



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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

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

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## **CHAIRMAN’S STATEMENT**

On behalf of the board of the Directors (the “Board”), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the “Company”, together with its subsidiary companies, collectively the “Group”) for the year ended 31 March 2012.

## **FINANCIAL PERFORMANCE**

The Group recorded consolidated turnover of approximately HK\$33,102,000 for the year ended 31 March 2012, representing an increase of approximately 8% as compared to approximately HK\$30,672,000 for the year ended 31 March 2011. The turnover for the year ended 31 March 2012 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the People’s Republic of China (the “PRC”).

The Group made a net profit attributable to owners of the Company of approximately HK\$163,794,000 for the year ended 31 March 2012 as compared to a loss of approximately HK\$194,505,000 for the year ended 31 March 2011. The improvements in results was mainly attributable to the decrease in cost of sales and selling and distribution expenses and the gain on disposal of a subsidiary.

## **BUSINESS REVIEW**

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group, such as the acquisition of 100% of the equity interest in 北京神通益家科技有限公司 (Beijing Shentong Yijia Technology Services Company Limited<sup>#</sup>) (“Yijia”) and the disposal of 75% of the equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.<sup>#</sup>) (“CCP”). Since then, the Group concentrates on the business in promoting and management services for Shentong Card in the PRC.

The total online payment market in the PRC has been maintaining at a rapid growth in recent years. Besides, according to China Internet Network Information Center, online payment customers in the PRC have reached approximately 167 million in 2011, with an increase of over 20% compared with 2010. The Group considered that Shentong Card enabled the Group to expose to the fast growing online payment gateway services business in the PRC.

This business has developed favorably for the year ended 31 March 2012. The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 9% as compared with the year ended 31 March 2011.

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

<sup>#</sup> *English translation of the name for identification purpose only*

### **Provision of promotion and management services**

For the year ended 31 March 2012, the revenue derived from the promotion and management services was approximately HK\$33,102,000 as compared to approximately HK\$30,373,000 for the year ended 31 March 2011.

### **Operation of the e-Sports platform**

For the year ended 31 March 2012, no revenue was derived from the operation of the e-Sports platform as compared to approximately HK\$285,000 for the year ended 31 March 2011. The decrease was attributable to the cessation of business.

### **Distribution and selling of computer games in the PRC**

For the year ended 31 March 2012, no revenue was derived from the distribution and selling of computer games in the PRC as compared to approximately HK\$14,000 for the year ended 31 March 2011. The decrease was attributable to the cessation of business.

### **MATERIAL DISPOSAL**

On 1 December 2010, Oriental Glory (H.K.) Limited (“Oriental Glory”), an indirect wholly-owned subsidiary of the Company, as vendor and China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, as purchaser entered into a disposal agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the 75% equity interest in CCP for a consideration of HK\$140,000,000 which shall be paid by CCI by setting off against the face value of the promissory note, which is in the principal sum of HK\$238,690,000 issued by the Group in favour of CCI, in the sum equivalent to the consideration of HK\$140,000,000. CCP is principally engaged in the operation of the e-Sports platform and online game and distribution of computer games in the PRC. The disposal has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 20 January 2011. Details of the disposal have been set out in the circular dated 22 December 2010. The disposal had been completed on 7 December 2011.

### **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders of their tremendous support and to my fellow Directors, our management and staff of their dedication and contribution in the past year.

## RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2012, together with the comparative figures for the corresponding year ended 31 March 2011 as follows:

### CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 HK\$'000	2011 HK\$'000
<b>Continuing operation</b>			
<b>Turnover</b>	2	<b>33,102</b>	30,373
Cost of sales		<u>(12,709)</u>	<u>(47,556)</u>
<b>Gross profit/(loss)</b>		<b>20,393</b>	(17,183)
Other income	3	23	93
Selling and distribution expenses		<b>(11,845)</b>	(38,900)
Administrative expenses		<b>(15,969)</b>	(19,311)
Waive of coupon interest	4	19,861	—
Other operating expenses		<u>(11,467)</u>	<u>(158,265)</u>
<b>Profit/(loss) from operations</b>		<b>996</b>	(233,566)
Finance costs	6	<u>(4,297)</u>	<u>(10,186)</u>
<b>Loss before tax</b>		<b>(3,301)</b>	(243,752)
Income tax credit	7	<u>1,454</u>	<u>50,483</u>
<b>Loss for the year from continuing operation</b>		<b>(1,847)</b>	(193,269)
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	9	<u>165,633</u>	<u>(1,648)</u>
<b>Profit/(loss) for the year</b>	8	<u><b>163,786</b></u>	<u>(194,917)</u>
<b>Attributable to:</b>			
Owners of the Company			
Loss from continuing operation		(1,847)	(193,269)
Profit/(loss) from discontinued operations		<u>165,641</u>	<u>(1,236)</u>
Profit/(loss) for the year attributable to owners of the Company		<u>163,794</u>	<u>(194,505)</u>
Non-controlling interests			
Loss from continuing operation		—	—
Loss from discontinued operations		<u>(8)</u>	<u>(412)</u>
Loss for the year attributable to non-controlling interests		<u>(8)</u>	<u>(412)</u>
		<u><b>163,786</b></u>	<u>(194,917)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(loss) per share</b>			
From continuing and discontinued operations			
— basic	11(a)	<b>13.71</b>	(16.28)
— diluted	11(b)	<u>N/A</u>	<u>N/A</u>
From continuing operation			
— basic	11(a)	<b>(0.15)</b>	(16.18)
— diluted	11(b)	<u>N/A</u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 MARCH 2012*

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Profit/(loss) for the year</b>	<b>163,786</b>	(194,917)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	<b>275</b>	2,854
Exchange differences reclassified to profit or loss on disposal of a subsidiary	<b>(11,199)</b>	—
<b>Other comprehensive income for the year, net of tax</b>	<b>(10,924)</b>	2,854
<b>Total comprehensive income for the year</b>	<b><u>152,862</u></b>	<b><u>(192,063)</u></b>
<b>Attributable to:</b>		
Owners of the Company	<b>153,026</b>	(191,443)
Non-controlling interests	<b>(164)</b>	(620)
	<b><u>152,862</u></b>	<b><u>(192,063)</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2012**

	<i>Note</i>	<b>2012</b> <b>HK\$'000</b>	2011 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>2,231</b>	2,667
Intangible assets		<b>15,868</b>	34,938
		<u><b>18,099</b></u>	<u>37,605</u>
<b>Current assets</b>			
Trade and other receivables	12	<b>4,307</b>	1,130
Bank and cash balances		<b>38,425</b>	41,088
		<u><b>42,732</b></u>	<u>42,218</u>
Assets of disposal group classified as held for sale		<u>—</u>	<u>12,119</u>
		<u><b>42,732</b></u>	<u>54,337</u>
<b>Current liabilities</b>			
Accruals and other payables		<b>997</b>	941
Amount due to a substantial shareholder		<b>—</b>	2,274
Current tax liabilities		<b>9,678</b>	102
		<u><b>10,675</b></u>	<u>3,317</u>
Liabilities directly associated with assets of disposal group classified as held for sale		<u>—</u>	<u>33,776</u>
		<u><b>10,675</b></u>	<u>37,093</u>
<b>Net current assets</b>		<u><b>32,057</b></u>	<u>17,244</u>
<b>Total assets less current liabilities</b>		<u><b>50,156</b></u>	<u>54,849</u>
<b>Non-current liabilities</b>			
Promissory note	13	<b>99,303</b>	254,807
Deferred tax liabilities		<b>3,967</b>	8,735
		<u><b>103,270</b></u>	<u>263,542</u>
<b>NET LIABILITIES</b>		<u><b>(53,114)</b></u>	<u>(208,693)</u>
<b>Capital and reserves</b>			
Share capital	14	<b>11,947</b>	11,947
Reserves		<b>(65,061)</b>	(220,020)
		<u><b>(53,114)</b></u>	<u>(208,073)</u>
Equity attributable to owners of the Company		<u><b>(53,114)</b></u>	<u>(208,073)</u>
Non-controlling interests		<u>—</u>	<u>(620)</u>
<b>TOTAL EQUITY</b>		<u><b>(53,114)</b></u>	<u>(208,693)</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Attributable to owners of the Company								Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2010	11,947	1,042,779	8,320	9,218	1,830	(1,105,963)	(31,869)	—	(31,869)
Total comprehensive income for the year	—	—	—	3,062	—	(194,505)	(191,443)	(620)	(192,063)
Share option scheme									
— share-based payments	—	—	—	—	15,239	—	15,239	—	15,239
— forfeiture of share options granted	—	—	—	—	(1,781)	1,781	—	—	—
Changes in equity for the year	—	—	—	3,062	13,458	(192,724)	(176,204)	(620)	(176,824)
At 31 March 2011	<u>11,947</u>	<u>1,042,779</u>	<u>8,320</u>	<u>12,280</u>	<u>15,288</u>	<u>(1,298,687)</u>	<u>(208,073)</u>	<u>(620)</u>	<u>(208,693)</u>
At 1 April 2011	11,947	1,042,779	8,320	12,280	15,288	(1,298,687)	(208,073)	(620)	(208,693)
Total comprehensive income for the year	—	—	—	(10,768)	—	163,794	153,026	(164)	152,862
Share option scheme									
— share-based payments	—	—	—	—	1,933	—	1,933	—	1,933
— forfeiture of share options granted	—	—	—	—	(4,017)	4,017	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	784	784
Changes in equity for the year	—	—	—	(10,768)	(2,084)	167,811	154,959	620	155,579
At 31 March 2012	<u>11,947</u>	<u>1,042,779</u>	<u>8,320</u>	<u>1,512</u>	<u>13,204</u>	<u>(1,130,876)</u>	<u>(53,114)</u>	<u>—</u>	<u>(53,114)</u>

