



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 2015

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.

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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 2015.

FINANCIAL PERFORMANCE

The Group recorded consolidated total revenue of approximately HK\$38,484,000 for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to approximately HK\$38,865,000 for the year ended 31 March 2014. The revenue for the year ended 31 March 2015 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\$9,871,000 for the year ended 31 March 2015 as compared to approximately HK\$9,113,000 for the year ended 31 March 2014. The increase was mainly attributable to the slight decrease in revenue of Shentong Card and the increase in staff costs and rental expenses 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[#]) (“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.[#]). 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 304 million in December 2014, with an increase of approximately 17.0% compared to that at December 2013. The utilization rate has also increased from 42.1% to 46.9%. 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 during the years since the acquisition of Yijia. For the year of 2014/15, due to the change in advertising and promotion strategy for the promotion of Shentong Card, the consolidated revenue from the promotion and management services for Shentong Card has decreased in the second half of 2014/15 but the annual consolidated revenue has maintained steadily with only a slight decrease of approximately 0.98%.

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.

[#] English name is for identification purpose only

Provision of promotion and management services

For the year ended 31 March 2015, the revenue derived from the promotion and management services was approximately HK\$38,484,000 as compared to approximately HK\$38,865,000 for the year ended 31 March 2014.

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 2015, together with the comparative figures for the corresponding year ended 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 MARCH 2015

| | <i>Note</i> | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|-------------|--------------------------------|--------------------------------|
| Revenue | 2 | 38,484 | 38,865 |
| Cost of sales | | <u>(11,477)</u> | <u>(12,015)</u> |
| Gross profit | | 27,007 | 26,850 |
| Other income | 3 | 129 | 348 |
| Selling and distribution expenses | | (14,839) | (14,406) |
| Administrative expenses | | <u>(18,672)</u> | <u>(17,618)</u> |
| Loss from operation | | (6,375) | (4,826) |
| Finance costs | 5 | <u>(1,894)</u> | <u>(1,897)</u> |
| Loss before tax | | (8,269) | (6,723) |
| Income tax expense | 6 | <u>(1,602)</u> | <u>(2,390)</u> |
| Loss for the year attributable to owners of the Company | 7 | <u>(9,871)</u> | <u>(9,113)</u> |
| | | HK cent | HK cent |
| Loss per share | 9 | | |
| Basic | | <u>(0.76)</u> | <u>(0.70)</u> |
| Diluted | | <u>N/A</u> | <u>N/A</u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 MARCH 2015

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Loss for the year | (9,871) | (9,113) |
| Other comprehensive income, net of tax: | | |
| <i>Item that may be reclassified to profit or loss:</i> | | |
| — Exchange differences on translating foreign operations | <u>(292)</u> | <u>269</u> |
| Total comprehensive income for the year attributable to owners of the Company | <u>(10,163)</u> | <u>(8,844)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2015

| | <i>Note</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 1,559 | 1,643 |
| Intangible assets | | 2,164 | 4,812 |
| | | <u>3,723</u> | <u>6,455</u> |
| Current assets | | | |
| Prepayments, deposits and other receivables | <i>10</i> | 12,364 | 11,209 |
| Bank and cash balances | | 45,167 | 51,680 |
| | | <u>57,531</u> | <u>62,889</u> |
| Current liabilities | | | |
| Accruals and other payables | | 2,530 | 2,017 |
| Current tax liabilities | | 12,343 | 12,015 |
| | | <u>14,873</u> | <u>14,032</u> |
| Net current assets | | <u>42,658</u> | 48,857 |
| Total assets less current liabilities | | <u>46,381</u> | <u>55,312</u> |
| Non-current liabilities | | | |
| Promissory note | <i>11</i> | 100,065 | 98,171 |
| Deferred tax liabilities | | 541 | 1,203 |
| | | <u>100,606</u> | <u>99,374</u> |
| NET LIABILITIES | | <u>(54,225)</u> | <u>(44,062)</u> |
| Capital and reserves | | | |
| Share capital | <i>12</i> | 12,947 | 12,947 |
| Reserves | | (67,172) | (57,009) |
| TOTAL EQUITY | | <u>(54,225)</u> | <u>(44,062)</u> |

NOTES:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) These consolidated 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 consolidated 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 their judgement in the process of applying the Group’s accounting policies.

(b) Going Concern Basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$9,871,000 and net operating cash outflow of approximately HK\$5,535,000 for the year ended 31 March 2015, and as at 31 March 2015 the Group had a capital deficiency of approximately HK\$54,225,000. 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 consolidated financial statements of the Group based on the following:

- (a) On 31 March 2015, 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 2016.
- (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 consolidated 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 consolidated 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 consolidated financial statements to adjust the value of the Group’s assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

English name is for identification purpose only

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

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 2014. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations.

