



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 2013

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This announcement, for which the directors (the “Directors”) of China Communication Telecom Services Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

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 2013.

FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$34,495,000 for the year ended 31 March 2013, representing an increase of approximately 4.2% as compared to approximately HK\$33,102,000 for the year ended 31 March 2012. The turnover for the year ended 31 March 2013 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the People’s Republic of China (the “PRC”).

The Group made a net loss attributable to owners of approximately HK\$14,270,000 for the year ended 31 March 2013 as compared to a profit of approximately HK\$163,794,000 for the year ended 31 March 2012. Excluding the net effect on the gain on disposal of a subsidiary, the waiver of coupon interest and other operating expenses for the year ended 31 March 2012, the Group’s net loss for this year was increased by approximately HK\$4,037,000 as compared to approximately HK\$10,233,000 for previous year. This was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Shentong Card.

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 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited[#]) (“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.[#]) (“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 187 million in June 2012, with an increase of approximately 12.3% compared to that at the end of 2011. 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 2013. The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 4.2% as compared with the year ended 31 March 2012.

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

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

Provision of promotion and management services

For the year ended 31 March 2013, the revenue derived from the promotion and management services was approximately HK\$34,495,000 as compared to approximately HK\$33,102,000 for the year ended 31 March 2012.

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 2013, together with the comparative figures for the corresponding year ended 31 March 2012 as follows:

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 HK\$'000	2012 HK\$'000
Continuing operation			
Turnover	2	34,495	33,102
Cost of sales		<u>(14,287)</u>	<u>(12,709)</u>
Gross profit		20,208	20,393
Other income	3	104	23
Selling and distribution expenses		(13,689)	(11,845)
Administrative expenses		(18,270)	(15,969)
Waive of coupon interest	4	–	19,861
Other operating expenses		–	(11,467)
(Loss)/profit from operation		(11,647)	996
Finance costs	6	<u>(1,877)</u>	<u>(4,297)</u>
Loss before tax		(13,524)	(3,301)
Income tax (expense)/credit	7	<u>(746)</u>	<u>1,454</u>
Loss for the year from continuing operation		(14,270)	(1,847)
Discontinued operations			
Profit for the year from discontinued operations	9	–	<u>165,633</u>
(Loss)/profit for the year	8	<u>(14,270)</u>	<u>163,786</u>
Attributable to:			
Owners of the Company			
Loss from continuing operation		(14,270)	(1,847)
Profit from discontinued operations		–	165,641
(Loss)/profit for the year attributable to owners of the Company		<u>(14,270)</u>	<u>163,794</u>
Non-controlling interests			
Loss from continuing operation		–	–
Loss from discontinued operations		–	(8)
Loss for the year attributable to non-controlling interests		<u>–</u>	<u>(8)</u>
		<u>(14,270)</u>	<u>163,786</u>
		HK cents	HK cents
(Loss)/earnings per share			
From continuing and discontinued operations			
— basic	11(a)	(1.19)	13.71
— diluted	11(b)	N/A	N/A
From continuing operation			
— basic	11(a)	(1.19)	(0.15)
— diluted	11(b)	N/A	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	2013 HK\$'000	2012 HK\$'000
(Loss)/profit for the year	(14,270)	163,786
Other comprehensive income:		
Exchange differences on translating foreign operations	391	275
Exchange differences reclassified to profit or loss on disposal of a subsidiary	<u>–</u>	<u>(11,199)</u>
Other comprehensive income for the year, net of tax	<u>391</u>	<u>(10,924)</u>
Total comprehensive income for the year	<u>(13,879)</u>	<u>152,862</u>
Attributable to:		
Owners of the Company	(13,879)	153,026
Non-controlling interests	<u>–</u>	<u>(164)</u>
	<u>(13,879)</u>	<u>152,862</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013