## NOTES:

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the disclosure requirements of Hong Kong Companies Ordinance.

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

#### (b) Going Concern Basis

The Group has net operating cash outflow of approximately HK\$7,824,000 for the year ended 31 March 2012, and as at 31 March 2012 the Group had net liabilities of approximately HK\$53,114,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (a) On 31 March 2012, the Group agreed with CCI, a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2013.
- (b) The directors have obtained the confirmation from CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

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

## 2. TURNOVER

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Continuing operation		
— Promotion and management services	<b>33,102</b>	30,373
Discontinued operations ( <i>note 9</i> )		
— e-Sports platform	—	285
— Computer games distribution and licensing	—	14
	—	299
	<b>33,102</b>	<b>30,672</b>

## 3. OTHER INCOME

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Gain on disposals of property, plant and equipment	—	68
Interest income	<b>127</b>	108
Sundry income	—	7
	<b>127</b>	<b>183</b>
Representing:		
Continuing operation	<b>23</b>	93
Discontinued operations ( <i>note 9</i> )	<b>104</b>	90
	<b>127</b>	<b>183</b>

## 4. WAIVE OF COUPON INTEREST

On 7 December 2011, the Group and CCI entered into a Deed of Waiver, pursuant to which CCI agreed to waive the coupon interest payable due by the Group up to 7 December 2011. Future coupon interests are to be calculated in accordance with the original terms of the promissory note.

## 5. SEGMENT INFORMATION

The Group has the following reportable segments:

### **Continuing operation (for the years ended 31 March 2012 and 2011)**

Promotion and management services — Provision of promotion and management services for an electronic smart card “Shentong Card”

### **Discontinued operations (for the year ended 31 March 2011)**

Online game operation — Operation of a licensed online game “Sudden Attack”

e-Sports platform — Operation of an electronic platform (“e-Sports platform”) for online computer game tournaments

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

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

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

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

	<b>Continuing operation</b>
	<b>Promotion and management services</b>
	<b><i>HK\$'000</i></b>
Year ended 31 March 2012	
Turnover from external customers	<b>33,102</b>
Segment loss	<b>(5,828)</b>
Interest income	<b>20</b>
Depreciation and amortisation	<b>9,669</b>
Impairment of intangible assets	<b>11,467</b>
Additions to segment non-current assets	<b>656</b>
As at 31 March 2012	
Segment assets	<b>33,350</b>
Segment liabilities	<b><u>373</u></b>

