



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 2014

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

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

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

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

*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 2014.

## FINANCIAL PERFORMANCE

The Group recorded consolidated total turnover of approximately HK\$38,865,000 for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared to approximately HK\$34,495,000 for the year ended 31 March 2013. The turnover for the year ended 31 March 2014 was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

The Group made a net loss attributable to owners of the Company of approximately HK\$9,113,000 for the year ended 31 March 2014 as compared to approximately HK\$14,270,000 for the year ended 31 March 2013. The decrease was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

## 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<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>). Since then, the Group concentrates on the business in promotion 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 260 million in December 2013, with an increase of approximately 17.9% compared to that at December 2012. The utilization rate has also increased from 39.1% to 42.1%. 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 2014. The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 12.7% as compared with the year ended 31 March 2013.

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 the 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 2014, the revenue derived from the provision of promotion and management services was approximately HK\$38,865,000 as compared to approximately HK\$34,495,000 for the year ended 31 March 2013.

### **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 2014, together with the comparative figures for the corresponding year ended 31 March 2013 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2014

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Turnover</b>	2	<b>38,865</b>	34,495
Cost of sales		<u>(12,015)</u>	<u>(14,287)</u>
<b>Gross profit</b>		<b>26,850</b>	20,208
Other income	3	<b>348</b>	104
Selling and distribution expenses		<b>(14,406)</b>	(13,689)
Administrative expenses		<u>(17,618)</u>	<u>(18,270)</u>
<b>Loss from operation</b>		<b>(4,826)</b>	(11,647)
Finance costs	5	<u>(1,897)</u>	<u>(1,877)</u>
<b>Loss before tax</b>		<b>(6,723)</b>	(13,524)
Income tax expense	6	<u>(2,390)</u>	<u>(746)</u>
<b>Loss for the year attributable to owners of the Company</b>	7	<u><b>(9,113)</b></u>	<u>(14,270)</u>
		<b>HK cents</b>	HK cents
<b>Loss per share</b>	9		
Basic		<u><b>(0.70)</b></u>	<u>(1.19)</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 MARCH 2014*

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Loss for the year</b>	<b>(9,113)</b>	(14,270)
<b>Other comprehensive income, net of tax:</b>		
<i>Items that may be reclassified to profit or loss:</i>		
— Exchange differences on translating foreign operations	<u>269</u>	<u>391</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<u><b>(8,844)</b></u>	<u>(13,879)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 31 MARCH 2014*

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,643</b>	1,468
Intangible assets		<b>4,812</b>	7,827
		<u><b>6,455</b></u>	<u>9,295</u>
<b>Current assets</b>			
Prepayments, deposits and other receivables	<i>10</i>	<b>11,209</b>	7,006
Bank and cash balances		<b>51,680</b>	59,248
		<u><b>62,889</b></u>	<u>66,254</u>
<b>Current liabilities</b>			
Accruals and other payables		<b>2,017</b>	1,735
Current tax liabilities		<b>12,015</b>	10,922
		<u><b>14,032</b></u>	<u>12,657</u>
<b>Net current assets</b>		<u><b>48,857</b></u>	<u>53,597</u>
<b>Total assets less current liabilities</b>		<u><b>55,312</b></u>	<u>62,892</u>
<b>Non-current liabilities</b>			
Promissory note	<i>11</i>	<b>98,171</b>	96,274
Deferred tax liabilities		<b>1,203</b>	1,957
		<u><b>99,374</b></u>	<u>98,231</u>
<b>NET LIABILITIES</b>		<u><b>(44,062)</b></u>	<u>(35,339)</u>
<b>Capital and reserves</b>			
Share capital	<i>12</i>	<b>12,947</b>	12,947
Reserves		<b>(57,009)</b>	(48,286)
<b>TOTAL EQUITY</b>		<u><b>(44,062)</b></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 the Hong Kong Institute of Certified Public Accountants (the “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 the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the investments which are carried at their fair values.

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 their judgement 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\$9,113,000 and net operating cash outflow of approximately HK\$7,234,000 for the year ended 31 March 2014, and as at 31 March 2014 the Group had a capital deficiency of approximately HK\$44,062,000. 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 followings:

- (a) On 31 March 2014, 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 2015.
- (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 obligations 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.

\* *English name is for identification purpose only*

**(c) Adoption of New And Revised Hong Kong Financial Reporting Standards**

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2013. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current year and prior years except as stated below.

