,853
Reportable segment liabilities	393	–	12,994	13,387

	For the six months ended 30 September 2009			
	Promotion and management services	**Computer games distribution and licensing**	**e-Sports Platform**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited) (Restated)	(Unaudited) (Restated)	(Unaudited) (Restated)	(Unaudited) (Restated)
Revenue from external customers	–	8	5,347	5,355
Reportable segment revenue	–	8	5,347	5,355
Reportable segment profit/(loss) (adjusted EBITDA)	–	(565)	2,916	2,351
Depreciation and amortisation	–	–	7,176	7,176
Income tax	–	–	387	387
Reportable segment assets	–	471	42,826	43,297
Additions to non-current segment assets during the period	–	–	–	–
Reportable segment liabilities	–	–	12,922	12,922

	For the six months ended 30 September 2010			
	Promotion and management services	**Computer games distribution and licensing**	**e-Sports Platform**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	19,077	13	196	19,286
Reportable segment revenue	19,077	13	196	19,286
Reportable segment profit/(loss) (adjusted EBITDA)	1,927	(75)	(1,219)	633
Depreciation and amortisation	23,284	–	–	23,284
Income tax	5,232	–	–	5,232
Reversal of write down of inventories	–	14	–	14
Reportable segment assets	222,401	–	–	222,401
Additions to non-current segment assets during the period	1,676	–	–	1,676
Reportable segment liabilities	1,084	90	10,897	12,071

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	For the year ended 31 March			For the six months ended 30 September	
	2008	**2009**	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Unaudited) (Restated)	(Unaudited)
Revenue					
Reportable segment revenue	23,644	168,198	6,649	5,355	19,286
Consolidated turnover	23,644	168,198	6,649	5,355	19,286
Profit or loss					
Reportable segment profit	23,644	36,711	619	2,351	633
Reportable segment profit derived from Group's external customers	23,644	36,711	619	2,351	633
Other revenue and other net income	47,912	3,023	47	27	40
Depreciation and amortisation	(30,057)	(54,933)	(13,361)	(7,828)	(23,405)
Impairment losses	(29,060)	(421,147)	(175,753)	–	–
Finance costs	(22,288)	(25,377)	(11,740)	(10,007)	(1,489)
Share of loss of an associate	(1,287)	–	–	–	–
Unallocated head office and corporate expenses	(20,739)	(17,180)	(13,425)	(5,376)	(10,353)
Consolidated loss before taxation and discontinued operation	(31,875)	(478,903)	(213,613)	(20,833)	(34,574)

		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)	(Restated)		(Unaudited)
Assets				
Reportable segment assets	384,563	56,873	239,951	222,401
Available-for-sale financial assets	525,696	–	–	–
Deferred tax assets	–	3,221	–	–
Assets relating to discontinued operation	–	19,939	–	–
Unallocated head office and corporate assets	81,448	49,533	69,384	61,754
Consolidated total assets	991,707	129,566	309,335	284,155
Liabilities				
Reportable segment liabilities	–	17,452	13,387	12,071
Current taxation	–	–	454	91
Deferred tax liabilities	–	9,222	58,685	53,923
Liabilities relating to discontinued operation	–	21,771	20,943	–
Unallocated head office and corporate liabilities	362,324	249,392	247,735	271,876
Consolidated total liabilities	362,324	297,837	341,204	337,961

(c) Geographic information

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

(d) Information about major customers

For the year ended 31 March 2008, revenue from computer games distribution and licensing represents more than 10% of the Group's total revenue is approximately HK$23,644,000 derived from China Cyber Port Co., Ltd ("CCP"), a related company of the Group with China Communication Investment Limited ("CCI") being the common substantial shareholder prior to the acquisition of 75% equity interests in CCP by the Group on 1 April 2008.

For the years ended 31 March 2009 and 2010 and for the six months ended 30 September 2009, no single customer contributed 10% or more of the total sales of the Group.

For the six months ended 30 September 2010, revenue from promotion and management services represents more than 10% of the Group's total revenue is approximately HK$19,077,000 derived from CCC, the substantial shareholder of the Group as CCI, a wholly-owned subsidiary of CCC, held 29.84% of the issued ordinary shares of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Computer equipment HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 April 2007	212	361	76	–	649
Additions	86	927	135	–	1,148
Disposals	–	(361)	(58)	–	(419)
At 31 March 2008 and 1 April 2008	298	927	153	–	1,378
Acquisition of a subsidiary *(note 30(a))*	43,762	–	1,126	1,049	45,937
Additions	6,740	17	–	–	6,757
Disposals	(132)	–	(16)	–	(148)
Exchange adjustments	955	–	25	23	1,003
At 31 March 2009 and 1 April 2009	51,623	944	1,288	1,072	54,927
Acquisition of a subsidiary *(note 30(b))*	2,056	–	195	–	2,251
Additions	–	–	47	–	47
Disposals	(37)	–	–	–	(37)
Exchange adjustments	441	–	11	9	461
At 31 March 2010 and 1 April 2010	54,083	944	1,541	1,081	57,649
Additions	–	–	3	1,673	1,676
Exchange adjustments	941	–	24	34	999
At 30 September 2010	55,024	944	1,568	2,788	60,324
Accumulated depreciation and impairment losses					
At 1 April 2007	172	296	65	–	533
Charge for the year	46	282	40	–	368
Disposals	–	(338)	(55)	–	(393)
At 31 March 2008 and 1 April 2008	218	240	50	–	508
Charge for the year	10,276	300	323	288	11,187
Impairment losses	27,614	–	–	–	27,614
Disposals	(132)	–	(16)	–	(148)
Exchange adjustments	65	–	1	–	66
At 31 March 2009 and 1 April 2009	38,041	540	358	288	39,227
Charge for the year	4,411	303	327	289	5,330
Impairment losses	9,214	–	639	498	10,351
Disposals	(31)	–	–	–	(31)
Exchange adjustments	387	–	7	6	400
At 31 March 2010 and 1 April 2010	52,022	843	1,331	1,081	55,277
Charge for the period	211	101	15	136	463
Exchange adjustments	907	–	21	20	948
At 30 September 2010	53,140	944	1,367	1,237	56,688
Carrying amount					
At 31 March 2008	80	687	103	–	870
At 31 March 2009	13,582	404	930	784	15,700
At 31 March 2010	2,061	101	210	–	2,372
At 30 September 2010	1,884	–	201	1,551	3,636

The total impairment losses of approximately HK$Nil, HK$27,614,000, HK$10,351,000 and HK$Nil of property, plant and equipment have been charged to profit or loss for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2010 respectively and have affected the following cash generating units ("CGUs")/operating segments of the Group:

For the year ended 31 March 2009

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

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

For the year ended 31 March 2010

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

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

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

(b) The Company

	Computer equipment *HK$'000*
Cost	
At 1 April 2007	11
Additions	28
At 31 March 2008, 1 April 2008, 31 March 2009 and 1 April 2009	39
Disposals	(11)
At 31 March 2010, 1 April 2010 and 30 September 2010	28
Accumulated depreciation	
At 1 April 2007	2
Charge for the year	11
At 31 March 2008 and 1 April 2008	13
Charge for the year	13
At 31 March 2009 and 1 April 2009	26
Charge for the year	11
Disposals	(11)
At 31 March 2010 and 1 April 2010	26
Charge for the period	2
At 30 September 2010	28
Carrying amount	
At 31 March 2008	26
At 31 March 2009	13
At 31 March 2010	2
At 30 September 2010	–

15. INTANGIBLE ASSETS

The Group

	Computer games license rights	Right to receive distributable profit from the e-Sports Platform	Online game software platform	Online game license rights	e-Sports Platform portal	Computer games distribution rights	Distribution network	Trademarks	Research and development	Service contract	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost											
At 1 April 2007, as restated	103,685	–	–	–	–	–	–	–	–	–	103,685
Additions	–	289,800	–	–	–	–	–	–	–	–	289,800
At 31 March 2008 and 1 April 2008, as restated	103,685	289,800	–	–	–	–	–	–	–	–	393,485
Disposed of as consideration for acquisition of a subsidiary *(note 30(a))*	(103,685)	(289,800)	–	–	–	–	–	–	–	–	(393,485)
Acquisition of a subsidiary *(note 30(a))*	–	–	3,058	212,871	48,856	87,242	362,934	33,094	30,491	–	778,546
Exchange adjustments	–	–	67	4,651	1,067	1,906	7,930	724	666	–	17,011
At 31 March 2009 and 1 April 2009	–	–	3,125	217,522	49,923	89,148	370,864	33,818	31,157	–	795,557
Acquisition of a subsidiary *(note 30(b))*	–	–	–	–	–	–	67,335	–	–	167,405	234,740
Exchange adjustments	–	–	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
Exchange adjustments	–	–	55	3,828	879	1,569	7,702	595	548	2,921	18,097
At 30 September 2010	–	–	3,207	223,213	51,230	91,480	449,076	34,703	31,972	170,326	1,055,207
Accumulated amortisation and impairment loss											
At 1 April 2007, as restated	10,368	–	–	–	–	–	–	–	–	–	10,368
Amortisation for the year, as restated	10,369	19,320	–	–	–	–	–	–	–	–	29,689
At 31 March 2008 and 1 April 2008, as restated	20,737	19,320	–	–	–	–	–	–	–	–	40,057
Disposed of as consideration for acquisition of a subsidiary *(note 30(a))*	(20,737)	(19,320)	–	–	–	–	–	–	–	–	(40,057)
Amortisation for the year	–	–	312	86,551	6,345	11,331	49,755	10,135	–	–	164,429
Impairment losses	–	–	2,109	125,830	34,484	77,664	287,239	20,910	31,104	–	579,340
Exchange adjustments	–	–	4	366	71	153	579	54	53	–	1,280
At 31 March 2009 and 1 April 2009	–	–	2,425	212,747	40,900	89,148	337,573	31,099	31,157	–	745,049
Amortisation for the year	–	–	68	3,118	1,689	–	5,705	2,098	–	–	12,678
Impairment losses	–	–	635	1,676	7,370	–	27,718	632	–	–	38,031
Exchange adjustments	–	–	24	1,844	392	763	3,043	279	267	–	6,612
At 31 March 2010 and 1 April 2010	–	–	3,152	219,385	50,351	89,911	374,039	34,108	31,424	–	802,370
Amortisation for the period	–	–	–	–	–	–	4,851	–	–	18,091	22,942
Exchange adjustments	–	–	55	3,828	879	1,569	6,570	595	548	158	14,202
At 30 September 2010	–	–	3,207	223,213	51,230	91,480	385,460	34,703	31,972	18,249	839,514
Carrying amount											
At 31 March 2008, as restated	82,948	270,480	–	–	–	–	–	–	–	–	353,428
At 31 March 2009	–	–	700	4,775	9,023	–	33,291	2,719	–	–	50,508
At 31 March 2010	–	–	–	–	–	–	67,335	–	–	167,405	234,740
At 30 September 2010	–	–	–	–	–	–	63,616	–	–	152,077	215,693

The total impairment losses of approximately HK$Nil, HK$579,340,000, HK$38,031,000 and HK$Nil of these intangible assets have been charged to profit or loss for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2010 respectively and have affected the following CGUs/operating segments of the Group:

For the year ended 31 March 2009

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

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

For the year ended 31 March 2010

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

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

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

16. GOODWILL

	The Group			
	For the year ended 31 March			For the six months ended 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
At beginning of the year/period	–	–	–	–
Arising on acquisition of a subsidiary during the year *(note 30)*	–	354,610	136,862	–
Impairment loss	–	(354,610)	(136,862)	–
At end of the year/period	–	–	–	–

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

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

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

For the year ended 31 March 2009

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

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

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

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

For the year ended 31 March 2010

Promotion and management services

The goodwill arising on the acquisition of 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited*) ("Yijia") represented the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of Yijia. As part of the consideration of the acquisition, 136,000,000 consideration shares were issued. In accordance with HKFRS 3 "Business Combinations" issued by the HKICPA, the fair value of the shares were determined by reference to the market value of the ordinary shares of the Company at the date of completion of the acquisition of Yijia (see note 30(b)(i)).

In addition, in accordance with HKAS 12 "Income Taxes" issued by the HKICPA, when the carrying amounts of intangible assets are increased to fair value but the tax base of the intangible assets remain at cost, taxable temporary differences arise which result in deferred tax liabilities. The resulting deferred tax liabilities affect goodwill (see note 30(b)(ii)).

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

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

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

For identification purpose

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group			
		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Right to receive benefits from exploitation of online game in the PRC, at valuation	525,696	–	–	–

This represents the right to receive 40% of net sales revenue in relation to the operation of an online computer game "Sudden Attack" in the PRC by CCP prior to the acquisition of 75% equity interests in CCP by the Group on 1 April 2008. The instrument carried an irrevocable guarantee of RMB570 million as cash flows for a two-year-and-eight-month period starting from 1 July 2007, undertaken by the issuer, CCI, which is a shareholder of the Company. The available-for-sale financial assets were revalued at 31 March 2008 by an independent valuer, Grant Sherman Appraisal Limited. The valuation was determined based on discounted cash flows from exploitation of the online game over the period.

The available-for-sale financial assets were part of the consideration for acquisition of 75% equity interests in CCP on 1 April 2008 and were derecognised accordingly on the same day (note 30(a)(i)).