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

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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Turnover</b>		
Total turnover of reportable segments	33,102	30,672
Elimination of discontinued operations	—	(299)
	<u>33,102</u>	<u>30,373</u>
<b>Profit or loss</b>		
Total loss of reportable segments	(5,828)	(206,426)
Finance costs	(4,297)	(10,186)
Income tax credit	1,454	50,483
Unallocated head office and corporate income/(expenses)	6,824	(28,788)
Elimination of discontinued operations	—	1,648
	<u>(1,847)</u>	<u>(193,269)</u>
<b>Assets</b>		
Total assets of reportable segments	33,350	41,099
Unallocated head office and corporate assets	27,481	50,843
	<u>60,831</u>	<u>91,942</u>
<b>Liabilities</b>		
Total liabilities of reportable segments	373	35,565
Current tax liabilities	9,678	102
Deferred tax liabilities	3,967	8,735
Unallocated head office and corporate liabilities	99,927	256,233
	<u>113,945</u>	<u>300,635</u>

**Geographical information**

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

**Major customer**

For the years ended 31 March 2012 and 31 March 2011, the Group has only one customer which contributed more than 10% of the sales of the Group. The customer is under promotion and management services segment and the sale amount is approximately HK\$35,038,000 (2011: HK\$32,075,000).

## 6. FINANCE COSTS

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on promissory note payable to CCI	<u>4,297</u>	<u>10,186</u>
Representing:		
Continuing operation	4,297	10,186
Discontinued operations	<u>—</u>	<u>—</u>
	<u>4,297</u>	<u>10,186</u>

## 7. INCOME TAX (CREDIT)/EXPENSE

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax	3,537	643
Deferred tax	<u>(4,991)</u>	<u>(51,126)</u>
	<u>(1,454)</u>	<u>(50,483)</u>
Representing:		
Continuing operation	(1,454)	(50,483)
Discontinued operations	<u>—</u>	<u>—</u>
	<u>(1,454)</u>	<u>(50,483)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2012 and 2011.

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

## 8. PROFIT/(LOSS) FOR THE YEAR

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

	Continuing operation		Discontinued operations		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Amortisation of intangible assets						
— included in cost of sales	6,566	36,464	—	—	6,566	36,464
— included in selling and distribution expenses	1,933	9,778	—	—	1,933	9,778
	8,499	46,242	—	—	8,499	46,242
Depreciation	1,170	1,193	—	—	1,170	1,193
Gain on disposals of property, plant and equipments	—	(68)	—	—	—	(68)
Operating lease charges for land and buildings	2,763	2,438	—	248	2,763	2,686
Auditor's remuneration						
— audit services	500	606	—	—	500	606
— other services	619	480	—	—	619	480
	1,119	1,086	—	—	1,119	1,086
Equity-settled share-based payments	1,933	15,239	—	—	1,933	15,239
Other operating expenses						
— Impairment of intangible assets	11,467	158,265	—	—	11,467	158,265
Staff costs including directors' emoluments						
— Salaries, bonus and allowances	10,243	11,102	99	625	10,342	11,727
— Retirement benefits scheme contributions	429	504	20	116	449	620
	10,672	11,606	119	741	10,791	12,347

## 9. DISCONTINUED OPERATIONS

Pursuant to an agreement (the "Disposal Agreement") dated 1 December 2010 entered into between a subsidiary of the Company, Oriental Glory (H.K.) Limited ("Oriental Glory") and CCI, Oriental Glory disposed of 75% equity interest in a subsidiary, CCP at a consideration of HK\$140 million. At the extraordinary general meeting ("EGM") on 20 January 2011, the resolution approving, inter alia, the Disposal Agreement and the transactions contemplated thereunder was duly passed by independent shareholders by way of poll at the EGM. The Group discontinued its online game, e-Sports platform and computer games distribution and licensing operations during the year ended 31 March 2011.

The disposal was completed on 7 December 2011.

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover	—	299
Cost of sales	—	(628)
Gross loss	—	(329)
Other income	<b>104</b>	90
Selling and distribution expenses	<b>(35)</b>	(396)
Administrative expenses	<b>(103)</b>	(1,013)
Gain on disposal of CCP	<b>165,667</b>	—
Profit/(loss) for the year from discontinued operations	<b>165,633</b>	(1,648)

## 10. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2011: HK\$Nil).

## 11. EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

#### (i) *From continuing and discontinued operations*

The calculation of basic earnings/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK\$163,794,000 (2011: loss of HK\$194,505,000) and the weighted average number of ordinary shares of 1,194,697,017 (2011: 1,194,697,017) in issue during the year.

#### (ii) *From continuing operation*

The calculation of basic loss per share from continuing operation attributable to owners of the Company is based on the loss for the year from continuing operation attributable to owners of the Company of approximately HK\$1,847,000 (2011: HK\$193,269,000) and the denominator used is the same as that detailed above.