(a) Application of new and revised HKFRSs

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2014:

Amendment to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments do not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010–2012 Cycle)

This amendment to the standard’s basis for conclusions only clarifies that the ability to measure certain short-term receivables and payables on an undiscounted basis is retained.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2014. The directors anticipate that the new and revised HKFRSs will be adopted in the Group’s consolidated financial statements when they become effective. The Group has assessed, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of New and revised HKFRSs in issue but not yet effective

| | |
|-----------------------|---|
| HKFRS 9 | Financial Instruments ¹ |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle ⁵ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle ³ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle ⁴ |

¹ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

⁵ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

2. REVENUE

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-----------------------------------|--------------------------------|-------------------------|
| Promotion and management services | 38,484 | 38,865 |

3. OTHER INCOME

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Gain on disposal of financial assets at fair value through profit or loss | 51 | 312 |
| Interest income | 77 | 35 |
| Sundry income | 1 | 1 |
| | 129 | 348 |

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:

| | Promotion and management services | |
|---|--|-----------------|
| | 2015 | 2014 |
| | HK\$'000 | HK\$'000 |
| Year ended 31 March | | |
| Revenue from external customer | <u>38,484</u> | <u>38,865</u> |
| Segment profit | <u>4,239</u> | <u>6,915</u> |
| Interest income | 74 | 31 |
| Depreciation and amortisation | 3,478 | 3,860 |
| Additions to segment non-current assets | <u>798</u> | <u>918</u> |
| As at 31 March | | |
| Segment assets | 36,212 | 34,055 |
| Segment liabilities | <u>1,357</u> | <u>1,210</u> |

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Revenue | | |
| Total revenue of reportable segment | <u>38,484</u> | <u>38,865</u> |
| Consolidated revenue | <u><u>38,484</u></u> | <u><u>38,865</u></u> |
| Profit or loss | | |
| Total profit of reportable segment | 4,239 | 6,915 |
| Finance costs | (1,894) | (1,897) |
| Income tax expense | (1,602) | (2,390) |
| Unallocated amounts: | | |
| Directors' emoluments | (3,261) | (3,969) |
| Rent | (2,280) | (1,979) |
| Other unallocated head office and corporate expenses | <u>(5,073)</u> | <u>(5,793)</u> |
| Consolidated loss for the year | <u><u>(9,871)</u></u> | <u><u>(9,113)</u></u> |
| Assets | | |
| Total assets of reportable segment | 36,212 | 34,055 |
| Unallocated assets: | | |
| Bank and cash balances | 24,251 | 34,471 |
| Other unallocated head office and corporate assets | <u>791</u> | <u>818</u> |
| Consolidated total assets | <u><u>61,254</u></u> | <u><u>69,344</u></u> |
| Liabilities | | |
| Total liabilities of reportable segment | 1,357 | 1,210 |
| Current tax liabilities | 12,343 | 12,015 |
| Deferred tax liabilities | 541 | 1,203 |
| Promissory note | 100,065 | 98,171 |
| Other unallocated head office and corporate liabilities | <u>1,173</u> | <u>807</u> |
| Consolidated total liabilities | <u><u>115,479</u></u> | <u><u>113,406</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 2015 and 2014, the Group has only one customer which contributed more than 10% of the revenue of the Group. The customer is under the promotion and management services segment and the gross income is approximately HK\$38,592,000 (2014: HK\$39,059,000).

5. FINANCE COSTS

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Interest on promissory note payable to CCI | <u>1,894</u> | <u>1,897</u> |

6. INCOME TAX EXPENSE

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|-------------------------------|--------------------------------|-------------------------|
| Current tax | | |
| Provision for the year | 2,242 | 3,159 |
| Under-provision in prior year | 10 | 6 |
| Deferred tax | <u>(650)</u> | <u>(775)</u> |
| | <u>1,602</u> | <u>2,390</u> |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2015 and 2014.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2014: 25%).

7. LOSS FOR THE YEAR

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Amortisation of intangible assets | | |
| — included in cost of sales | — | 479 |
| — included in selling and distribution expenses | 2,598 | 2,620 |
| | 2,598 | 3,099 |
| Depreciation | 881 | 761 |
| Operating lease charges for land and buildings | 4,181 | 3,618 |
| Auditor's remuneration | | |
| — audit services | 538 | 525 |
| — other services | 500 | 487 |
| | 1,038 | 1,012 |
| Equity-settled share-based payments | — | 121 |
| Staff costs including Directors' emoluments | | |
| — salaries, bonus and allowances | 9,827 | 9,444 |
| — retirement benefits scheme contributions | 647 | 523 |
| | 10,474 | 9,967 |

8. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2014: 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\$9,871,000 (2014: HK\$9,113,000) and the weighted average number of ordinary shares of 1,294,697,017 (2014: 1,294,697,017) 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 2015 and 2014.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2015 | 2014 |
|---|----------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Amount due from a substantial shareholder | 9,664 | 8,769 |
| Other receivables | 29 | 18 |
| Prepayments and deposits | 2,671 | 2,422 |
| | <u>12,364</u> | <u>11,209</u> |

11. PROMISSORY NOTE

As at 31 March 2015, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (2014: HK\$94,427,000).