18. INTERESTS IN SUBSIDIARIES

	The Company			
		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Unlisted shares, at cost	3,293	3,293	3,293	3,293
Less: Impairment loss *(note (c))*	(3,273)	(3,273)	(3,273)	(3,273)
	20	20	20	20
Amounts due from subsidiaries *(note (a))*	618,637	630,657	948,585	949,744
Less: Allowance for doubtful debts *(note (b))*	(44,251)	(630,657)	(767,166)	(767,166)
	574,386	–	181,419	182,578
Amounts due to subsidiaries *(note (a))*	4,583	4,552	2,189	2,188

Notes:

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

(b) Movements in the allowance for doubtful debts

	The Company			
	For the year ended 31 March			For the six months ended 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
At beginning of the year/period	44,251	44,251	630,657	767,166
Impairment losses recognised *(note (c))*	–	586,406	136,509	–
At end of the year/period	44,251	630,657	767,166	767,166

(c) The recoverable amount of these subsidiaries is determined based on the present value of estimated future cash flows. In view of the recurring operating loss of certain subsidiaries and the net liabilities position of these subsidiaries, the directors decided that impairment loss of approximately HK$3,273,000, HK$3,273,000, HK$3,273,000 and HK$3,273,000 in respect of the Company's investments in subsidiaries and HK$44,251,000, HK$630,657,000, HK$767,166,000 and HK$767,166,000 in respect of the amounts due from subsidiaries are to be recognised at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

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

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

* *For identification purpose*

Notes:

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

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

19. INTEREST IN AN ASSOCIATE

	The Group			
	For the year ended 31 March			For the six months ended 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Unlisted shares, at cost:				
At beginning of the year/period	3,422	–	–	–
Exchange adjustments	31	–	–	–
Disposals	(2,166)	–	–	–
Share of loss of an associate	(1,287)	–	–	–
At end of the year/period	–	–	–	–

Details of the associate were as follows:

Name	Place of incorporation/ operation	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
神州速達導航通信資訊（北京）有限公司	PRC	49%	–	49%	Provision of various value-added services, including financial information relating to Hong Kong, to telecommunication users through the media channels in the PRC

20. INVENTORIES

	The Group			
	At 31 March			At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Finished goods	–	479	–	–

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

	The Group			
	For the year ended 31 March			For the six months ended 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Carrying amount of inventories sold	–	36,253	225	19
Write down/(reversal of write down) of inventories	–	3,930	256	(14)
	–	40,183	481	5

Note: The reversal of write down of inventories arise as a result of the subsequent sale of finished goods for which a write down was made in prior year.

21. TRADE AND OTHER RECEIVABLES

The Group

	At 31 March			At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Trade receivables	–	26,602	20,686	21,047
Less: Allowance for doubtful debts	–	(13,383)	(20,686)	(21,047)
	–	13,219	–	–
Amounts due from related companies *(note (d))*	31,135	2,720	–	–
Amounts due from substantial shareholders *(note (d))*	44,400	22,642	1,420	–
Amount due from a director *(note (e))*	–	–	–	307
Other receivables	–	2,500	2,544	189
Loan and receivables	75,535	41,081	3,964	496
Prepayment and deposits	369	393	1,017	1,814
	75,904	41,474	4,981	2,310

The Company

	At 31 March			At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Other receivables	–	53	–	–
Loan and receivables	–	53	–	–
Prepayment and deposits	–	–	–	5
	–	53	–	5

(a) Age analysis

Trade receivables are net of allowance for doubtful debts of HK$Nil, HK$13,383,000, HK$20,686,000 and HK$21,047,000 with the following age analysis at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively:

	The Group			
	At 31 March			At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
0 to 90 days	–	3,122	–	–
91 to 180 days	–	8,214	–	–
181 to 365 days	–	–	–	–
Over 365 days	–	1,883	–	–
	–	13,219	–	–

Trade receivables are due within 60 to 180 days from the date of billing. Further details on the Group's credit policy are set out in note 29(a).

(b) Impairment of trade receivables

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

Movement in the allowance for doubtful debts:

	The Group			
	For the year ended 31 March			For the six months ended 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
At beginning of the year/period	–	–	13,383	20,686
Impairment loss recognised	–	13,361	8,246	–
Reversal of impairment loss	–	–	(1,091)	–
Exchange adjustments	–	22	148	361
At end of the year/period	–	13,383	20,686	21,047

The Group's trade receivables of HK$Nil, HK$13,383,000, HK$20,686,000 and HK$21,047,000 were individually determined to be impaired and full provision had been made at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively. These individually impaired receivables related to customers that were in financial difficulties and management assessed that these receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts of HK$Nil, HK$13,361,000, HK$8,246,000 and HK$Nil were recognised for the years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2010 respectively. The Group does not hold any collateral over these balances.

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

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

(c) Trade receivables that are not impaired

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

	The Group			
	At 31 March			At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Neither past due nor impaired	–	11,336	–	–
Past due but not impaired				
Over 365 days	–	1,883	–	–
	–	13,219	–	–

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

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

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

Name	Balance at 1 April 2007	Balance at 31 March 2008	Balance at 31 March 2009	Balance at 31 March 2010	Balance at 30 September 2010	Maximum balance outstanding during year ended 31 March 2008	2009	2010	six months ended 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Related company									
北京龍騰興達導航定位技術有限公司 (Beijing Longteng Xingda Guiding and Positioning Technology Limited*)	–	–	2,720	–	–	–	2,884	2,720	–
CCP	5,557	31,135	–	–	–	31,135	31,735	–	–
	5,557	31,135	2,720	–	–				
Substantial shareholder									
CCC	–	–	22,642	1,420	–	–	22,642	71,937	1,420
CCI	–	44,400	–	–	–	44,400	44,400	–	–
	–	44,400	22,642	1,420	–				

* *For identification purpose*

All the above balances are unsecured and interest-free. At 31 March 2008 and 2009, the balances had no fixed repayment terms. At 31 March 2010, the balance was repayable on demand. Mr. He Chenguang, a director of the Company, has beneficial interest in both companies.

(e) Particulars of amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of director	**Balance at 1 April 2007**	**Balance at 31 March 2008 and 1 April 2008**	**Balance at 31 March 2009 and 1 April 2009**	**Balance at 31 March 2010 and 1 April 2010**	**Balance at 30 September 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Mr. Bao Yueqing	–	–	–	–	307

Maximum balance outstanding during

- year ended 31 March 2008: HK$Nil
- year ended 31 March 2009: HK$Nil
- year ended 31 March 2010: HK$Nil
- six months ended 30 September 2010: HK$307,000

The amount due from a director is unsecured, interest-free and repayable on demand. There was no amount due but unpaid, nor any provision made against the amount at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

22. CASH AND CASH EQUIVALENTS

The Group

	At 31 March			**At 30 September**
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Cash at bank and on hand	35,809	18,184	67,242	62,516
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	35,809	18,184	67,242	62,516

The Company

	At 31 March			**At 30 September**
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Cash at bank and on hand	28,420	7,099	50,999	44,225
Cash and cash equivalents in the statement of financial position	28,420	7,099	50,999	44,225

23. AMOUNTS DUE TO SUBSTANTIAL SHAREHOLDERS

	The Group			
		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
CCI *(note (a))*	–	12,243	615	626
CCC *(note (b))*	–	–	–	3,002
	–	12,243	615	3,628

CCI, which is wholly-owned by CCC, held 27.49%, 27.49%, 29.84% and 29.84% of the issued share capital of the Company at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively, hence both CCI and CCC are regarded as substantial shareholder of the Company.

Notes:

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

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

(b) The amount was unsecured, interest-free and repayable on demand.

24. TRADE AND OTHER PAYABLES

The Group

		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)
Trade payables	–	9,395	12,998	13,225
Receipts in advance	–	22,022	13,066	90
Other payables and accruals	335	12,074	10,765	9,997
Amount due to a related company *(note (b))*	–	–	–	10,897
Financial liabilities measured at amortised cost	335	43,491	36,829	34,209

The Company

	At 31 March			At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Other payables and accruals	297	704	1,826	546
Financial liabilities measured at amortised cost	297	704	1,826	546

Notes:

(a) The following is an age analysis of trade payables at the end of the reporting period:

	The Group			
	At 31 March			At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
0 to 90 days	–	2,681	–	–
91 to 180 days	–	940	129	–
181 to 365 days	–	5,774	3,394	131
Over 1 year	–	–	9,475	13,094
	–	9,395	12,998	13,225

(b) The amount is unsecured, interest-free and repayable on 15 September 2011.

25. PROMISSORY NOTE

	The Group			
	For the year ended 31 March			For the six months ended 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
At beginning of the year/period	368,738	361,989	232,881	244,621
Interest charged *(note 5(a))*	22,288	25,377	11,740	1,489
Cancellation upon acquisition of a subsidiary *(note 30(a))*	–	(73,175)	–	–
Settled during the year/period	(29,037)	(81,310)	–	–
At end of the year/period	361,989	232,881	244,621	246,110

The promissory note is held by CCI with principal amount of HK$400,000,000, HK$238,690,000, HK$238,690,000 and HK$238,690,000 at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

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

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

The carrying amount of the promissory note is denominated in Hong Kong dollars and the effective interest rate is 8.73%, 5.12%, 1.23% and 1.23% at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

26. INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group			
		At 31 March		At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Provision for the year/period				
– PRC Enterprise Income tax	–	–	454	91

(b) Deferred tax assets and liabilities recognised

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

	Accrued expenses not allowed until actual payment	Deferred income	Revaluation of acquired intangible assets	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007, 31 March 2008 and 1 April 2008	–	–	–	–	–
Acquisition of a subsidiary *(note 30(a))*	8,579	28,397	(186,347)	(974)	(150,345)
Credit/(charge) to profit or loss for the year *(note 6(a))*	(8,752)	(25,752)	180,886	993	147,375
Exchange adjustments	173	576	(3,761)	(19)	(3,031)
At 31 March 2009 and 1 April 2009	–	3,221	(9,222)	–	(6,001)
Acquisition of a subsidiary *(note 30(b))*	–	–	(58,685)	–	(58,685)
Credit/(charge) to profit or loss for the year *(note 6(a))*	–	(3,234)	9,259	–	6,025
Exchange adjustments	–	13	(37)	–	(24)
At 31 March 2010 and 1 April 2010	–	–	(58,685)	–	(58,685)
Credit to profit or loss for the period *(note 6(a))*	–	–	5,736	–	5,736
Exchange adjustments	–	–	(974)	–	(974)
At 30 September 2010	–	–	(53,923)	–	(53,923)

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

		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Deferred tax assets	–	3,221	–	–
Deferred tax liabilities	–	(9,222)	(58,685)	(53,923)
	–	(6,001)	(58,685)	(53,923)

(c) Deferred tax assets not recognised

At 31 March 2008, 2009 and 2010 and at 30 September 2010, the Group has unused tax losses of approximately HK$44,938,000, HK$174,900,000, HK$193,710,000 and HK$193,710,000 respectively (subject to the approval of the relevant tax authority) available for offset against future profits. Except for the tax loss of approximately HK$44,938,000, HK$44,938,000, HK$44,938,000 and HK$44,938,000 at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively that may be carried forward indefinitely, other tax losses will expire by the end of 2015.

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

27. EQUITY SETTLED SHARE-BASED TRANSACTION

Equity-settled share option scheme

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

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue 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 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 at the date of grant.

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

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

Name or category of participant	Date of grant	Vesting period	Exercisable period	Contractual life of options	Exercise price	Number of shares issuable under options granted			
						At 31 March			At 30 September
						2008	2009	2010	2010
					HK$	'000	'000	'000	'000
									(Unaudited)
Director									
Xiao Haiping	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	3 years	1.09	1,000	1,000	–	–
Zhang Jialin (resigned on 31 March 2008)	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	3 years	1.09	2,000	–	–	–
Consultants									
In aggregate	3 April 2006	4 April 2006 to 2 October 2006	3 October 2006 to 2 April 2009	3 years	1.09	–	2,000	–	–
In aggregate	28 June 2006	29 June 2006 to 27 December 2006	28 December 2006 to 27 June 2009	3 years	1.74	800	800	–	–
In aggregate	13 July 2006	14 July 2006 to 12 January 2007	13 January 2007 to 12 July 2008	2 years	1.92	500	–	–	–
In aggregate	17 August 2006	18 August 2006 to 15 August 2007	16 August 2007 to 16 August 2008	2 years	1.92	1,000	–	–	–
In aggregate	30 July 2007	31 July 2007 to 29 January 2008	30 January 2008 to 29 July 2010	3 years	2.80	800	800	800	–
In aggregate	17 August 2007	18 August 2007 to 16 February 2008	17 February 2008 to 16 August 2008	1 year	2.8	1,500	–	–	–
In aggregate	4 January 2008	5 January 2008 to 4 July 2008	5 July 2008 to 4 January 2009	1 year	2.816	3,000	–	–	–
In aggregate	14 August 2008	15 August 2008 to 13 August 2009	14 August 2009 to 13 August 2010	2 years	0.97	–	1,000	1,000	–
In aggregate	15 August 2008	16 August 2008 to 14 August 2009	15 August 2009 to 14 August 2010	2 years	1.30	–	1,500	1,500	–
In aggregate	14 January 2009	15 January 2009 to 13 July 2009	14 July 2009 to 13 July 2010	1.5 years	0.82	–	1,200	1,200	–
In aggregate	19 March 2010	20 March 2010 to 18 March 2011	19 March 2011 to 18 March 2012	2 years	1.12	–	–	1,000	1,000
In aggregate	22 March 2010	23 March 2010 to 21 March 2011	22 March 2011 to 21 March 2012	2 years	1.15	–	–	2,000	2,000
In aggregate	24 March 2010	25 March 2010 to 23 March 2011	24 March 2011 to 23 March 2012	2 years	1.17	–	–	7,000	7,000
In aggregate	29 March 2010	30 March 2010 to 28 March 2011	29 March 2011 to 28 March 2012	2 years	1.23	–	–	1,000	1,000
In aggregate	7 April 2010	8 April 2010 to 6 April 2011	7 April 2011 to 6 April 2012	2 years	1.25	–	–	–	31,170
						10,600	8,300	15,500	42,170

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

Details of the share options outstanding during the Relevant Periods are as follows:

For the year ended 31 March 2008

	Number of shares issuable under options granted	**Weighted average exercise price**
	'000	*HK$*
Outstanding at beginning of the year	11,200	1.96
Granted during the year	5,300	2.81
Forfeited during the year	(4,200)	3.15
Exercised during the year	(1,700)	0.62
Outstanding at end of the year	10,600	2.12
Exercisable at end of the year	7,600	1.98