**a. Amendments to HKAS 1 “Presentation of Financial Statements”**

Amendments to HKAS 1 titled “Presentation of Items of Other Comprehensive Income” introduce optional new terminology for statement of comprehensive income and income statement that has been applied by the Group. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 did not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

**b. HKFRS 10 “Consolidated Financial Statements”**

HKFRS 10 “Consolidated Financial Statements” supersedes the requirements relating to consolidated financial statements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” and Hong Kong (SIC) Interpretation 12 “Consolidation — Special Purpose Entities”. HKFRS 10 introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. It requires the consolidation of an investee if the entity controls the investee on the basis of de facto circumstances.

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



## 2. TURNOVER

The Group's turnover which represents services rendered to its sole customer, CCC, is as follows:

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Promotion and management services	<u><b>38,865</b></u>	<u>34,495</u>

## 3. OTHER INCOME

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Gain on disposal of financial assets at fair value through profit or loss	<b>312</b>	–
Interest income	<b>35</b>	35
Sundry income	<u><b>1</b></u>	<u>69</u>
	<u><b>348</b></u>	<u>104</u>

## 4. 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” in the PRC

Segment profits or losses do not include finance costs, income tax expense and unallocated corporate 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>Promotion and management services</b>	
	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Year ended 31 March</b>		
Revenue from external customer	<b>38,865</b>	34,495
Segment profit	<b>6,915</b>	763
Interest income	<b>31</b>	33
Depreciation and amortisation	<b>3,860</b>	9,548
Additions to segment non-current assets	<b>918</b>	557
<b>As at 31 March</b>		
Segment assets	<b>34,055</b>	28,557
Segment liabilities	<u><b>1,210</b></u>	<u>844</u>

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

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>		
Total revenue of reportable segment	<u>38,865</u>	<u>34,495</u>
Consolidated turnover	<u><u>38,865</u></u>	<u><u>34,495</u></u>
<b>Profit or loss</b>		
Total profit of reportable segment	6,915	763
Finance costs	(1,897)	(1,877)
Income tax expense	(2,390)	(746)
Unallocated head office and corporate expenses	<u>(11,741)</u>	<u>(12,410)</u>
Consolidated loss for the year	<u><u>(9,113)</u></u>	<u><u>(14,270)</u></u>
<b>Assets</b>		
Total assets of reportable segment	34,055	28,557
Unallocated head office and corporate assets	<u>35,289</u>	<u>46,992</u>
Consolidated total assets	<u><u>69,344</u></u>	<u><u>75,549</u></u>
<b>Liabilities</b>		
Total liabilities of reportable segment	1,210	844
Current tax liabilities	12,015	10,922
Deferred tax liabilities	1,203	1,957
Unallocated head office and corporate liabilities	<u>98,978</u>	<u>97,165</u>
Consolidated total liabilities	<u><u>113,406</u></u>	<u><u>110,888</u></u>

### Geographical information

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

### Major customer

For the years ended 31 March 2014 and 2013, the Group has only one customer which contributed more than 10% of the turnover of the Group. The customer is under the promotion and management services segment and the gross income is approximately HK\$39,059,000 (2013: HK\$35,314,000).

## 5. FINANCE COSTS

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on promissory note payable to CCI	<u><b>1,897</b></u>	<u>1,877</u>

## 6. INCOME TAX EXPENSE

	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax		
Provision for the year	<b>3,159</b>	2,796
Under-provision in prior year	<b>6</b>	–
Deferred tax	<u>(775)</u>	<u>(2,050)</u>
	<u><b>2,390</b></u>	<u>746</u>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2014 and 2013.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2013: 25%).

## 7. LOSS FOR THE YEAR

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amortisation of intangible assets		
— included in cost of sales	479	5,647
— included in selling and distribution expenses	2,620	2,553
	<b>3,099</b>	8,200
Depreciation	761	1,348
Operating lease charges for land and buildings	3,618	2,858
Auditor's remuneration		
— audit services	525	525
— other services	487	513
	<b>1,012</b>	1,038
Equity-settled share-based payments	121	884
Staff costs including Directors' emoluments		
— salaries, bonus and allowances	9,444	9,460
— retirement benefits scheme contributions	523	483
	<b>9,967</b>	9,943

## 8. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2013: HK\$Nil).

## 9. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss 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\$9,113,000 (2013: HK\$14,270,000) and the weighted average number of ordinary shares of 1,294,697,017 (2013: 1,198,258,660) in issue during the year.

### (b) Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2014 and 2013.

## 10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Amount due from a substantial shareholder	8,769	5,303
Other receivables	18	16
Prepayments and deposits	<u>2,422</u>	<u>1,687</u>
	<u><u>11,209</u></u>	<u><u>7,006</u></u>

## 11. PROMISSORY NOTE

As at 31 March 2014, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2013: HK\$94,427,000).