**(iii) From discontinued operations**

Basic earnings per share from the discontinued operations attributable to owners of the Company is HK cents 13.86 per share (2011: basic loss per share of HK cents 0.10), based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK\$165,641,000 (2011: loss of HK\$1,236,000) and the denominator used is the same as that detailed above.

**(b) Diluted earnings/(loss) per share**

No diluted earnings per share are presented for the year ended 31 March 2012 as the Company did not have any potential ordinary shares during the reporting period. No diluted loss per share are presented for the year ended 31 March 2011 as the effect of all potential ordinary shares were anti-dilutive.

**12. TRADE AND OTHER RECEIVABLES**

		<b>2012</b>	2011
		<b>HK\$'000</b>	HK\$'000
Trade receivables, net	(a)	—	—
Amount due from a substantial shareholder		<b>3,007</b>	—
Other receivables		<b>89</b>	295
Prepayments and deposits		<b>1,211</b>	835
		<u><b>4,307</b></u>	<u>1,130</u>

**(a) Trade receivables, net**

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

As at 31 March 2012, the Group did not have any allowance made for estimated irrecoverable trade receivables (2011: Nil).

### 13. PROMISSORY NOTE

On 7 December 2011, promissory note with principal amount of HK\$140,000,000 was cancelled in connection with the disposal of a subsidiary.

As at 31 March 2012, the promissory note is held by CCI with principal amount of HK\$98,690,000 (2011: HK\$238,690,000).

On 31 March 2011, the Group and CCI agreed to extend the maturity date from 30 June 2011 to 30 June 2012. On 31 March 2012, the Group and CCI agreed to extend the maturity date from 30 June 2012 to 30 June 2013.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2012, the coupon rate is 2% per annum (2011: 2% per annum) and the effective interest rate is 1.99% (2011: 2.09%).

### 14. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 and 2011	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2012 and 2011	<u>1,194,697,017</u>	<u>11,947</u>

## **EXTRACT FROM INDEPENDENT AUDITORS' REPORT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material uncertainty relating to the going concern basis**

Without qualifying our opinion, we draw attention to note 1(b) to the financial statements which mentions that the Group has net operating cash outflow of approximately HK\$7,824,000 for the year ended 31 March 2012 and as at 31 March 2012 the Group had net liabilities of approximately HK\$53,114,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue and profitability**

The Group recorded a turnover of approximately HK\$33,102,000 (2011: HK\$30,672,000) for the year ended 31 March 2012, representing an increase of approximately 8% as compared with 2010/11. Approximately 100%, 0% and 0% of turnover for the year ended 31 March 2012 (2011: 99.02%, 0.93% and 0.05%) were attributable to the provision of promotion and management services for an electronic smart card "Shentong Card", the operation of the e-Sports platform and distribution of computer games in the PRC.

The Group's gross profit for the year ended 31 March 2012 amounted to approximately HK\$20,393,000 as compared to a loss of approximately HK\$17,512,000 for the year ended 31 March 2011.

Selling and distribution, administrative and other operating expenses for the year ended 31 March 2012 was approximately HK\$39,419,000 as compared to approximately HK\$217,885,000 for the year ended 31 March 2011. The decrease of the expenses was mainly attributable to the continuous efforts to restructure and streamline the business operations and decrease of impairment charged for the year.

### **Net profit attributable to owners of the Company**

The Group made a net profit attributable to owners of the Company of approximately HK\$163,794,000 for the year ended 31 March 2012 as compared to a loss of approximately HK\$194,505,000 for the year ended 31 March 2011. The improvement in results was mainly attributable to the decrease in cost of sales and selling and distribution expenses and the gain on disposal of a subsidiary.

## **Liquidity and financial resources**

As at 31 March 2012, the Group had outstanding promissory notes at a nominal value of approximately HK\$98.7 million (as at 31 March 2011: HK\$238.7 million) with carrying value of approximately HK\$99.3 million (as at 31 March 2011: HK\$254.8 million). The promissory notes were originally unsecured, 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, before New Maturity Date, the Group has the right to postpone (“Maturity Postponement Right”) the maturity date to 30 June 2011 (“Extended Maturity Date”) if the latest published financial information of the Group indicating that the repayment of principal and accrued interest would cause the net current assets of the Group fall below HK\$50 million. Such Maturity Postponement Right can be exercised 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 notes, the Group did not have any other committed borrowing facilities as at 31 March 2012 (as at 31 March 2011: HK\$Nil).