For the year ended 31 March 2009

	Number of shares issuable under options granted	**Weighted average exercise price**
	'000	*HK$*
Outstanding at beginning of the year	10,600	2.12
Granted during the year	3,700	1.05
Forfeited during the year	(6,000)	2.58
Outstanding at end of the year	8,300	1.30
Exercisable at end of the year	4,600	1.50

For the year ended 31 March 2010

	Number of shares issuable under options granted	Weighted average exercise price
	'000	*HK$*
Outstanding at beginning of the year	8,300	1.30
Granted during the year	11,000	1.17
Forfeited during the year	(3,800)	1.23
Outstanding at end of the year	15,500	1.22
Exercisable at end of the year	4,500	1.37

For the six months ended 30 September 2010

	Number of shares issuable under options granted	Weighted average exercise price
	'000	*HK$*
	(Unaudited)	(Unaudited)
Outstanding at beginning of the period	15,500	1.22
Granted during the period	31,170	1.25
Forfeited during the period	(4,500)	1.37
Outstanding at end of the period	42,170	1.23
Exercisable at end of the period	–	–

The options outstanding have a weighted average remaining contractual life of 0.87 years, 0.75 years, 1.5 years and 1.5 years and the exercise prices range from HK$1.09 to HK$2.82, HK$0.82 to HK$2.80, HK$0.82 to HK$2.80 and HK$1.12 to HK$1.25 at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

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

For the year ended 31 March 2008

Grant date	**30 July 2007**	**17 August 2007**	**4 January 2008**
Share price on grant date	HK$2.70	HK$2.50	HK$2.44
Exercise price	HK$2.800	HK$2.800	HK$2.816
Expected volatility	51.77%	52.93%	46.37%
Expected life	1.50 years	0.75 years	0.75 years
Risk-free interest rate	4.03%	3.95%	2.46%
Expected dividend yield	–	–	–
Fair value per share under options granted	HK$0.696	HK$0.372	HK$0.271

For the year ended 31 March 2009

Grant date	**14 August 2008**	**15 August 2008**	**14 January 2009**
Share price on grant date	HK$0.97	HK$1.30	HK$0.82
Exercise price	HK$0.97	HK$1.30	HK$0.82
Expected volatility	69.39%	75.49%	77.45%
Expected life	1.50 years	1.50 years	0.99 years
Risk-free interest rate	1.908%	1.911%	0.300%
Expected dividend yield	–	–	–
Fair value per share under options granted	HK$0.329	HK$0.475	HK$0.247

For the year ended 31 March 2010

Grant date	**19 March 2010**	**22 March 2010**	**24 March 2010**	**29 March 2010**
Share price on grant date	HK$1.12	HK$1.15	HK$1.17	HK$1.23
Exercise price	HK$1.12	HK$1.15	HK$1.17	HK$1.23
Expected volatility	65.20%	65.24%	65.20%	65.34%
Expected life	1.50 years	1.50 years	1.50 years	1.50 years
Risk-free interest rate	0.446%	0.475%	0.472%	0.506%
Expected dividend yield	–	–	–	–
Fair value per share under options granted	HK$0.350	HK$0.360	HK$0.366	HK$0.316

For the six months ended 30 September 2010

Grant date	**7 April 2010** (Unaudited)
Share price on grant date	HK$1.25
Exercise price	HK$1.25
Expected volatility	65.37%
Expected life	1.50 years
Risk-free interest rate	0.498%
Expected dividend yield	–
Fair value per share under options granted	HK$0.392

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

28. CAPITAL AND RESERVES

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

	Share capital	**Share premium**	**Share-based payment reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	6,756	335,313	5,014	(79,517)	267,566
Total comprehensive loss for the year	–	–	–	(17,698)	(17,698)
Allotment of shares *(note 28(b)(iii))*	200	53,800	–	–	54,000
Allotment of consideration shares *(note 28(b)(iv))*	1,050	288,750	–	–	289,800
Share option scheme					
– equity-settled share-based payment expenses	–	–	3,181	–	3,181
– exercise of share options	17	1,560	(454)	–	1,123
– forfeiture of share options granted	–	–	(3,283)	3,283	–
At 31 March 2008	8,023	679,423	4,458	(93,932)	597,972
At 1 April 2008	8,023	679,423	4,458	(93,932)	597,972
Total comprehensive loss for the year	–	–	–	(597,227)	(597,227)
Share option scheme					
– equity-settled share-based payment expenses	–	–	1,184	–	1,184
– forfeiture of share options granted	–	–	(2,396)	2,396	–
At 31 March 2009	8,023	679,423	3,246	(688,763)	1,929

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009	8,023	679,423	3,246	(688,763)	1,929
Total comprehensive loss for the year	–	–	–	(141,282)	(141,282)
Allotment of consideration shares *(note 30(b)(i))*	1,360	165,920	–	–	167,280
Allotment of subscription shares *(note 28(b)(v))*	2,564	197,436	–	–	200,000
Share option scheme					
– equity-settled share-based payment expenses	–	–	498	–	498
– forfeiture of share options granted	–	–	(1,914)	1,914	–
At 31 March 2010	11,947	1,042,779	1,830	(828,131)	228,425
At 1 April 2010	11,947	1,042,779	1,830	(828,131)	228,425
Total comprehensive loss for the period	–	–	–	(9,074)	(9,074)
Share option scheme					
– equity-settled share-based payment expenses	–	–	4,743	–	4,743
– forfeiture of share options granted	–	–	(1,781)	1,781	–
At 30 September 2010	11,947	1,042,779	4,792	(835,424)	224,094

(b) Share capital

(i) Authorised and issued share capital

	For the year ended 31 March						For the six months ended 30 September	
	2008		2009		2010		2010	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*	*'000*	*HK$'000*
							(Unaudited)	(Unaudited)
Authorised:								
Ordinary shares of HK$0.01 each								
At beginning of the year/period	1,000,000	10,000	1,000,000	10,000	1,000,000	10,000	10,000,000	100,000
Increase in authorised share capital *(note 28(b)(ii))*	–	–	–	–	9,000,000	90,000	–	–
At end of the year/period	1,000,000	10,000	1,000,000	10,000	10,000,000	100,000	10,000,000	100,000
Ordinary shares, issued and fully paid:								
At beginning of the year/period	675,587	6,756	802,287	8,023	802,287	8,023	1,194,697	11,947
Issue of new shares								
– exercise of share options	1,700	17	–	–	–	–	–	–
– allotment shares *(note 28(b)(iii))*	20,000	200	–	–	–	–	–	–
– consideration shares *(note 28(b)(iv))*	105,000	1,050	–	–	136,000	1,360	–	–
– subscription shares *(note 28(b)(v))*	–	–	–	–	256,410	2,564	–	–
At end of the year/period	802,287	8,023	802,287	8,023	1,194,697	11,947	1,194,697	11,947

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

(ii) Increase in authorised share capital

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

(iii) Issue of allotment shares

On 8 June 2007, 20,000,000 new ordinary shares of HK$0.01 each were allotted and issued for cash at HK$2.70 per share.

(iv) Issue of consideration shares

On 28 August 2007, the Group acquired the right to receive distributable profit from the e-Sports platform by issuance of 105,000,000 ordinary shares of the Company.

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

(v) *Issue of subscription shares*

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

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

(c) Nature and purpose of reserves

(i) *Share premium*

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

(ii) *Merger reserve*

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

(iii) *Asset revaluation reserve*

The asset revaluation reserve comprises of gains or losses arising from changes in fair value of available-for-sale financial assets in accordance with the accounting policy set out in note 2(g) to the Financial Information.

(iv) *Exchange reserve*

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

(v) *Share-based payment reserve*

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

(d) Distributability of reserves

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

The aggregate amount of reserves available for distribution to the owners of the Company is HK$585,491,000, HK$Nil, HK$214,648,000 and HK$207,355,000 at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

(e) **Capital management**

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

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

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

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

During the Relevant Periods, the Group's strategy was to maintain the gearing ratio below 300%. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's gearing ratios at 31 March 2008, 2009 and 2010 and at 30 September 2010 were as follows:

		At 31 March		At 30 September
	2008	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Total liabilities	362,324	297,837	341,204	337,961
Total assets	991,707	129,566	309,335	284,155
Gearing ratio	37%	230%	110%	119%

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

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) **Credit risk**

(i) At 31 March 2008, 2009 and 2010 and at 30 September 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

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

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has a concentration of credit risk as 58%, 55%, 29% and nil% of the total trade and other receivables is due from a substantial shareholder at 31 March 2008, 2009 and 2010 and at 30 September 2010 respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on the financial support from substantial shareholders as a significant source of liquidity. At 31 March 2008, 2009 and 2010 and at 30 September 2010, the Group does not have any banking facilities.

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

The Group

	At 31 March 2008					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Promissory note	7,544	5,574	282,126	–	295,244	361,989
Trade and other payables	335	–	–	–	335	335
	7,879	5,574	282,126	–	295,579	362,324

	At 31 March 2009					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Promissory note	–	248,868	–	–	248,868	232,881
Trade and other payables	43,491	–	–	–	43,491	43,491
Amount due to a substantial shareholder	–	12,243	–	–	12,243	12,243
	43,491	261,111	–	–	304,602	288,615

	At 31 March 2010					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Promissory note	–	248,331	–	–	248,331	244,621
Trade and other payables	36,829	–	–	–	36,829	36,829
Amount due to a substantial shareholder	–	615	–	–	615	615
	36,829	248,946	–	–	285,775	282,065

	At 30 September 2010					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Promissory note	248,331	–	–	–	248,311	246,110
Trade and other payables	34,209	–	–	–	34,209	34,209
Amounts due to substantial shareholders	3,628	–	–	–	3,628	3,628
	286,168	–	–	–	286,168	283,947

The Company

	At 31 March 2008					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Other payables and accruals	297	–	–	–	297	297
Amounts due to subsidiaries	4,583	–	–	–	4,583	4,583
	4,880	–	–	–	4,880	4,880

	At 31 March 2009					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Other payables and accruals	704	–	–	–	704	704
Amounts due to subsidiaries	4,552	–	–	–	4,552	4,552
	5,256	–	–	–	5,256	5,256

	At 31 March 2010					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Other payables and accruals	1,826	–	–	–	1,826	1,826
Amounts due to subsidiaries	2,189	–	–	–	2,189	2,189
	4,015	–	–	–	4,015	4,015

	At 30 September 2010					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Other payables and accruals	546	–	–	–	546	546
Amounts due to subsidiaries	2,188	–	–	–	2,188	2,188
	2,734	–	–	–	2,734	2,734

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances and deposits and fair value interest rate risk in relation to fixed-rate promissory note (see note 25 for details of promissory note).

(i) Interest rate profile

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

The Group

	At 31 March						At 30 September	
	2008		2009		2010		2010	
	Effective interest rate		*Effective interest rate*		*Effective interest rate*		*Effective interest rate*	
	%	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
Assets:								
Bank balance and deposits	0.19-0.47	35,617	0.001-0.36	11,819	0.001-0.36	16,778	0.001-0.36	61,602
Fixed rate borrowing:								
Promissory note	2.00	361,989	2.00	232,881	2.00	244,621	2.00	246,110

The Company

	At 31 March						At 30 September	
	2008		2009		2010		2010	
	Effective interest rate		*Effective interest rate*		*Effective interest rate*		*Effective interest rate*	
	%	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*
Assets:								
Bank balance and deposits	0.33	28,293	0.001	6,896	0.001	736	0.001	43,698

(ii) Sensitivity analysis

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

At 31 March 2008, 2009 and 2010 and at 30 September 2010, it is estimated that a general increase/decrease of 50 basis points in interest rates for variable rate bank balances and deposits, with all other variables held constant, would decrease/increase the Group's loss after tax and accumulated losses by approximately HK$178,000, HK$48,000, HK$64,000 and HK$250,000 respectively. Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

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

(d) Currency risk

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

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

	The Group							
	At 31 March						At 30 September	
	2008		2009		2010		2010	
	RMB'000	*US$'000*	*RMB'000*	*US$'000*	*RMB'000*	*US$'000*	*RMB'000*	*US$'000*
Trade and other receivables	68,050	–	–	–	–	–	–	–
Cash and cash equivalents	–	–	–	–	–	5	–	5
Trade and other payables	–	–	–	(1,000)	–	(4,000)	–	(1,000)
Overall net exposure arising from recognised assets and liabilities	68,050	–	–	(1,000)	–	(3,995)	–	(995)

(ii) Sensitivity analysis

At 31 March 2008, 2009 and 2010 and at 30 September 2010, if the Renminbi had weakened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$Nil, HK$293,000, HK$1,163,000 and HK$290,000 higher, arising mainly as a result of the foreign exchange loss on other payables denominated in US dollar. If the Renminbi had strengthened 5 per cent against the US dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$Nil, HK$293,000, HK$1,163,000 and HK$290,000 lower, arising mainly as a result of the foreign exchange gain on other payables denominated in US dollar.

At 31 March 2008, 2009 and 2010 and at 30 September 2010 if the Renminbi had weakened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$2,967,000, HK$Nil, HK$Nil and HK$Nil higher, arising mainly as a result of the foreign exchange loss on trade and other receivables denominated in Renminbi. If the Renminbi had strengthened 5 per cent against the Hong Kong dollar with all other variables held constant, consolidated loss after tax for the year and accumulated loss would have been approximately HK$3,280,000, HK$Nil, HK$Nil and HK$Nil lower, arising mainly as a result of the foreign exchange gain on trade and other receivable denominated in Renminbi.