On 31 March 2014, the Group and CCI agreed to extend the maturity date from 30 June 2014 to 30 June 2015. On 31 March 2015, the Group and CCI agreed to extend the maturity date from 30 June 2015 to 30 June 2016.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 31 March 2015, the coupon rate is 2% per annum (2014: 2% per annum) and the effective interest rate is 1.88% (2014: 1.93%).

12. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 31 March 2015 and 2014 | <u>10,000,000,000</u> | <u>100,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.01 each | | |
| At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015 | <u>1,294,697,017</u> | <u>12,947</u> |

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 2015, 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 consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK\$9,871,000 and net operating cash outflow of approximately HK\$5,535,000 for the year ended 31 March 2015 and as at 31 March 2015 the Group had a capital deficiency of approximately HK\$54,225,000. 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 revenue of approximately HK\$38,484,000 (2014: HK\$38,865,000) for the year ended 31 March 2015, representing a slight decrease of approximately 0.98% as compared to 2013/14. All of the revenue for the two years ended 31 March 2015 and 2014 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 2015 amounted to approximately HK\$27,007,000 as compared to approximately HK\$26,850,000 for the year ended 31 March 2014. The increase was mainly attributable to the decrease in amortisation of intangible assets charged for the year.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2015 was approximately HK\$33,511,000 as compared to approximately HK\$32,024,000 for the year ended 31 March 2014. The increase was mainly attributable to the increase in staff costs and rental expenses for the year.

Net Loss Attributable to Owners of the Company

The Group made a net loss attributable to owners of approximately HK\$9,871,000 for the year ended 31 March 2015 as compared to approximately HK\$9,113,000 for the year ended 31 March 2014. The increase was mainly attributable to the slight decrease in revenue of Shentong Card and the increase in staff costs and rental expenses for the year.

Liquidity and Financial Resources

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

As at 31 March 2015, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2014: approximately HK\$94.4 million) with carrying value of approximately HK\$100.1 million (as at 31 March 2014: approximately HK\$98.2 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, 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 2015 (as at 31 March 2014: HK\$Nil).

As at 31 March 2015, the Group had net current assets of approximately HK\$42.7 million (as at 31 March 2014: approximately HK\$48.9 million). The Group's current assets consisted of cash and cash equivalents of approximately HK\$45.2 million (as at 31 March 2014: approximately HK\$51.7 million), prepayments, deposits and other receivables of approximately HK\$12.3 million (as at 31 March 2014: approximately HK\$11.2 million). The Group's current liabilities include accruals and other payables of approximately HK\$2.5 million (as at 31 March 2014: approximately HK\$2.0 million), current tax liabilities of approximately HK\$12.3 million (as at 31 March 2014: approximately HK\$12.0 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 1.89 as at 31 March 2015 as compared to 1.64 as at 31 March 2014.

Capital Structure

There was no change in the capital structure during the year ended 31 March 2015.

Charge on Assets

The Group did not have any charge on its assets as at 31 March 2015 and 31 March 2014.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2015, the Group had 72 employees (2014: 85). The staff costs for the year ended 31 March 2015 was approximately HK\$10.5 million (2014: HK\$10.0 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

On 30 July 2014, Yijia, a wholly-owned subsidiary of the Company entered into a wealth management agreement with Industrial & Commercial Bank of China, a bank licensed and incorporated under the laws of the PRC. Pursuant to the wealth management agreement, Yijia subscribed for wealth management product, which are of principal-preservation with floating return in nature, at a subscription amount of RMB10 million (equivalent to approximately HK\$12.54 million). The Company utilised its temporarily idle funds for the payment of the subscription amount under the wealth management agreement.

Please refer to the announcement of the Company dated 30 July 2014 for further details.

Save as disclosed above, for the year ended 31 March 2015, the Group had no significant investment. As at 31 March 2015, 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 disposal of subsidiaries and affiliated companies during the year ended 31 March 2015.

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 currency exposure should the need arise.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 March 2015 and 31 March 2014.

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 2015.

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. Save as disclosed below, 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 2015.

Under Code Provision A.6.7 of the CG Code, independent non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders, Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 15 August 2014 (the "2014 AGM") due to their other business activities and unexpected engagement. Mr. Yip Tai Him, an independent non-executive Director and the chairman of each of the audit committee and remuneration committee of the Company, was unable to attend the 2014 AGM due to his other business activities and unexpected engagement.

In addition, under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. He Chenguang (chairman of the Board and chairman of the nomination committee of the Company) was unable to attend the 2014 AGM due to an unexpected business trip. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2014 AGM to answer and address questions raised by shareholders at the 2014 AGM.

Save as disclosed above, 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 2015, 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 2014;
- Quarterly reports for the first quarter and third quarter of 2014/15;
- Interim report for the first six months of 2014/15; and
- Review of continuing connected transactions with the Group.

The financial statements of the Company and the Group for the year ended 31 March 2015 have been reviewed by the audit committee, who is of the opinion that such statements have complied with the applicable accounting standards and 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 2015 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 2015. 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 Wednesday, 5 August 2015 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, 17 June 2015

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 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.