On 31 March 2013, the Group and CCI agreed to extend the maturity date from 30 June 2013 to 30 June 2014. On 31 March 2014, the Group and CCI agreed to extend the maturity date from 30 June 2014 to 30 June 2015.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2014, the coupon rate is 2% per annum (2013: 2% per annum) and the effective interest rate is 1.93% (2013: 1.97%).

## 12. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each		
At 31 March 2014 and 2013	<u>10,000,000,000</u>	<u>100,000</u>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each		
At 1 April 2012	1,194,697,017	11,947
Issue of shares on placement ( <i>note</i> )	<u>100,000,000</u>	<u>1,000</u>
At 31 March 2013, 1 April 2013 and 31 March 2014	<u><u>1,294,697,017</u></u>	<u><u>12,947</u></u>

*Note:* 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 AUDITOR'S 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 2014, 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\$9,113,000 and net operating cash outflow of approximately HK\$7,234,000 for the year ended 31 March 2014 and as at 31 March 2014 the Group had a capital deficiency of approximately HK\$44,062,000. 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\$38,865,000 (2013: approximately HK\$34,495,000) for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared to 2012/13. All of the turnover for the two years ended 31 March 2014 and 2013 were attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC.

The Group’s gross profit for the year ended 31 March 2014 amounted to approximately HK\$26,850,000 as compared to approximately HK\$20,208,000 for the year ended 31 March 2013. The increase was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2014 was approximately HK\$32,024,000 as compared to approximately HK\$31,959,000 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\$9,113,000 for the year ended 31 March 2014 as compared to approximately HK\$14,270,000 for the year ended 31 March 2013. The decrease was mainly attributable to the increase in turnover of Shentong Card and the decrease in amortisation of intangible assets charged for the year.

### **Liquidity and Financial Resources**

During the year under review, the Company had no fund raising activities.

As at 31 March 2014, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2013: approximately HK\$94.4 million) with carrying value of approximately HK\$98.2 million (as at 31 March 2013: approximately HK\$96.3 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, China Communication Investment Limited (“CCI”) agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 (“New Maturity Date”). In addition, before the New Maturity Date, the Group has the right to 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 interests 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 note, the Group did not have any other committed borrowing facilities as at 31 March 2014 (as at 31 March 2013: HK\$Nil).

As at 31 March 2014, the Group had net current assets of approximately HK\$48.9 million (as at 31 March 2013: approximately HK\$53.6 million). The Group's current assets consisted of cash and cash equivalents of approximately HK\$51.7 million (as at 31 March 2013: approximately HK\$59.2 million), prepayments, deposits and other receivables of approximately HK\$11.2 million (as at 31 March 2013: approximately HK\$7.0 million). The Group's current liabilities include accruals and other payables of approximately HK\$2.0 million (as at 31 March 2013: approximately HK\$1.7 million), current tax liabilities of approximately HK\$12.0 million (as at 31 March 2013: approximately HK\$10.9 million).

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

### **Gearing Ratio**

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.64 as at 31 March 2014 as compared to 1.47 as at 31 March 2013.

### **Capital Structure**

There was no change in the capital structure during the year ended 31 March 2014.

### **Charge on Assets**

The Group did not have any charge on its assets as at 31 March 2014 and 31 March 2013.

### **Employees, Remuneration Policies and Staff Costs**

As at 31 March 2014, the Group had 85 employees (2013: 66). The staff costs for the year ended 31 March 2014 was approximately HK\$10.0 million (2013: approximately HK\$9.9 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

### **Material Investment or Capital Assets**

For the year ended 31 March 2014, the Group had no significant investment. As at 31 March 2014, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

### **Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies**

There was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 March 2014.



## **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. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Contingent Liabilities**

The Group did not have any significant contingent liabilities as at 31 March 2014 and 31 March 2013.

## **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 2014.

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

The Company acknowledges 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. The Group has adopted the practices and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2014.

In the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code.

## **APPROPRIATIONS**

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

## AUDIT COMMITTEE

For the year ended 31 March 2014, the Audit Committee held five 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 2013;
- Quarterly reports for the first quarter and third quarter of 2013/14;
- Interim report for the first six months of 2013/14; and
- Review of continuing connected transactions with the Group.

The financial statements of the Company and the Group for the year ended 31 March 2014 have been reviewed by the audit committee, who is of the opinion that such statements have complied with the applicable accounting standards, the requirements of the 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 2014 have been agreed by the Group's auditor, RSM Nelson Wheeler, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2014. 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 Friday, 15 August 2014 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, 18 June 2014

*As at the date of this announcement, the executive Directors are Mr. He Chenguang and Mr. Bao Yueqing and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li.*

*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).*