(e) Fair values

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

30. ACQUISITION OF A SUBSIDIARY

(a) For the year ended 31 March 2009

On 1 November 2007, Favour Grow Holdings Limited, a wholly-owned subsidiary of the Company, entered into an agreement with CCI for the acquisition of 75% equity interest in CCP ("CCP Agreement"), at a consideration based on the difference between the valuation of 75% equity interest in CCP, which was determined based on the valuation report prepared by Grant Sherman Appraisal Limited, an independent professional valuer, and the adjusted benefits accruing to the Group under the Sudden Attack Agreement (see note 32) and the e-Sports Platform Agreement (see note 32). Pursuant to the Sudden Attack Agreement and the e-Sports Platform Agreement entered into by the Group with CCI and CCC on 20 October 2006 and 28 May 2007 respectively, the Group acquired from CCI (i) the right to receive the 40% of the net revenue derived from operating "Sudden Attack" in the PRC by CCP and (ii) the right to receive 75% of the distributable profit derived from operating the e-Sports Platform by CCP in the PRC, respectively. Under the CCP Agreement, the Group and CCI agreed to cancel these two agreements and to cancel the HK$80 million (amortised cost of approximately HK$73,175,000 at the date of completion) promissory note held by CCI in settlement of the shortfall of consideration.

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

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

	Carrying amounts *HK$'000*	Fair value adjustments *HK$'000*	Fair value *(note (iii))* *HK$'000*
Fixed assets *(note 14(a))*	45,937		45,937
Intangible assets *(note 15)*	33,158	745,388	778,546
Cash and bank balances	76,881		76,881
Inventories	35,323		35,323
Trade receivables	42,106		42,106
Prepayments, deposits & other receivables	63,484		63,484
Due from a related company	2,884		2,884
Due from a substantial shareholder	20,846		20,846
Trade payables	(11,090)		(11,090)
Other payables and accruals	(80,964)		(80,964)
Receipts in advance	(113,782)		(113,782)
Due to a related company	(25,806)		(25,806)
Due to a substantial shareholder	(73,555)		(73,555)
Current taxation	(8,680)		(8,680)
Deferred tax liabilities *(note 26(b))*	36,002	(186,347)	(150,345)
Net assets	42,744	559,041	601,785
Less: Non-controlling interest			(150,446)
			451,339
Goodwill *(note 16)*			354,610
			805,949

	HK$'000
Satisfied by:	
Intangible assets *(note (ii) and note 15)*	353,428
Available-for-sale financial assets *(note (i))*	525,696
Promissory note cancellation *(note 25)*	(73,175)
	805,949

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

CCP contributed loss of HK$918,647,000 to the Group's loss for the year ended 31 March 2009. No pro forma information presented for the Group revenue and result as the acquisition of CCP was completed on 1 April 2008.

Notes:

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

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

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

Computer games license rights:

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

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

It represented the right to receive 75% of the distributable profit derived from operating the "e-Sports Platform" in the PRC by CCP.

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

(b) For the year ended 31 March 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 was satisfied by (i) cash of HK$150,000,000; and (ii) the issue of 136,000,000 consideration shares to the nominee, CCI, at the issue price of HK$0.78 per consideration share.

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

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

	Carrying amounts	Fair value adjustments	Fair value (note (iii))
	HK$'000	*HK$'000*	*HK$'000*
Fixed assets *(note 14(a))*	2,251	–	2,251
Intangible assets *(note 15)*	–	234,740	234,740
Prepayments, deposits & other receivables	647	–	647
Cash and bank balances	892	–	892
Due from a substantial shareholder	1,420	–	1,420
Other payables and accruals	(393)	–	(393)
Current taxation	(454)	–	(454)
Deferred tax liabilities *(note (ii) and 26(b))*	–	(58,685)	(58,685)
Net assets	4,363	176,055	180,418
Goodwill *(note 16)*			136,862
Total consideration			317,280

	HK$'000
Satisfied by:	
Cash	150,000
Equity instrument of the Company *(note (i) and note 28(a))*	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.

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.

31. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Major Non-cash transactions

For the year ended 31 March 2008

During the year, the Group acquired the licensing right to receive distributable profit from the e-Sports Platform for a consideration of HK$289,800,000, settled by issuance of 105,000,000 ordinary shares of the Company.

For the year ended 31 March 2009

The consideration of the acquisition of 75% equity interest in CCP was satisfied by the surrender of available-for-sale financial assets (the right to receive 40% of the net revenue derived from operating "Sudden Attack" in the PRC by CCP) and intangible assets (the right to receive 75% of the distributable profit derived from operating e-Sports Platform in the PRC). The Group was also allowed to cancel certain promissory note payable to CCI. The fair values of the Group's intangible assets, available-for-sale financial assets and promissory note that were relevant to the acquisition are set out in note 30(a) to the Financial Information.

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

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

32. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material transactions:

(a) During the Relevant Periods, the Group entered into certain continuing connected transactions.

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

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

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

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

* *For identification purpose*

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

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

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

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

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

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

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

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

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

(b) Transactions with related parties:

Name of related parties	Relationship	Nature of transactions	Note	Amount paid to/ (received from) the related parties — For the year ended 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000	For the six months ended 30 September 2009 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited)
CCP	Related company	Licensing income from selling of computer games	*(iv)*	(23,644)	–	–	–	–
CCC	Substantial shareholder *(note (i))*	Customer service hotline rental expense	*32(a)(vii)*	–	5,032	565	396	85
		Dedicated leased lines expense	*32(a)(vi)*	–	91,529	2,881	1,770	374
		Server hosting service expense	*32(a)(vi)*	–	6,728	–		–
		Office internet connection expense	*32(a)(viii)*	–	568	–		–
		Rental expense	*32(a)(v)*	–	1,390	–		–
		Advertising income	*32(a)(iv)*	–	(10,953)	–		–
		Online game income	*(iv)*	–	(107,294)	–	–	–
		Internet payment and settlement service fee	*32(a)(ix)*	–	26,824	1,740	1,248	–
		Net online game income		–	(80,470)	1,740	1,248	–
		Promotion and management service income	*32(a) (xii)*	–	–	–		(19,077)
		Customer service hotline rental expenses	*32(a) (x)*	–	–	–		221
		Server hosting service expenses	*32(a) (xi)*	–	–	–		1,555
		Web advertising expenses	*32(a) (xiii)*	–	–	–		–
CCI	Substantial Shareholder *(note (ii))*	Interest charged on promissory note	*(iii)*	22,288	25,377	11,740	10,007	1,489
		Income from exploitation of an online game	*(iv)*	(41,309)	–	–		–
HTD	Related company	Advertising and Sponsorship income	*32(a)(i) and 32(a)(iii)*	–	(41,893)	–		–
BTT	Related company	Advertising income	*32(a)(ii)*	–	(32,383)	–		–

Notes:

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

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

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

(iv) Mutually-agreed by the parties concerned.

(c) Outstanding balances with related parties

		The Group			
			At 31 March		At 30 September
		2008	2009	2010	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Amount due from a director	*21*	–	–	–	307
Amounts due from/(to) substantial shareholders:					
CCC	*21 and 23*	–	22,642	1,420	(3,002)
CCI	*21 and 23*	44,400	(12,243)	(615)	(626)
		44,400	10,399	805	(3,628)
Promissory note	*25*	(361,989)	(232,881)	(244,621)	(246,110)
Amounts due from/(to) related companies:					
北京龍騰興達導航定位技術有限公司 (Beijing Longteng Xingda Guiding and Positioning Technology Limited*) *(note (i))*	*21*	–	2,720	–	–
CCP	*21*	31,135	–	–	–
HTD	*24*	–	–	–	(10,897)
		31,135	2,720	–	(10,897)
		(286,454)	(219,762)	(243,816)	(260,328)

Note:

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

* *For identification purpose*

(d) Key Management personnel emoluments

Emoluments for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9 is as follows:

	For the year ended 31 March			For the six months ended 30 September	
	2008	2009	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	6,423	6,534	5,760	2,847	2,932
Retirement scheme contributions	60	60	49	24	33
	6,483	6,594	5,809	2,871	2,965

Total emoluments is included in "staff costs" (see note 5(b)).

33. OPERATING LEASE COMMITMENTS

At 31 March 2008, 2009 and 2010 and at 30 September 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

		At 31 March		At 30 September
	2008	2009	2010	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)
Within one year	1,173	11,062	3,230	2,518
After one year but within five years	1,564	8,542	4,970	3,957
	2,737	19,604	8,200	6,475

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

34. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

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

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

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

(ii) Impairment of property, plant and equipment

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

(iii) Impairment of receivables

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

(iv) Revenue recognition

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

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

(v) Write-down of inventories

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

(vi) Impairment of intangible assets

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

(vii) Amortisation of intangible assets

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

(viii) Share-based payment expenses

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

(ix) Impairment for investments in subsidiaries

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

(x) Taxation

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

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

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

Going concern

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

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

35. COMPARATIVE FIGURES

(a) As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements and HKFRS 8, Operating Segments, certain comparative figures have been adjusted to conform to the current period presentation and to provide comparative amounts in respect of items disclosed for the first time in 2008.

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

36. EVENT AFTER THE REPORTING PERIOD

On 1 December 2010, Oriental Glory (H.K.) Limited ("Oriental Glory"), an indirect wholly-owned subsidiary of the Company, as Vendor and CCI, a substantial shareholder of the Company, as purchaser entered into the 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. Thereafter, CCP will no longer be an indirect non-wholly-owned subsidiary of the Group. Accordingly, the assets, liabilities and the financial results of CCP will no longer be consolidated into the financial statements of the Group commencing from the date the Group's control over CCP ceases. The disposal is subject to approval by the independent shareholders of the Company in an extraordinary general meeting of the Company to be convened.

(i) Included below are the assets and liabilities related to CCP at 31 March 2009 and 2010 and at 30 September 2010 which have been included in the consolidated statements of financial position of the Group:

	At 31 March		At 30 September
	2009	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Non-current assets			
Property, plant and equipment	15,198	–	–
Intangible assets	50,508	–	–
Deferred tax assets	3,221	–	–
	68,927	–	–
Current assets			
Inventories	479	–	–
Trade and other receivables	41,050	2,545	404
Cash and cash equivalents	3,674	13,454	14,791
	45,203	15,999	15,195
Current liabilities			
Trade and other payables	42,737	34,559	32,824
Amounts due to substantial shareholders	–	–	3,197
	(42,737)	(34,559)	(36,021)
Net current assets/(liabilities)	2,466	(18,560)	(20,826)
Total assets less current liabilities	71,393	(18,560)	(20,826)
Non-current liabilities			
Amounts due to substantial shareholders	12,243	615	–
Deferred tax liabilities	9,222	–	–
	(21,465)	(615)	–
NET ASSETS/(LIABILITIES)	49,928	(19,175)	(20,826)
Net assets attributable to non-controlling interest	12,482	–	–

(ii) Included below are the income and expenses related to CCP during the Relevant Periods which have been included in the consolidated income statement and the consolidated statement of comprehensive income of the Group:

	For the year ended 31 March		**For the six months ended 30 September**	
	2009*	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Unaudited) (Restated)	(Unaudited)
Continuing operations				
Turnover	168,198	6,649	5,355	209
Cost of sales	(105,971)	(9,049)	(4,372)	(460)
Gross profit/(loss)	62,227	(2,400)	983	(251)
Other revenue	23	44	27	25
Other net income	6,924	–	–	–
Selling and distribution expenses	(77,073)	(7,702)	(4,914)	(363)
Administrative expenses	(7,040)	(2,391)	(1,123)	(716)
Other operating expenses	(421,147)	(38,891)	–	–
Loss from operations	(436,086)	(51,340)	(5,027)	(1,305)
Finance costs	–	–	–	–
Loss before taxation	(436,086)	(51,340)	(5,027)	(1,305)
Income tax	38,750	2,709	387	–
Loss for the year/period from continuing operations	(397,336)	(48,631)	(4,640)	(1,305)
Discontinued operation				
Loss for the year/period from discontinued operation	(521,311)	(20,583)	(12,060)	–
Loss for the year/period	(918,647)	(69,214)	(16,700)	(1,305)
Other comprehensive income for the year/period				
Exchange differences on translation of financial statements of foreign operations	12,180	111	24	(346)
Total comprehensive loss for the year/period (net of tax)	(906,467)	(69,103)	(16,676)	(1,651)
Loss for the year/period attributable to:				
Owners of the Company	(777,638)	(56,704)	(12,525)	(1,305)
Non-controlling interest	(141,009)	(12,510)	(4,175)	–
Loss for the year/period	(918,647)	(69,214)	(16,700)	(1,305)
Total comprehensive loss for the year/period (net of tax) attributable to:				
Owner of the Company	(768,503)	(56,621)	(12,507)	(1,651)
Non-controlling interest	(137,964)	(12,482)	(4,169)	–
	(906,467)	(69,103)	(16,676)	(1,651)

* *The income and expenses related to CCP represented its results for the period from the date of acquisition by the Group at 1 April 2008 to 31 March 2009.*

(iii) Included below are the cash flows related to CCP during the Relevant Periods which have been included in the consolidated statements of cash flows of the Group:

	For the year ended 31 March		For the six months ended 30 September	
	2009*	2010	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	(Unaudited)
OPERATING ACTIVITIES				
Loss before taxation				
Continuing operations	(436,086)	(51,340)	(5,027)	(1,305)
Discontinued operation	(617,055)	(23,899)	(12,551)	–
Adjustments for:				
Amortisation of intangible assets	164,429	12,678	9,382	–
Depreciation	10,802	4,955	2,281	–
Impairment loss on property, plant and equipment	27,614	10,351	413	–
Impairment loss on goodwill	354,610	–	–	–
Impairment loss on intangible assets	579,340	38,031	4,590	–
Write down of inventories	3,930	256	–	–
Reversal of write down of inventories	–	–	–	(14)
Impairment loss on trade receivables	13,361	8,246	4,651	–
Reversal of impairment loss on trade receivables	–	(1,091)	(1,089)	–
Interest income	(19)	(44)	(26)	(25)
Operating profit/(loss) before changes in working capital	100,926	(1,857)	2,624	(1,344)
Decrease in inventories	30,914	223	8	14
Decrease in trade and other receivables	37,186	31,202	21,894	2,141
Decrease in trade and other payables	(188,905)	(8,178)	(8,602)	(1,735)
Cash (used in)/generated from operations	(19,879)	21,390	15,924	(924)
Income tax paid	(21,561)	–	–	–
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(41,440)	21,390	15,924	(924)

	For the year ended 31 March		For the six months ended 30 September	
	2009*	**2010**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	(Unaudited)
INVESTING ACTIVITIES				
Payment for the purchase of property, plant and equipment	(174)	(47)	(22)	–
Interest received	19	44	26	25
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(155)	(3)	4	25
FINANCING ACTIVITIES				
(Decrease)/increase in amounts due to substantial shareholders	(30,177)	(11,628)	–	2,582
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(30,177)	(11,628)	–	2,582
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(71,772)	9,759	15,928	1,683
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	76,881	3,674	3,674	13,454
Effect of foreign exchange rates changes	(1,435)	21	(4)	(346)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	3,674	13,454	19,598	14,791

* *The cash flows related to CCP represented its cash flows for the period from the date of acquisition by the Group at 1 April 2008 to 31 March 2009.*

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

Up to the date of issue of the Financial Information, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the Relevant Periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[4]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
HKFRS 9	Financial Instruments[3]
HK(IFRIC)–Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[1]
HK(IFRIC)–Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

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

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2010.