	<i>Note</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		1,468	2,231
Intangible assets		7,827	15,868
		<u>9,295</u>	<u>18,099</u>
Current assets			
Prepayments, deposits and other receivables	<i>12</i>	7,006	4,307
Bank and cash balances		59,248	38,425
		<u>66,254</u>	<u>42,732</u>
Current liabilities			
Accruals and other payables		1,735	997
Current tax liabilities		10,922	9,678
		<u>12,657</u>	<u>10,675</u>
Net current assets		<u>53,597</u>	<u>32,057</u>
Total assets less current liabilities		<u>62,892</u>	<u>50,156</u>
Non-current liabilities			
Promissory note	<i>13</i>	96,274	99,303
Deferred tax liabilities		1,957	3,967
		<u>98,231</u>	<u>103,270</u>
NET LIABILITIES		<u>(35,339)</u>	<u>(53,114)</u>
Capital and reserves			
Share capital	<i>14</i>	12,947	11,947
Reserves		(48,286)	(65,061)
TOTAL EQUITY		<u>(35,339)</u>	<u>(53,114)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2013

	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 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>
At 1 April 2012	11,947	1,042,779	8,320	1,512	13,204	(1,130,876)	(53,114)	-	(53,114)
Total comprehensive income for the year	-	-	-	391	-	(14,270)	(13,879)	-	(13,879)
Share option scheme									
— share-based payments	-	-	-	-	884	-	884	-	884
— forfeiture of share options granted	-	-	-	-	(12,566)	12,566	-	-	-
Issue of shares on placement	1,000	30,000	-	-	-	-	31,000	-	31,000
Share issue expenses	-	(230)	-	-	-	-	(230)	-	(230)
Changes in equity for the year	<u>1,000</u>	<u>29,770</u>	<u>-</u>	<u>391</u>	<u>(11,682)</u>	<u>(1,704)</u>	<u>17,775</u>	<u>-</u>	<u>17,775</u>
At 31 March 2013	<u>12,947</u>	<u>1,072,549</u>	<u>8,320</u>	<u>1,903</u>	<u>1,522</u>	<u>(1,132,580)</u>	<u>(35,339)</u>	<u>-</u>	<u>(35,339)</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 incurred a loss attributable to owners of the Company of approximately HK\$14,270,000 and net operating cash outflow of approximately HK\$4,831,000 for the year ended 31 March 2013, and as at 31 March 2013 the Group had net liabilities of approximately HK\$35,339,000. 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 2013, the Group agreed with China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2014.
- (b) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) (“CCC”), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

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

2. TURNOVER

The Group's turnover which represents sales of goods and services rendered to its sole customer (after business tax), CCC, is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operation		
— Promotion and management services	34,495	33,102
Discontinued operations (<i>note 9</i>)	<u>—</u>	<u>—</u>
	<u>34,495</u>	<u>33,102</u>

3. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest income	35	127
Sundry income	69	—
	<u>104</u>	<u>127</u>
Representing:		
Continuing operation	104	23
Discontinued operations (<i>note 9</i>)	<u>—</u>	<u>104</u>
	<u>104</u>	<u>127</u>

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 segment:

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

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

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:

	Promotion and management services HK\$’000
Year ended 31 March 2013	
Turnover from external customers, net of sales tax	34,495
Segment profit	763
Interest income	33
Depreciation and amortisation	9,548
Additions to segment non-current assets	557
As at 31 March 2013	
Segment assets	28,557
Segment liabilities	844

Promotion and
management
services
HK\$'000

Year ended 31 March 2012

Turnover from external customers, net of sales tax	33,102
Segment loss	(5,828)
Interest income	20
Depreciation and amortisation	9,669
Impairment of intangible assets	11,467
Additions to segment non-current assets	656
As at 31 March 2012	
Segment assets	33,350
Segment liabilities	<u>373</u>

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

	2013	2012
	HK\$'000	HK\$'000
Turnover		
Total turnover of reportable segment	<u>34,495</u>	<u>33,102</u>
Consolidated turnover	<u><u>34,495</u></u>	<u><u>33,102</u></u>
Profit or loss		
Total profit/(loss) of reportable segment	763	(5,828)
Finance costs	(1,877)	(4,297)
Income tax (expense)/credit	(746)	1,454
Unallocated head office and corporate (expenses)/income	<u>(12,410)</u>	<u>6,824</u>
Consolidated loss for the year	<u><u>(14,270)</u></u>	<u><u>(1,847)</u></u>
Assets		
Total assets of reportable segment	28,557	33,350
Unallocated head office and corporate assets	<u>46,992</u>	<u>27,481</u>
Consolidated total assets	<u><u>75,549</u></u>	<u><u>60,831</u></u>
Liabilities		
Total liabilities of reportable segment	844	373
Current tax liabilities	10,922	9,678
Deferred tax liabilities	1,957	3,967
Unallocated head office and corporate liabilities	<u>97,165</u>	<u>99,927</u>
Consolidated total liabilities	<u><u>110,888</u></u>	<u><u>113,945</u></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 2013 and 31 March 2012, 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 with tax is approximately HK\$35,314,000 (2012: HK\$35,038,000).

6. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on promissory note payable to CCI	<u>1,877</u>	<u>4,297</u>
Representing:		
Continuing operation	1,877	4,297
Discontinued operations	<u>–</u>	<u>–</u>
	<u>1,877</u>	<u>4,297</u>

7. INCOME TAX EXPENSE/(CREDIT)

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax	2,796	3,537
Deferred tax	<u>(2,050)</u>	<u>(4,991)</u>
	<u>746</u>	<u>(1,454)</u>
Representing:		
Continuing operation	746	(1,454)
Discontinued operations	<u>–</u>	<u>–</u>
	<u>746</u>	<u>(1,454)</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2013 and 2012.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2012: 25%).

8. (LOSS)/PROFIT FOR THE YEAR

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

	Continuing operation		Discontinued operations		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Amortisation of intangible assets						
— included in cost of sales	5,647	6,566	-	-	5,647	6,566
— included in selling and distribution expenses	2,553	1,933	-	-	2,553	1,933
	8,200	8,499	-	-	8,200	8,499
Depreciation	1,348	1,170	-	-	1,348	1,170
Operating lease charges for land and buildings	2,858	2,763	-	-	2,858	2,763
Auditor's remuneration						
— audit services	525	500	-	-	525	500
— other services	513	619	-	-	513	619
	1,038	1,119	-	-	1,038	1,119
Equity-settled share-based payments	884	1,933	-	-	884	1,933
Other operating expenses						
— Impairment of intangible assets	-	11,467	-	-	-	11,467
Staff costs including directors' emoluments						
— Salaries, bonus and allowances	9,460	10,243	-	99	9,460	10,342
— Retirement benefits scheme contributions	483	429	-	20	483	449
	9,943	10,672	-	119	9,943	10,791

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:

	2012 <i>HK\$'000</i>
Turnover	–
Cost of sales	–
	<hr/>
Gross profit	–
Other income	104
Selling and distribution expenses	(35)
Administrative expenses	(103)
Gain on disposal of CCP	165,667
	<hr/>
Profit for the year from discontinued operations	<u>165,633</u>

10. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2012: HK\$Nil).

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

(i) *From continuing and discontinued operations*

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK\$14,270,000 (2012: profit of HK\$163,794,000) and the weighted average number of ordinary shares of 1,198,258,660 (2012: 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\$14,270,000 (2012: HK\$1,847,000) 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 for the year ended 31 March 2012 was HK cents 13.86 per share, based on the profit for the year from discontinued operations attributable to the owners of the Company of approximately HK\$165,641,000 and the denominator used was the same as that detailed above.

(b) Diluted (loss)/earnings per share

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2013.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	HK\$'000	HK\$'000
Amount due from a substantial shareholder	5,303	3,007
Other receivables	16	89
Prepayments and deposits	1,687	1,211
	7,006	4,307

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 2013, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2012: HK\$98,690,000).

On 31 March 2012, the Group and CCI agreed to extend the maturity date from 30 June 2012 to 30 June 2013. On 31 March 2013, the Group and CCI agreed to extend the maturity date from 30 June 2013 to 30 June 2014.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2013, the coupon rate is 2% per annum (2012: 2% per annum) and the effective interest rate is 1.97% (2012: 1.99%).

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each At 31 March 2013 and 2012	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each At 1 April 2011 and 31 March 2012	1,194,697,017	11,947
Issue of shares on placement	(a) <u>100,000,000</u>	<u>1,000</u>
At 31 March 2013	<u>1,294,697,017</u>	<u>12,947</u>

Note:

- (a) On 26 February 2013, the Company and Chief Securities Limited entered into a placing agreement in respect of the placement of 100,000,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.31 per share. The placement was completed on 19 March 2013 and the premium on the issue of shares net of share issue expenses, amounting to approximately HK\$29,770,000, was credited to the Company's share premium account.