As at 31 March 2012, the Group had net current assets of approximately HK\$32,057,000 (as at 31 March 2011: approximately HK\$17,244,000). The Group’s current assets consisted of cash and cash equivalents of approximately HK\$38,425,000 (as at 31 March 2011: approximately HK\$41,088,000), trade and other receivables of approximately HK\$4,307,000 (as at 31 March 2011: approximately HK\$1,130,000) and assets of disposal group classified as held for sale of approximately HK\$Nil (as at 31 March 2011: HK\$12,119,000). The Group’s current liabilities included accruals and other payables of approximately HK\$997,000 (as at 31 March 2011: HK\$941,000), amount due to a substantial shareholder of approximately HK\$Nil (as at 31 March 2011: HK\$2,274,000), current tax liabilities of approximately HK\$9,678,000 (as at 31 March 2011: HK\$102,000) and liabilities directly associated with assets of disposal group classified as held for sale of approximately HK\$Nil (as at 31 March 2011: HK\$33,776,000).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.87 as at 31 March 2012 as compared to 3.27 as at 31 March 2011.

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

## **Capital structure**

There was no change in the capital structure during the year ended 31 March 2012.

## **Charge on assets**

The Group did not have any charge on its assets as at 31 March 2012 and 31 March 2011.

### **Staff costs**

As at 31 March 2012, the Group had 66 employees (2011: 95). The staff costs for the year ended 31 March 2012 was approximately HK\$10,791,000 (2011: HK\$12,347,000). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

### **Material investment or capital assets**

As at 31 March 2012, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

### **Foreign currency risk**

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

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2012 and 31 March 2011.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2012.

### **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES OF THE GEM LISTING RULES**

The Code on Corporate Governance Practices (the "CCGP") contained in Appendix 15 of the GEM Listing Rules was introduced on 1 January 2005, which set out the principles of good corporate governance and the Company is expected to comply with the code provisions of the CCGP. The Company believes that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. Save as disclosed below, the Group has adopted practices which met and complied with the code provisions of the CCGP throughout the year ended 31 March 2012.

The Group has deviated from Rule 17.102 of the GEM Listing Rules and the code provisions A.3.2, A.5.3, B.1.3 and C.3.4 which provides that an issuer must publish on its own website and on the GEM website, (i) an updated consolidated version of its memorandum and articles of association or equivalent constitutional document; (ii) an updated list of directors and their role and function; and (iii) its nomination, remuneration and audit committees' terms of reference by 1 April 2012. After the amended and restated memorandum of association and articles of association of the Company, list of directors, terms of reference of nomination, remuneration and audit committees were published on its own website and on the GEM website in late April and early May 2012, the Company has been in compliance with Rule 17.102 of the GEM Listing Rules and the code provisions A.3.2, A.5.3, B.1.3 and C.3.4.

Save as disclosed above, in the opinion of the Directors, the Company has met the code provisions set out in the CCGP.

## **APPROPRIATIONS**

The Directors do not recommend the payment of any dividends during the year.

## **AUDIT COMMITTEE**

For the year ended 31 March 2012, the Audit Committee held four meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

- Annual report for the year ended 31 March 2011;
- Quarterly reports for the first quarter and third quarter of 2011/12;
- Interim report for the first six months of 2011/12; and
- Review of continuing connected transactions with the Group.

The financial statements of the Company and the Group for the year ended 31 March 2012 have been reviewed by the audit committee, who is of the opinion that such statements comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

## **SCOPE OF WORK OF RSM NELSON WHEELER**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2012 have been agreed by the Group's auditors, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2012. The work performed by RSM Nelson Wheeler in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Nelson Wheeler on this announcement.

## ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Thursday, 9 August 2012 at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. Notice of the annual general meeting of the Company will be sent to the shareholders of the Company.

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

Hong Kong, 21 June 2012

*As at the date of this announcement, the executive Directors are Mr. He Chenguang, Mr. Xiao Haiping and Mr. Zhang Peng, and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong.*

*This announcement will remain at [www.hkgem.com](http://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](http://www.ccpi.com.hk).*