2. INDEBTEDNESS

As at 31 October 2010, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding borrowings as follows:

(i) amounts due to substantial shareholders of approximately HK$5,663,000, of which approximately HK$5,037,000 was due to China Communication Group Co., Ltd and was unsecured, interest-free and repayable on demand. The balance of approximately HK$626,000 was due to China Communication Investment Limited ("CCI") and was unsecured, interest free and repayable on 30 June 2011. In addition, upon 30 June 2011, 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 30 June 2011 without time limitation; and

(ii) promissory note of approximately HK$246,362,000 with principal amount of HK$238,690,000 held by CCI. The promissory note is unsecured, bearing interest at 2% per annum and with extended maturity date on 30 June 2011. In addition, upon 30 June 2011, the Group has the right to postpone ("Maturity Postponement Right") the maturity date by another year if the latest published financial information of the Group indicates that the repayment of principal and accrued interest would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to 30 June 2011 until the ultimate maturity date of 30 June 2025.

Disclaimer

Save as referred to in this section and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 October 2010, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchases contracts or finance leases, guarantees, or other material contingent liabilities.

As at the close of business on 31 October 2010, the Group was not involved in any lawsuits nor claims arising in the normal course of its business from which contingent liabilities might arise.

3. WORKING CAPITAL

Taking into account the internally generated funds and the presently available credit facilities, the Directors are of the opinion that the Group will, following the completion of the Disposal, have sufficient working capital for its present requirements for at least 12 months from the date of this circular in the absence of unforeseeable circumstances.

The following is the text of a report prepared for the sole purpose of incorporation in this circular, received from Crowe Horwath (HK) CPA Limited, the independent reporting accountants of the Company.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Crowe Horwath™

國富浩華 (香港) 會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

22 December 2010

The Directors
China Communication Telecom Services Company Limited
Units 2115-2116 21/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial disposal in relation to the disposal of 75% of the registered and paid-up capital in China Cyber Port Co. Limited ("CCP") might have affected the financial information presented, for inclusion in Appendix II to the circular dated 22 December 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages II-4 to II-15 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Remaining Group at 30 September 2010 or at any future date; or

- the results and cash flows of the Remaining Group for the year ended 31 March 2010 or for any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong
Sze Chor Chun, Yvonne
Practising Certificate Number P05049

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Unaudited Pro Forma Consolidated Statement of Financial Position

The unaudited pro forma consolidated statement of financial position of the Remaining Group (the "Unaudited Pro Forma Consolidated Statement of Financial Position") has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating how the disposal of China Cyber Port Co., Limited (the "Disposal") might have affected the financial position of the Group as if the Disposal had been completed on 30 September 2010.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on the unaudited consolidated statement of financial position of the Group at 30 September 2010 as extracted from the published interim financial report of the Group for the six months ended 30 September 2010, after giving effect to the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events or decisions; and (iii) factually supportable.

The Unaudited Pro Forma Consolidated Statement of Financial Position is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Statement of Financial Position dose not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 30 September 2010, nor purport to predict the future financial position of the Remaining Group.

The Unaudited Pro Forma Consolidated Statement of Financial Position has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group at 30 September 2010, had the Disposal taken place on 30 September 2010, or at any future dates.

	The Group as at 30 September 2010	Pro forma adjustments				Pro forma Remaining Group as at 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	*Note 9*	
Non-current assets						
Property, plant and equipment	3,636					3,636
Intangible assets	215,693					215,693
	219,329					219,329
Current assets						
Trade and other receivables	2,310	(404)			7,018	8,924
Consideration receivable	–		140,000	(140,000)		–
Cash and cash equivalents	62,516	(14,791)	(1,500)		(7,018)	39,207
	64,826					48,131
Current liabilities						
Trade and other payables	34,209	(32,824)				1,385
Amounts due to substantial shareholders	3,628	(3,197)				431
Promissory note	246,110			(144,352)		101,758
Current taxation	91					91
	(284,038)					(103,665)
Net current liabilities	(219,212)					(55,534)
Total assets less current liabilities	117					163,795

	The Group as at 30 September 2010	Pro forma adjustments				Pro forma Remaining Group as at 30 September 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 1	*Note 2*	*Note 3*	*Note 9*	
Non-current liabilities						
Deferred tax liabilities	53,923					53,923
	(53,923)					(53,923)
Net (liabilities)/assets	(53,806)					109,872
Equity						
Share capital	11,947					11,947
Reserves	(65,753)	(8,872)	168,198	4,352		97,925
Equity attributable to owners of the Company	(53,806)					109,872
Non-controlling interest	–					–
Total equity	(53,806)					109,872

2. Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income

The unaudited pro forma consolidated income statement and consolidated statement of comprehensive income of the Remaining Group (the "Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income") has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating how the Disposal might have affected the results of the Group as if the Disposal had been completed on 1 April 2009.

The Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income is prepared based on the audited consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 31 March 2010 as extracted from the published audited financial report of the Group for the year ended 31 March 2010, after giving effect to pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events and decisions; and (iii) factually supportable.

The Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income does not purport to describe the actual results of the Remaining Group that would have been attained had the Disposal been completed on 1 April 2009, nor purport to predict the future results of the Remaining Group.

The Unaudited Pro Forma Consolidated Income Statement and Consolidated Statement of Comprehensive Income has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Remaining Group for the year ended 31 March 2010 or for any future financial periods.

	The Group for the year ended 31 March 2010	Pro forma adjustments			Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 4	*Note 5*	*Note 6*	
Continuing operations					
Turnover	6,649	(6,649)			–
Cost of sales	(9,049)	9,049			–
Gross loss	(2,400)				–
Other revenue	47	(44)			3
Selling and distribution expenses	(7,702)	7,702			–
Administrative expenses	(16,065)	2,391	(1,500)		(15,174)
Other operating expenses	(175,753)	38,891			(136,862)
Loss from operations	(201,873)				(152,033)
Finance costs	(11,740)			6,809	(4,931)
Loss before taxation	(213,613)				(156,964)
Income tax	2,709	(2,709)			–
Loss for the year from continuing operations	(210,904)				(156,964)
Discontinued operation					
Loss for the year from discontinued operation	(20,583)	20,583			–
Loss for the year	(231,487)				(156,964)

	The Group for the year ended 31 March 2010	Pro forma adjustments			Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 4	*Note 5*	*Note 6*	
Other comprehensive income for the year					
Exchange differences on translation of financial statements of overseas subsidiaries	111	(111)			–
Total comprehensive loss for the year (net of tax)	(231,376)				(156,964)
Loss for the year attributable to:					
Owners of the Company	(218,977)	56,704	(1,500)	6,809	(156,964)
Non-controlling interest	(12,510)	12,510			–
Loss for the year	(231,487)				(156,964)
Total comprehensive loss for the year attributable to:					
Owners of the Company	(218,894)	56,621	(1,500)	6,809	(156,964)
Non-controlling interest	(12,482)	12,482			–
	(231,376)				(156,964)

3. Unaudited Pro Forma Consolidated Statement of Cash Flows

The unaudited pro forma consolidated statement of cash flows of the Remaining Group (the "Unaudited Pro Forma Consolidated Statement of Cash Flows") has been prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating how the Disposal might have affected the cash flows of the Group as if the Disposal had been completed on 1 April 2009.

The Unaudited Pro Forma Consolidated Statement of Cash Flows is prepared based on the audited consolidated statement of cash flows of the Group for the year ended 31 March 2010 as extracted from the published audited financial report of the Group for the year ended 31 March 2010, after giving effect to the pro forma adjustments relating to the Disposal that are (i) clearly shown and explained; (ii) directly attributable to the Disposal and not relating to future events and decisions; and (iii) factually supportable.

The Unaudited Pro Forma Consolidated Statement of Cash Flows is prepared based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Statement of Cash Flows does not purport to describe the actual cash flows of the Remaining Group that would have been attained had the Disposal been completed on 1 April 2009, nor purport to predict the future cash flows of the Remaining Group.

The Unaudited Pro Forma Consolidated Statement of Cash Flows has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Group for the year ended 31 March 2010 or for any future financial periods.

	The Group for the year ended 31 March 2010	Pro forma adjustments				Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 6	*Note 7*	*Note 8*	*Note 10*	
OPERATING ACTIVITIES						
Loss before taxation						
Continuing operations	(213,613)	6,809	51,340	(1,500)		(156,964)
Discontinued operation	(23,899)		23,899			–
Adjustments for:						
Amortisation of intangible assets	12,678		(12,678)			–
Depreciation	5,330		(4,955)			375
Equity-settled share-based payments expenses	498					498
Finance costs	11,740	(6,809)				4,931
Impairment loss on property, plant and equipment	10,351		(10,351)			–
Impairment loss on goodwill	136,862					136,862
Impairment loss on intangible assets	38,031		(38,031)			–
Write down of inventories	256		(256)			–
Impairment loss on trade receivables	8,246		(8,246)			–
Reversal of impairment loss on trade receivables	(1,091)		1,091			–
Interest income	(45)		44			(1)
Net loss on disposal of property, plant and equipment	4					4

	The Group for the year ended 31 March 2010	Pro forma adjustments				Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 6	*Note 7*	*Note 8*	*Note 10*	
Operating loss before changes in working capital	(14,652)					(14,295)
Decrease in inventories	223		(223)			–
Decrease in trade and other receivables	31,257		(31,202)			55
(Decrease)/increase in trade and other payables	(7,055)		8,178			1,123
Cash generated from/(used in) operations	9,773					(13,117)
Income tax paid	–				(7,025)	(7,025)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	9,773					(20,142)
INVESTING ACTIVITIES						
Net cash outflow on acquisition of a subsidiary	(149,108)					(149,108)
Payment for the purchase of property, plant and equipment	(47)		47			–
Proceeds from disposal of property, plant and equipment	2					2
Interest received	45		(44)			1
NET CASH USED IN INVESTING ACTIVITIES	(149,108)					(149,105)

	The Group for the year ended 31 March 2010	Pro forma adjustments				Pro forma Remaining Group for the year ended 31 March 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note 6	*Note 7*	*Note 8*	*Note 10*	
FINANCING ACTIVITIES						
Proceeds from issue of new shares	199,870					199,870
Decrease in amount due to a substantial shareholder	(11,628)		11,628			–
Increase in amount due from a substantial shareholder	–				(7,025)	(7,025)
NET CASH GENERATED FROM FINANCING ACTIVITIES	188,242					192,845
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,907					23,598
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	18,184		(3,674)			14,510
Effect of foreign exchange rates changes	151		(21)			130
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	67,242					38,238

Notes:

1 The adjustments reflects the derecognition of assets and liabilities of China Cyber Port Co. Ltd ("CCP") in relation to the disposal of 75% equity interests in CCP, assuming the Disposal has taken place on 30 September 2010.

2 Assuming the Disposal has taken place on 30 September 2010, the adjustment reflects (i) the consideration receivable of HK$140,000,000; (ii) the estimated gain of approximately HK$169,698,000 resulting from the Disposal which is derived from the consideration add the net liabilities value of CCP of approximately HK$20,826,000 to be released and exchange reserve of approximately HK$8,872,000 to be realised of at 30 September 2010; and (iii) an estimated professional fee of HK$1,500,000.

3 The adjustments reflects the derecognition of part of the promissory note with allocated amount of approximately HK$144,352,000 in relation to setting off against the consideration receivable of HK$140,000,000 from CCI, assuming the Disposal has taken place on 30 September 2010 and the fair value of the promissory note with face value of HK$238,690,000 and interest thereon on 30 September 2010 is approximate to the carrying amount of the promissory note on 30 September 2010.

The difference of approximately HK$4,352,000 between the carrying amount allocated to the part derecognised for the promissory note and consideration paid for the part derecognised is accounted as the deemed contribution by CCI, the substantial shareholder of the Company, and is recognised in equity.

4 The adjustment reflects the exclusion of the total comprehensive income of CCP for the year ended 31 March 2010, assuming the Disposal has taken place on 1 April 2009. The adjustment will not have a continuing effect on the Group.

5 Assuming the Disposal has taken place on 1 April 2009, the adjustment reflects (i) the consideration receivable of HK$140,000,000; (ii) the estimated gain of approximately HK$111,689,000 resulting from the Disposal which is derived from the consideration less the net asset value of CCP of approximately HK$49,928,000 to be disposed and exchange reserve of approximately HK$9,135,000 to be realised of at 1 April 2009 and derecognition of non-controlling interest of approximately HK$12,482,000; and (iii) an estimated professional fee of HK$1,500,000.