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 2013, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty relating to the going concern basis

Without qualifying our opinion, we draw attention to note 2* to the financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$14,270,000 and net operating cash outflow of approximately HK\$4,831,000 for the year ended 31 March 2013 and as at 31 March 2013 the Group had net liabilities of approximately HK\$35,339,000. 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.

* As reproduced in note 1(b) of this announcement

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue and profitability

The Group recorded a turnover of approximately HK\$34,495,000 (2012: HK\$33,102,000) for the year ended 31 March 2013, representing an increase of approximately 4.2% as compared with 2011/12. All of the turnover for the year ended 31 March 2013 and 2012 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 2013 amounted to approximately HK\$20,208,000 as compared to a profit of approximately HK\$20,393,000 for the year ended 31 March 2012.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2013 was approximately HK\$31,959,000 as compared to approximately HK\$27,952,000 for the year ended 31 March 2012. The increase of the expenses was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Shentong Card.

Other operating expenses for the year ended 31 March 2012 amounted to approximately HK\$11,467,000 was attributable to the impairment of intangible assets. No impairment was charged for the year ended 31 March 2013.

Net loss attributable to owners of the company

The Group made a net loss attributable to owners of approximately HK\$14,270,000 for the year ended 31 March 2013 as compared to a profit of approximately HK\$163,794,000 for the year ended 31 March 2012. Excluding the net effect on the gain on disposal of a subsidiary, the waiver of coupon interest and other operating expenses for the year ended 31 March 2012, the Group’s net loss for this year was increased by approximately HK\$4,037,000 as compared to approximately HK\$10,233,000 for previous year. This was mainly attributable to (i) increase in server hosting fee in order to cope with the stability of service provided; and (ii) increase in advertising fee to boost the sales of Shentong Card.

Liquidity and financial resources

As at 31 March 2013, the Group had outstanding promissory notes at a nominal value of approximately HK\$94.4 million (as at 31 March 2012: HK\$98.7 million) with carrying value of approximately HK\$96.3 million (as at 31 March 2012: HK\$99.3 million). The promissory notes were originally unsecured, bearing an interest at the rate of 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 the New Maturity Date, the Group has the right to further postpone (“Maturity Postponement Right”) the maturity date to 30 June 2012 (“Extended Maturity Date”) if the latest published financial information of the Group indicating that the repayment

of such 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 said promissory notes, the Group did not have any other committed borrowing facilities as at 31 March 2013 (as at 31 March 2012: HK\$Nil).

As at 31 March 2013, the Group had net current assets of approximately HK\$53.6 million (as at 31 March 2012: approximately HK\$32.1 million). The Group's current assets consisted of cash and cash equivalents of approximately HK\$59.2 million (as at 31 March 2012: approximately HK\$38.4 million), prepayments, deposits and other receivables of approximately HK\$7.0 million (as at 31 March 2012: approximately HK\$4.3 million). The Group's current liabilities included accruals and other payables of approximately HK\$1.7 million (as at 31 March 2012: HK\$0.9 million), current tax liabilities of approximately HK\$10.9 million (as at 31 March 2012: HK\$9.7 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.47 as at 31 March 2013 as compared to 1.87 as at 31 March 2012.

At present, the Group generally finances its operations and investment activities with internal resources.

Capital structure

During the year, 100,000,000 new ordinary shares were issued and allotted by way of placing in March 2013.

Charge on assets

The Group did not have any charge on its assets as at 31 March 2013 and 31 March 2012.

Staff costs

As at 31 March 2013, the Group had 66 employees (2012: 66). The staff costs for the year ended 31 March 2013 was approximately HK\$9.9 million (2012: HK\$10.8 million). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.

Material investment or capital assets

As at 31 March 2013, 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 2013 and 31 March 2012.

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 2013.

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 2013.

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 2013, 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 2012;
- Quarterly reports for the first quarter and third quarter of 2012/13;
- Interim report for the first six months of 2012/13; and
- Review of continuing connected transactions with the Group.

The financial statements of the Company and the Group for the year ended 31 March 2013 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 2013 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 2013. 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, 7 August 2013 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, 19 June 2013

As at the date of this announcement, the executive Directors are Mr. He Chenguang and Mr. Zhang Peng, the non-executive Directors are Mr. Xiao Haiping and Dr. Lam Lee G. 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 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.