The estimated gain of approximately HK$111,689,000 was accounted as the deemed contribution by the purchaser, CCI, which is also the substantial shareholder of the Company, and is therefore recognised in equity. The adjustment will not have a continuing effect on the Group.

6 Assuming the Disposal has taken place on 1 April 2009 and the fair value of the promissory note with face value of HK$238,690,000 and interest thereon on 1 April 2009 is equal to the carrying amount on 1 April 2009, the adjustment reflects the overstatement of finance cost on promissory note upon the derecognition of part of the promissory note by applying the effective interest rate at 1 April 2009 of 5.12%. The adjustment will not have a continuing effect on the Group.

7 The adjustment reflects the exclusion of cash flows of CCP for the year ended 31 March 2010, assuming the Disposal has taken place on 1 April 2009. The adjustment will not have a continuing effect on the Group.

8 The adjustment reflects the net cash outflow of approximately HK$1,500,000 from the disposal of CCP being the estimated professional fee, assuming the Disposal has taken place on 1 April 2009. The adjustment will not have a continuing effect on the Group.

9 The adjustment reflects (i) the cash outflow of approximately HK$7,018,000, being the estimated capital gain tax arising from the Disposal, which is calculated based on 10% of the excess of the consideration of HK$140,000,000 over the registered and paid-up capital attributable to the Group of HK$69,818,000 (equivalent to USD9,000,000); and (ii) a receivable from CCI of the amount equivalent to the capital gain tax paid by the Group arising from the terms in the Disposal Agreement that CCI would indemnify the Group any tax arising from the Disposal borne by the Group, assuming the Disposal has taken place on 30 September 2010.

After reviewing of the capital gain tax by the local tax authority, the final tax outcome of the Disposal may be different from the amounts that are initially estimated and hence the tax payment may not be the same.

10. The adjustment reflects (i) the cash outflow of approximately HK$7,025,000, being the estimated capital gain tax arising from the Disposal, which is calculated based on 10% of the excess of the consideration of HK$140,000,000 over the registered and paid-up capital attributable to the Group of HK$69,748,000 (equivalent to USD9,000,000); and (ii) a receivable from CCI of the amount equivalent to the capital gain tax paid by the Group arising from the terms in the Disposal Agreement that CCI would indemnify the Group any tax arising from the Disposal borne by the Group, assuming the Disposal has taken place on 1 April 2009.

After reviewing of the capital gain tax by the local tax authority, the final tax outcome of the Disposal may be different from the amounts that are initially estimated and hence the tax payment may not be the same.

The adjustment will not have a continuing effect on the Group.

The following is the text of the letter and valuation report received from Grant Sherman Appraisal Limited, an independent valuer, and addressed to the Company in connection with its valuation as at 30 September 2010 of the 75% registered and paid up capital of CCP, which has been prepared for the purpose of incorporation in this circular.

GRANT SHERMAN APPRAISAL LIMITED

22 December 2010

China Communication Telecom Services Company Limited
Units 2115-6, 21/F
China Merchants Tower,
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Dear Sir/Madam,

In accordance with your instructions, we have performed an appraisal of the fair value of 75% equity interest in the business entity of China Cyber Port Co., Ltd ("CCP"). On 1 December 2010, Oriental Glory (H.K.) Limited ("Oriental Glory"), an indirect wholly-owned subsidiary of China Communication Telecom Services Company Limited (the "Company"), as vendor and China Communication Investment Limited (CCI) as purchaser entered into the Disposal Agreement for the sales of 75% equity interest in CCP. CCP is primarily engaged in the operation of the e-Sports platform and distribution of computer games in the PRC.

This appraisal report identifies the business entity appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

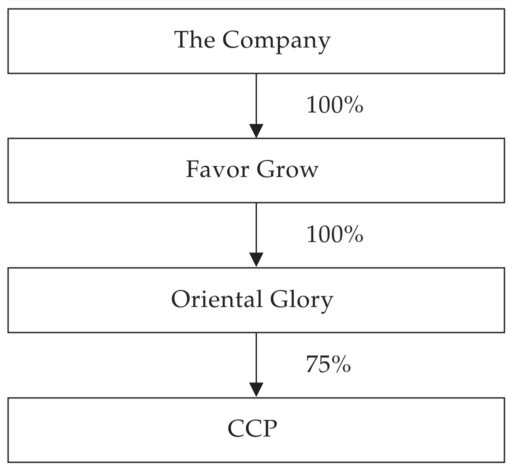
We have conducted our valuation in accordance with the International Valuation Standards issued by the International Valuation Standards Committee (the "IVSC"). According to IVSC, fair value is defined as *"The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"*. The fair value of the business entity of CCP is derived through the application of the asset-based approach.

The purpose of this appraisal is to express an independent opinion of the fair value of the 75% equity interest in CCP as of 30 September 2010 (the "Date of Valuation"). It is our understanding that this appraisal will be used by the Company for a very substantial disposal purposes and our report will be used in connection with a circular of the Company to its shareholders.

I. INTRODUCTION

Background

On 1 December 2010, Oriental Glory, an indirect wholly-owned subsidiary of China Communication Telecom Services Company Limited (the "Company") and a wholly-owned subsidiary of Favor Grow Holdings Limited ("Favor Grow") which is a direct subsidiary of the Company, as vendor and China Communication Investment Limited (CCI) as purchaser entered into the Disposal Agreement for 75% equity interest in CCP. The following structure chart shows the Company's shareholding structure:



Upon completion of the disposal, the Company will not hold any equity interest in CCP and CCP will cease to be a subsidiary of the Company. According to the management of CCP (the "Management"), there are several reasons for this disposal. First of all, the Company has been actively seeking other opportunities to broaden its revenue base with the continuous efforts to monitor the market development, restructure and streamline the business operations. In March 2010, the Company completed acquisition of 100% of equity interest in Beijing Shentong Yijia Technology Service Company Limited ("Yijia") because the Board of the Company believes that the electronic smart card market in the PRC has greater potential and the Company would like to focus on the business of Yijia in the future. In addition, the expiration of the licensing right of "Sudden Attack" and the downturn for the animation and game industry in the PRC cause a significant reduction of the Company's revenue for the fiscal year of 2010. Therefore, the Company is not optimistic about the prospect of the business of CCP in the future.

The Company

The Company was incorporated in the Cayman Islands with limited liability and is listed on the Growth Enterprise Market (GEM) of the Stock Exchange of Hong Kong (stock code: 8206). The Company, formerly known as China Cyber Port (International) Company Limited, is an investment holding company. In March 2010, the Company completed acquisition of 100% of equity interest in Beijing Shentong Yijia Technology Service Company Limited ("Yijia"), which is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card".

Oriental Glory

Oriental Glory, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company and the vendor in the Disposal Agreement.

CCP

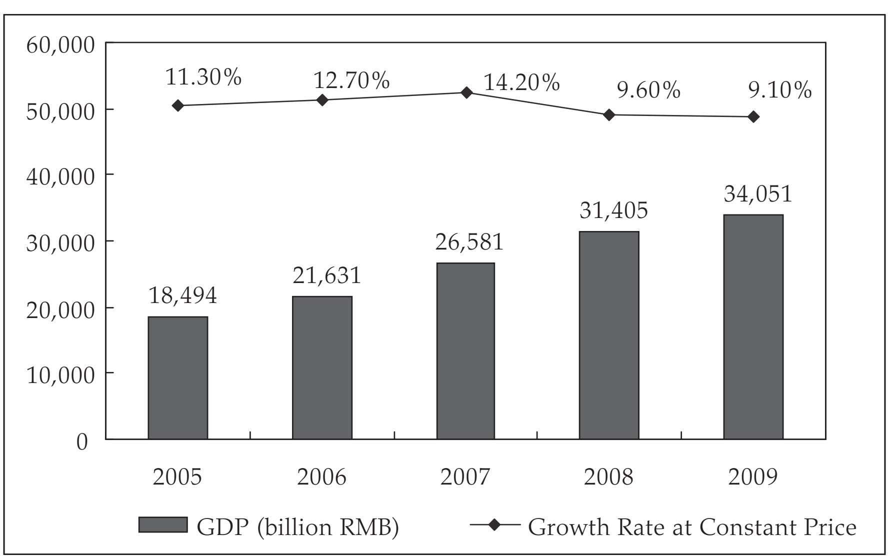
CCP is a limited liability company registered in Beijing, the PRC, on 15 August 2005 with a registered capital of USD12 million. CCP is an indirect non-wholly-owned subsidiary of the Company and principally engaged in the distribution of computer games, and operation of e-Sports platform in the PRC. On 10 February 2010, CCP terminated its operation of online game "Sudden Attack" upon the expiration of the license rights of "Sudden Attack" in the PRC.

II. INDUSTRY OVERVIEW

Economy and Demography of China

Over the last decade, China has experienced strong economic growth. From 2005 to 2009, the Gross Domestic Product of China has increased from RMB18,494 billion to RMB34,051 billion, as reported by the National Bureau of Statistics of China. Despite the fact that the global economy was hard hit by the global financial crisis in 2008, China still maintained GDP growth of 9.6% and 9.1% in 2008 and 2009 respectively[1]. The GDP value and its yearly growth rate are shown as follows:

Exhibit 1: GDP of China from 2005 to 2009



Source: National Bureau of Statistics of China, http://www.stats.gov.cn:82/english/

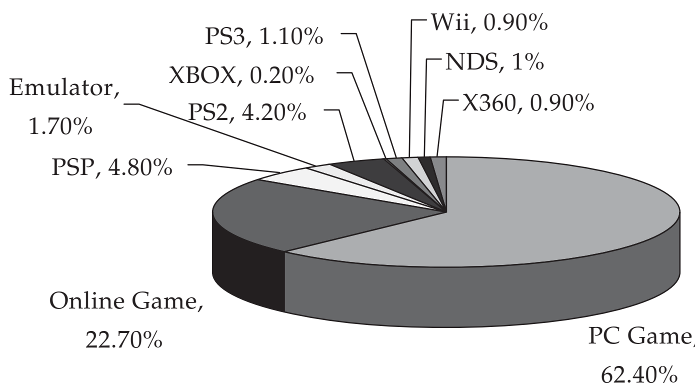
[1] National Bureau of Statistics of China , http://www.stats.gov.cn/

According to the China Statistical Yearbook 2009 compiled by the National Bureau of Statistics of China, China's population has reached 1.328 billion in 2008. 72.7% of China's population is aged between 15 and 64, and 19% of which is aged under 14.

PC Game Market in China

According to ZDC, an online research institution in China, PC Game accounted for 62.4% of the game market in China. The composition of the China game market by platform type is as below:

Exhibit 2: Share of China Game Industry, September 2010

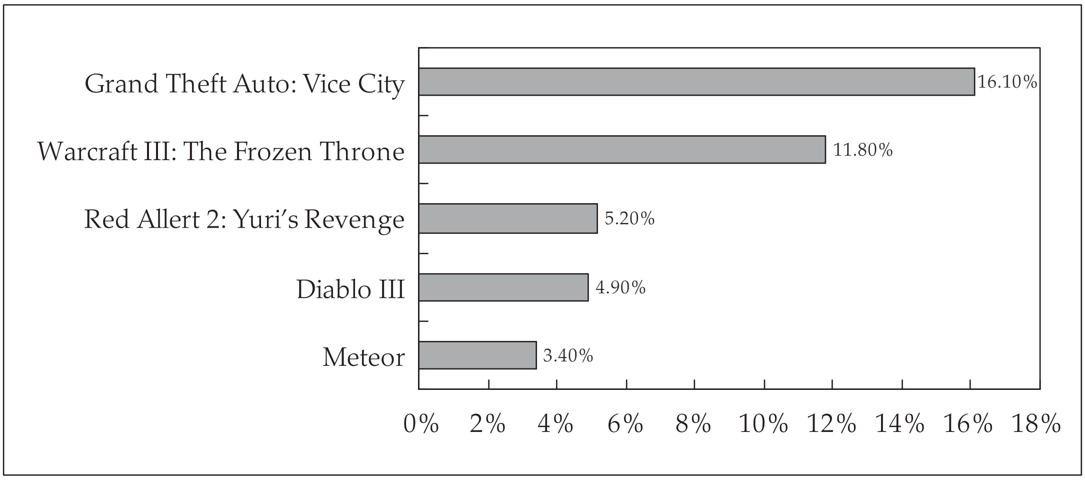


Source: ZDC, http://zdc.zol.com.cn

ZDC also indicates that the ten most popular PC games in China as of September 2010 were Grand Theft Auto: Vice City, Warcraft III: The Frozen Throne, Red Alert 2: Yuri's Revenge, Diablo III, Meteor, Grand Theft Auto: San Andreas , Need for Speed 10: Carbon, Chinese Paladin 3, Theseus: Return of the Hero and Rich 8. The most popular PC game in China as of September 2010 was Grand Theft Auto: Vice City, accounting for 16.1% of PC game market in China[2].

2 "China Game Industry Research Report in September 2010", ZDC, http://zdc.zol.com.cn

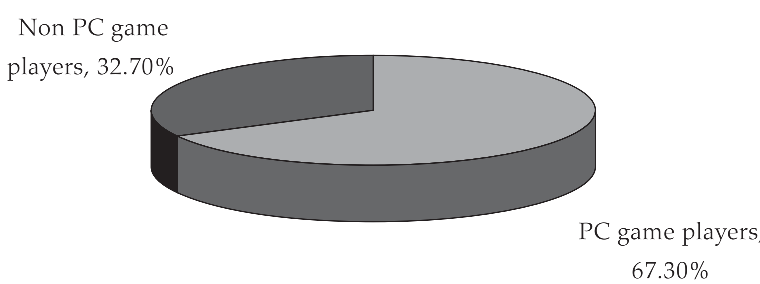
Exhibit 3: Market Share of Top Five Popular PC Games in China, September 2010



Source: ZDC, http://zdc.zol.com.cn

The popularity of PC games among internet users in China are also revealed by ZDC, and the statistics is shown as below:

Exhibit 4: Popularity of PC Games among Internet Users in China, April 2010

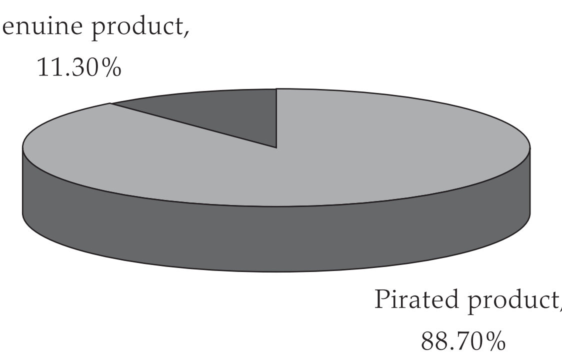


Source: ZDC, http://zdc.zol.com.cn

Despite the fact that PC game is the dominating game type in the game industry of China and that 67.3% of internet users are PC game players, this market is not an area where local producers can profit from. ZDC described there was once a time when there are quality local PC game producers. However, these local PC game producers have either close down or have changed to produce more profitable online games.

ZDC is in the opinion that the rampant piracy problem in China is the underlying factor that leads to the decline of the local PC game industry[3]. The high percentage of users using pirated products has made the PC game market non profitable for producers. The severity of piracy problem in the PC game industry is shown as below:

Exhibit 5: Percentage of PC game players in China who uses pirated products, April 2010



Source: ZDC, http://zdc.zol.com.cn

In addition, the increasing popularity of internet and the emergence of websites that allow pirated PC game downloads have made PC game industry more vulnerable. Compared to the challenging PC game sector, the market size of online games has reached RMB27.06 billion in 2009, representing an increase of 30.2% from the previous year[4], and has therefore became relatively more attractive than the PC game market for local producers.

Electronic Sports in China

The term "electronic sports (e-Sports)" refers to the playing of video games as a professional sport. The biggest e-Sports nation in the world is South Korea, which has made e-Sports one of the three major sports activities in the country. E-Sports has attracted more international attention recently because it might become one of the competition events in the 2014 Asian Games at Inchon in Korea and the 2014 Youth Olympic Games at Nanjing in China[5].

3 "Will there be any prospects for single PC game in China?", ZDC, 14-04-2010, http://zdc.zol.com.cn/173/1736386.html

4 "Summary of 2009-2010 China Online Game Industry Research Report" iResearch, 12-04-2010, http://news.d.cn/game/20100412/news_35251.html

5 "C Y Foundation Co-organizes China's E-Sport National Team Trial with China Sports Industry", PR Newswire Asia, 07-04-2010, http://www.quamnet.com/newscontent.action?articleId=1515291

Today, e-Sports in China is still under development. Compared with e-Sports in North America and South Korea, e-Sports in China is far behind in terms of the size of event and influence[6]. According to the spokesman from China Electronic Sports Development Center (CESPC), an official e-Sports training center in China, the output value of the industry reached USD100 million in 2009 and there was approximately 65 million e-Sports enthusiasts in China[7].

In November 2003, e-Sports has been officially listed as the 99th competitive sport by General Administration of Sport of the People's Republic of China (GASP). Since then, many major worldwide e-Sports tournaments, including World Cyber Games (WCG) and Electronic Sports World Cup (ESWC), had been held in China. In March 2004, the official nationwide e-Sports game of China, the China E-Sports Games (CEG), was first held. These competitions aim to guide the healthy and standardized development of e-sports in China[8].

Although there are ample rooms for development for e-Sports in China as mentioned, there are currently many "ice-blocks" impeding the development of the e-Sports industry, as depicted by a passage in Chinese Culture Daily, a Chinese magazine.

According to that passage, controversy arose as e-Sports was slowly getting professionalized and the key issue relates to the "status" of e-Sports. For most normal gamers, it is a difficult task and an alien concept to turn gaming into a profession. The negative image of e-Sports in the general public was a big impediment blocking the way. Moreover, insufficient funding and talent is the weakness in e-Sports' development. As the economic crisis occurred in 2008, e-Sports has entered into a period of great difficulty. Because of the economic crisis, Lenovo, a famous domestic IT company, discontinued its International Electronic Sports Tournament (IEST). Intel cut funding and sponsoring to all e-Sports related fields, and Nvidia decided to no longer sponsor Electronic Sports World Cup (ESWC). Without games and sponsors, many e-Sports players and clubs inevitably exited the sport[9].

Also, to make e-Sports really a viable choice for people who has the passion, problems such as, for example, what happens after players retire and how they can have a future after gaming, have to be solved. In China, the majority of pro-gamers are only half professional. There are less than 20 people in the whole country who can make a monthly salary higher than USD150. Compared to the USD16,900 annual salary of Korean pro-gamers, the gap is obviously significant[10].

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6 Han Xiuying, "Issues and Coping Strategies in Development of China's E-Sport Industry", Shandong University of Finance, China

7 "China hosting Worldwide e-Sports Tournaments", Beijing Business Today, 10-05-2010, http://www.bbtnews.com.cn/nbbtnews/whcy/channel/whcy91577.shtml

8 The Speech of the Secretary General of All-China Sports Federation, Yuanfu Liu (劉元福), at International E-Sports Gaming Forum on 15 September 2006

9 Chinese Culture Daily, http://www.teamliquid.net/forum/viewmessage.php?topic_id=146269

10 Chinese Culture Daily, http://www.teamliquid.net/forum/viewmessage.php?topic_id=146269

III. BASIS OF VALUATION AND ASSUMPTIONS

We have appraised the business entity of CCP on the basis of fair value. Fair value is defined as *"The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"*.

The valuation procedures we employed were based on the requirements set by the relevant IVSC. The issues considered include, but not limited to, the following:

- Identification and recognition of the business subject to the valuation
- The rights, privileges, or conditions that attach to the ownership interest
- The liquidity of the ownership interest to be valued
- The nature and prospect of the computer games and e-Sports platform business
- The economic outlook and national polices that may affect the business
- Past performance of other similar companies in the world
- Potential buyers in the hypothetical market
- The assets, liabilities, and equity and financial condition of the business
- The business risks related to the operation of the business
- The extent, condition, utility and capacity of the facilities and equipments utilized by the business

Our investigation included site visits and discussions with the Management in relation to the history, the nature and current statue of the business and a review of CCP's historical financial information, as well as other relevant documents. We have no reason to doubt the truth and accuracy of the information and hence have assumed that such information provided to us by the Management is true and accurate. We have also consulted statistics, relevant government policies, articles and other public information related to the business of CCP to supplement the information provided by the Management. In arriving at our opinion of value, we have relied in a very considerable extent on the above-mentioned information.

Due to the changing environment in which CCP is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the business entity. The major assumptions adopted in this appraisal are:

– There will be no material changes in the existing political, legal, fiscal and economic conditions in the PRC in which CCP carries on its computer games and e-Sports platform business;

- There will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;

- Exchange rates and interest rates will not differ materially from those presently prevailing;

- Industry trends and market conditions for related industries in the world will not deviate significantly from current status;

- The labor market conditions in the PRC will not differ materially from those presently prevailing;

- CCP owns its Technology and Distribution Network independently;

- CCP will retain and have competent management, key personnel, technical staff and requisite technologies to support its ongoing operations;

- The economic life of the Distribution Network is assumed to be 6 years and the useful life of the Technology is assumed to be 10 years according to the Management; and

- A long term growth rate of 3%.

IV. VALUATION METHODOLOGY

In arriving at our concluded the fair value of a business entity of CCP, we have considered three generally accepted approaches, namely income approach, market approach and asset-based approach.

Income Approach

In the income approach, the Discounted Cash Flow ("DCF") method will be used. In this method, the value depends on the present worth of future economic benefits to be derived from ownership of equity and shareholders' loans. Thus, an indication of value was developed by discounting future free cash flow available for distribution to shareholders and for servicing shareholders' loans to their present worth at market-derived rates of return appropriate for the risks and hazards (discount rate) associated with the comparable business.

Market Approach

In the market approach, the Guideline Publicly Traded Company ("GPTC") method will be applied to estimate the values of the Target Companies. In this method, the value is based on prices at which stocks of similar companies are trading in a public market. A "value measure" is usually a multiple computed by dividing the price of the guideline company's stock as of the calculation date by some relevant economic variable observed or calculated from the guideline company's financial statements.

Asset-based Approach

This approach provides an indication of the value of the business entity by developing a fair value balance sheet. All of the assets and the liabilities of the business are identified and listed on the balance sheet, which is not the cost-based balance sheet that is prepared in accordance with accounting principles. The difference between the fair value of the assets and the liabilities is an indication of the business entity equity value under the asset-based approach.

Basically asset-based approach places a fair value on the assets of the business. It is based on the principle of substitution: no rational investor will pay more for the business assets than the cost of procuring assets of similar economic utility. In contrast to the income approach, which requires the valuation professional to make subjective judgments about capitalization or discount rates, the asset-based approach is relatively objective. However, pursuant to accounting convention, most assets are reported on the books of the subject company at their acquisition value, net of depreciation where applicable. These values must be adjusted to fair value wherever possible.

Selection of Valuation Method

The fair value of the equity interests in the business entity of CCP was developed through the application of the asset-based approach. The income approach is considered to be inappropriate for this valuation because the income approach relies heavily on a financial forecast but the Management is not able to provide a reliable financial forecast as the business of CCP is currently in a downturn and the Management does not have the intention to forecast the future prospect before the disposal transaction is finished. The market approach is also inappropriate since it relies heavily on data from public trading comparable companies that are revenue generating and profit making which is not the case with CCP now.

The asset-based approach is an appropriate method for disposal purposes because this method is useful when structuring the sales of business. CCP recorded negative net income in 2010 but had intensive assets mainly consisted of intangible assets. Therefore, we have adopted the Asset Accumulation Method in the asset-based approach as the most appropriate method for valuing the business entity of CCP. The asset-based approach basically places a fair value on the assets of the business. In the Asset Accumulation Method, all of the assets and the liabilities of the business are identified and listed on the balance sheet, which is not the cost-based balance sheet that is prepared in accordance with accounting principles. The difference between the fair value of the assets and liabilities is an indication of the business entity equity value under the Asset Accumulation Method.

After reviewing all the liabilities of CCP, we considered that the book values of most of the liabilities reasonably represent their fair values and no adjustments are needed. However, we have made certain adjustments to the liabilities due to CCC and CCI. These adjustments are based on the fact that the potential buyers of CCP in the hypothetical market will unlikely need to repay these liabilities in the future.

Valuation of Financial Assets

After reviewing all the assets of CCP, we have divided the assets into three categories for our valuation purposes, which include financial assets, tangible assets and intangible assets. We considered that the book values of most of the financial assets reasonably represent their fair values and no adjustments are needed, except inventories and allowance for doubtful debts for trade receivables. Inventories of CCP include posters (for "Sudden Attack"), computer CD games and peripheral products. All inventories were written down in CCP's balance sheet as of the Date of Valuation. However, in our opinion, not all the inventories should be written off because some of them may have positive realizable value according to the Management. Therefore, the following adjustments are made in order to arrive at the fair values: (1) Write-off inventory items of "GTI Racer"'s and "Judge Dredd: Dredd Vs Death"'s CD games and posters because CCP do not have legal right to sell these products. (2) 70% discount of the remaining CD games because CCP still have legal right to sell these games and we assume that if CCP sell them at a very low price, these games should be able to sell. (3) 30% discount of the peripheral products (such as bags, pencil cases, etc). We believe that the peripheral products are easier to sell than CD games so the discount rate applied to the peripheral products is lower than that of CD games.

As of the Date of Valuation, all trade receivables were written down to the allowance for doubtful debts in the accounting treatment. Trade receivables are related to two kinds of products: prepaid game cards (for "Sudden Attack") and computer games/peripheral products. In our valuation, we only treat the trade receivables for prepaid game cards (for "Sudden Attack") as doubtful debts because CCP had already terminated "Sudden Attack" in February 2010 but this is not the case for computer games/peripheral products.

Valuation of Tangible Assets

For accounting purposes, the fixed assets are fully depreciated as of the Date of Valuation. However, the physical fixed assets are still in use and should have a value. We have revalued the fair value of the fixed assets (i.e. Equipment) as of the Date of Valuation.

For this appraisal, the cost (Depreciated Replacement Cost) and market approaches were the principal methods adopted to arrive at our opinion of the fair value of the Equipment. Depreciated Replacement Cost is the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

In the market approach, the fair value of the appraised Equipment is estimated through analysis of recent sales of comparable items of the Equipment. It is employed in the valuation of the Equipment for which there is a known used market. Under the premise of continued use assuming adequate earnings, consideration is given to the cost to acquire similar items in the used-equipment market; an allowance then is made to reflect the costs for freight and installation.

A variant of the direct market approach is the use of market relationship. Recent market prices for Equipment in an asset classification are determined with respect to age and are compared with a benchmark price, such as the cost of reproduction new. The ratio is applied to similar Equipment in the classification when the secondary market for the subject equipment is too sparse to exhibit appropriate comparables.

We conducted an inspection of the Equipment on 10 & 11 November 2010. During our inspection, we have noted that most of the Equipment was in good condition. In the course of our investigation, we accepted property records furnished by the Management as properly describing the Equipment. We visited the locations to verify the existence of the Equipment and to gather information relating to its condition and utility. The balance of the information provided by the Management, after adjustments based on our observation, although not subject to a detailed verification, was accepted as reasonably representing the facts.

Any deferred maintenance, physical wear and tear, operating malfunctions, lack of utility, or other observable conditions distinguishing the Equipment from equipment of like kind in new condition were noted and made part of our judgment in arriving at the value.

We have not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the equipment. Also, no investigation was conducted as to whether the operation of specific pieces of Equipment complied with the relevant environmental standards and ordinances; we have assumed that the Equipment are and will continue complied with the current environmental standards and ordinances. We have made no allowance in our valuation for any costs associated with the disposal or handling of materials to comply with current or pending environmental legislation.

Valuation of Intangible Assets

Regarding the intangible assets of CCP, we believed that there are no significant values for some of the identifiable intangible assets such as License Rights, Tradename and Research & Development, so their fair values are assumed to be zero. As of the Date of Valuation, CCP has no value generated from the License Rights because the license rights of "Xpand Rally" and "GTI Racer" have expired in June 2009 and Sudden Attack has expired in February 2010. There is no significant value of CCP's Tradename because CCP is not a well-known brand in the market and we believe a potential user or licenser does not exist in the market. All the Research & Development had already finished after the completion of the Technology known as "Online Game IDC Spanning Tree Heterogeneous Platform Technology" in February 2005, so there would be no value assigned to R&D. However, we have appraised all the remaining intangible assets, including the Distribution Network and Technology, which are identified by us through our normal review process.

Technology

The Technology of CCP is the technical know-how known as "Online Game IDC Spanning Tree Heterogeneous Platform Technology (the "Technology") which CCP has not applied the PRC patent for the Technology. This Technology allows CCP to manage multiple users playing on the e-Sports platform more effectively. To develop our opinion of value of the Technology, we have adopted the cost approach as the most appropriate method for valuing the Technology.

The cost approach seeks to measure the future benefits of ownership by quantifying the amount of money that would be required to replace or reproduce the future service capability of the subject asset, less depreciation from physical deterioration, functional and economic/external obsolescence, if present and measurable. The assumption underlying this approach is that the cost to purchase or develop new property is commensurate with the economic value of the service that the property can provide during its lives. The cost approach does not directly consider the amount of economic benefits that can be achieved or the time period over which they might continue. It is an inherent assumption with this approach that economic benefits indeed exist and are of sufficient amount and duration to justify the developmental expenditures.

In our analysis, the cost of replacement new is estimated based on discussions held with the Management in regards to the amount of historical expenditures incurred on the Technology from inception to the Date of Valuation, including salaries and benefits paid, the amount of equipment expenses and development costs paid.

Distribution Network

Distribution network is a significant intangible asset of CCP. According to the Management, CCP has 379 distribution points for selling of computer games/peripheral products and prepaid game cards in the PRC as of the Date of Valuation. This Distribution Network primarily covers prime areas in the PRC. The revenue generated from the Distribution network accounts for a significant percentage of CCP's revenue. Thus, we believe that distribution network should represent the most significant intangible assets of CCP.

As a general rule for the Asset Accumulation Method in the asset-based approach, at least one intangible asset should be valued using an income approach as part of each asset accumulation method valuation. In this way, the appraisal will verify and validate the economic income-generating capacity of the subject assets. The intangible assets valued using the income approach confirm the economic support for the tangible real and personal property assets (and other intangible assets) of the company. And the intangible assets valued using the income approach confirm that there is no (or there is) economic obsolescence associated with the tangible real and personal property assets of the company.

In order to value the Distribution Network of CCP, an income approach known as With and Without Method (WWM) is used. According to the American Society of Appraisers (ASA), an international organization of appraisal professionals, this method is particularly useful in valuing the intangible assets in particular non-competition agreements, distribution network or customer relationships. The fair value of the Distribution Network of CCP is based on the present value of expected future cash flows with the Distribution Network and without the Distribution Network. Presumably, in the absence of the Distribution Network, CCP has to re-create the Distribution Network itself and the expected cost would increase. The value of having the Distribution Network, then, is the difference in the present value of two projections of the future economic-income generated from CCP's business, one with the economic-income projected in a manner consistent with the business or similar business in the market, and one that assumes time-period (equaling to the economic life of the Distribution Network) and costs are needed to re-create the Distribution Network.

Discount Rate of Distribution Network

A discount rate represents the total expected rate of return that an investor would demand on the purchase price of an ownership interest in an asset given the level of risk inherent in that ownership interest. When developing discount rates to apply to the cash flow streams attributable to the intangible assets, the discount rates are the sum of the cost of equity and the intangible asset premium. The cost of equity is the expected rate of return that an investor would demand for investing in a business entity given the risks of the investment. The cost of equity was developed through the application of the Capital Asset Pricing Model ("CAPM"). The CAPM states that an investor requires excess returns to compensate for any risk that is correlated to the risk in the return from the stock market as a whole but requires no excess return for other risks. Risks that are correlated to the risk in the return from the stock market as a whole are referred to as systematic and measured by a parameter called beta, whereas other risks are referred to as nonsystematic. Under CAPM, the appropriate cost of equity is the sum of the risk-free rate and the equity premium required by investors to compensate for the systematic risk assumed with adjustment for increments for risk differentials of the company being valued versus those of the comparable companies.

Small capitalization risk premium is the excess return that an investor would demand in order to compensate for the additional risk over that of the entire stock market when investing in a small size company. This premium reflects the fact that the cost of capital increases with decreasing size of the company. A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted just as a result of the company's systematic risk derived from the CAPM model. We concluded that a small capitalization risk premium of 6.28% is appropriate for CCP of the Date of Valuation.

To reflect the additional returns required to compensate for the uncertainty related to the Distribution Network, an intangible asset risk premium of 4% is added in developing the discount rate for valuing the Distribution Network. In summary, our analysis suggested that a discount rate of 21.68% was appropriate for valuing the Distribution Network.

Below is a summary of the Fair Value Balance Sheet:

	Book Value *RMB*	Fair Value *RMB*
ASSETS		
Financial Assets:		
Cash and bank balances	12,731,525	12,731,525
Trade Receivables	18,116,940	18,116,940
Allowance for doubtful debts	(18,116,940)	(13,185,000)
Inventories	–	1,009,187
Other Receivables	83,078	83,078
Amounts due from director	264,581	264,581
Total Financial Assets	13,079,184	19,020,311
Tangible Assets:		
Fixed Assets	57,239,886	18,244,400
Less: Accumulated Depreciation	(57,239,886)	–
Net Tangible Assets	–	18,244,400
Intangible Assets:		
Tradename	–	–
Research & Development	–	–
License Rights	–	–
Distribution Network	–	74,914,104
Technology	–	1,609,429
Net Intangible Assets	–	76,523,533
TOTAL ASSETS	**13,079,184**	**113,788,244**

	Book Value *RMB*	Fair Value *RMB*
LIABILITIES		
Current Liabilities:		
Trade Payables	11,383,807	11,383,807
Other Payables	7,412,087	7,412,087
Receipt in Advance	77,671	77,671
Due to Related Companies	9,380,000	9,380,000
Due to CCC	2,213,449	729,519
Due to CCI	538,844	(48,370,249)
Due to CCPI	–	–
Total Current Liabilities	31,005,858	(19,387,166)
Noncurrent Liabilities:		
Promissory notes	–	–
Long term payables	–	–
Deferred tax liabilities	–	–
Total Noncurrent Liabilities	–	–
TOTAL LIABILITIES	**31,005,858**	**(19,387,166)**
TOTAL LIABILITIES AND EQUITY	**13,079,184**	**113,788,244**
TOTAL EQUITY	**(17,926,674)**	**133,175,410**
Fair Value of 75% Equity Interest		**99,881,558**

V. CONCLUSION

Based upon the investigation and analysis outlined above and on the valuation method employed, it is our opinion that as of 30 September 2010 the fair value of 75% equity interest in CCP is reasonably stated by the amount of **RENMINBI NINETY NINE MILLION EIGHT HUNDRED AND EIGHTY THOUSAND (RMB 99,880,000) ONLY.**

This appraisal was performed in accordance with the International Valuation Standards issued by IVSC and generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. We have not investigated the title to or any liabilities against the property appraised.

This appraisal has been prepared solely for the purpose stated herein. This appraisal report should not be referred to, in whole or part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any party without our prior written consent.

We hereby certify that we have neither present nor prospective interests in the Company, and its subsidiaries including CCP or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA — *Managing Director*
Jacqueline W. Huang, Ph.D, HKSFA — *Director*

Note: *Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) and he has been conducting business and intangible assets valuation in the Greater China region for various purposes since 1988. Jacqueline W. Huang is a Ph.D in real estate economics from the University of Hong Kong. She has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services.*

Investigation and report by:
Keith C.C. Yan, ASA
Jacqueline W. Huang, Ph.D, HKSFA
Cindy S.K. Ho, MBA
Victor T.Y. Yeung, MFin

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provision of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long positions in Shares

Name of Director	Number of the Shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Xiao Haiping	1,000,000 (L)	Beneficial	0.08

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
CCC *(Note 1)*	356,542,000 (L)	Interests in controlled corporation	29.84
CCI *(Note 1)*	356,542,000 (L)	Beneficial	29.84
Jin Xian Gen *(Note 2)*	128,205,128 (L)	Interests in controlled corporation	10.73
Full Ocean Development Limited *(Note 2)*	128,205,128 (L)	Beneficial	10.73
Jin Lin Jun *(Note 3)*	128,205,128 (L)	Interests in controlled corporation	10.73
Amazing International Holdings Limited *(Note 3)*	128,205,128 (L)	Beneficial	10.73

(L) denotes long position

Notes:

(1) As CCI is a wholly-owned subsidiary of CCC, CCC is also deemed to be interested in the 356,542,000 Shares held by CCI by virtue of the SFO.

(2) Mr. Jin Xian Gen is interested in the entire share capital of Full Ocean Development Limited and is 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 the entire share capital of Amazing International Holdings Limited and is deemed to be interested in 128,205,128 Shares held by Amazing International Holdings Limited by virtue of the SFO.

(c) Substantial shareholders of other members of the Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

(a) the agreement dated 11 January 2010 entered into between Sino Key International Limited, an indirect wholly owned subsidiary of the Company, and CCC in relation to the acquisition of the entire registered and paid-up capital in Shentong Yijia at the consideration of HK$256,080,000; and

(b) the Disposal Agreement.

4. DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the date of the relevant appointment, which will continue thereafter until terminated by either party giving not less than one month's notice in writing to the other party.

Save and except the above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

5. INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, Mr. He Chenguang, the chairman of the Company and an executive Director, was also the legal representative of CCC and is therefore considered to be indirectly interested in the Disposal. Mr. Bao Yueqing, an executive Director, was also the director of CCI and therefore considered to be interested in the Disposal. Notwithstanding the interests of Mr. He Chenguang and Mr. Bao Yueqing in the Disposal in their capacity as a director, according to Article 103(c)(iii) of the articles of association of the Company, Mr. He Chenguang and Mr. Bao Yueqing would not be prohibited from voting and being counted towards the quorum in respect of the Disposal in the relevant board meeting. Accordingly, Mr. He Chenguang and Mr. Bao Yueqing did not abstained from voting on the relevant board resolutions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, has, or had had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up.

None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

6. EXPERT AND CONSENT

The following are the qualification of the experts who have given opinions or advice which are contained in this circular:

Name	Qualifications
Crowe Horwath (HK) CPA Limited ("**Crowe Horwath**")	Certified Public Accountants
Grant Sherman Appraisal Limited ("**Grant Sherman**")	Independent Valuer
Nuada Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity pursuant to the SFO

Each of Crowe Horwath, Grant Sherman and Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of Crowe Horwath, Grant Sherman and Nuada Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, as at the Latest Practicable Date, each of Crowe Horwath, Grant Sherman and Nuada Limited does not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any material litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Group was made up.

9. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

10. MISCELLANEOUS

(a) The registered office of the Company is at P.O. Box 309 GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

(c) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited whose address is 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(d) The company secretary of the Company is Ms. Chan Mei Yee. She is currently a member of the Hong Kong Institute of Certified Public Accountants.

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

(f) An audit committee has been established on 28 October 2002. Currently the audit committee comprising all the independent non-executive Directors, namely, Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong.

Biographical details of the members of the audit committee are set out as follows:

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 KH Investment Holdings Limited, GCL-Poly Energy Holdings Limited, iOne 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 (上海浦東國際機場航空油料有限公司).

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

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.

(g) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Units 2115-2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, during normal business hours from the date of this circular up to and including the date of the EGM.

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2010;

(c) the service agreements referred to in the paragraph headed "Directors' service contracts" in this Appendix;

(d) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(e) the written consents of the experts referred to in the paragraph headed "Expert and Consent" in this Appendix;

(f) the letter from the Independent Board Committee, the text of which is set out on page 26 of this circular;

(g) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 27 to 33 in this circular;

(h) the accountants' report on the Group prepared by Crowe Horwath (HK) CPA Limited, the text of which is set out in Appendix I to this circular;

(i) the letter from Crowe Horwath (HK) CPA Limited in respect of the unaudited pro forma–financial information of the Remaining Group, the text of which is set out in Appendix II to this circular;

(j) the business valuation report issued by Grant Sherman Appraisal Limited; and

(k) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of the shareholders of China Communication Telecom Services Company Limited (the "**Company**") will be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Thursday, 20 January 2011 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the conditional disposal agreement (the "**Disposal Agreement**") dated 1 December 2010 and entered into between Oriental Glory (H.K.) Limited and China Communication Investment Limited, a copy of which has been produced to this meeting marked "A" and initialed by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Disposal Agreement and the transactions contemplated respectively thereunder."

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

Hong Kong, 22 December 2010

Registered office:
P.O. Box 309 GT
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

Notes:

1. Subject to the provisions of the articles of association of the Company, any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent and vote on his behalf at the EGM. If more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. On a poll, votes may be given either personally or by proxy.

2. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at www.hkgem.com. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and returned, together with the power of attorney or other authority (if any) under which it is signed (or a copy which has been certified by a notary) to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting.

3. In the case of joint holders of Shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.

4. Completion and return of the form of proxy shall not preclude a member of the Company from attending and voting in person at the EGM and in such event, the form of proxy shall be deemed to be revoked.

5. Pursuant to the Rules Governing the Listing of Securities on GEM, the voting on the resolution at the EGM will be conducted by way of poll.