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 2016

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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 2016.

FINANCIAL PERFORMANCE

The Group recorded consolidated revenue of approximately HK$34,684,000 for the year ended 31 March 2016, representing a decrease of approximately 9.9% as compared to approximately HK$38,484,000 for the year ended 31 March 2015. The revenue for the year ended 31 March 2016 was attributable to the provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the People's Republic of China (the "PRC").

The Group made a loss attributable to owners of the Company of approximately HK$20,370,000 for the year ended 31 March 2016 as compared to approximately HK$9,871,000 for the year ended 31 March 2015. The decline in results was mainly due to the professional fees (the "Professional Fee") incurred for the Acquisition (as defined below). The Professional Fee incurred during the year was approximately HK$7.9 million. Excluding the Professional Fee, the adjusted loss attributable to owners of the Company was approximately HK$12.5 million for the year ended 31 March 2016.

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. In March 2010, the Group completed 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"). In December 2015, the Group proposed to acquire 100% of the equity interest in the Target Company (as defined below). The Acquisition (as defined below) had been completed subsequent to the end of the reporting period on 16 May 2016. The principal subsidiaries of the target company of the Acquisition (as defined below) are principally engaged in the promotion, sales and management of an electronic smart card "CRC Shentong Card" for use in payment for education and training courses in relation to China Robot Competition (the "CRC") facilitated by the provision of education and training courses relating to robotics standardized by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. Both the Designated Shentong Card and CRC Shentong Card are electronic smart cards for use in electronic payment service businesses in the PRC. Since early 2010, the Board has strategically positioned the Group to focus on gaining exposure to the rapidly growing businesses of electronic smart card services and online gateway payment service in the PRC.

English name is for identification purpose only

For the year ended 31 March 2016, the revenue generated from the provision of promotion and management services for the Designated Shentong Card was approximately HK$34,684,000, representing a decrease of approximately 9.9% as compared to approximately HK$38,484,000 for the year ended 31 March 2015. The decrease in the revenue generated from the provision of promotion and management services for the Designated Shentong Card was primarily due to the downturn of the PRC economic environment.

Apart from concentrating on the business in promotion and management services for Designated 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.

Provision of promotion and management services

For the year ended 31 March 2016, the revenue derived from the promotion and management services was approximately HK$34,684,000 as compared to approximately HK$38,484,000 for the year ended 31 March 2015.

PROSPECTS

Upon completion of the Acquisition on 16 May 2016, 黑龍江神通文化俱樂部有限公司 (Heilongjiang Shentong Cultural Club Co., Ltd.[#]) ("Heilongjiang Shentong") becomes a wholly-owned subsidiary of the Group (for details of the Acquisition, please refer to the announcement of the Company dated 9 December 2015, the circular of the Company dated 31 December 2015 and the announcement of Company dated 16 May 2016). Heilongjiang Shentong possesses the exclusive right to organise CRC events in Heilongjiang Province and to provide the related CRC training in the province (collectively, the "CRC Business"). Robot sports were officially included in the national sports project in 2011. All participants taking part in CRC events, such as athletes, coaches, referees and scorekeepers, are required to attend CRC training courses and obtain certified qualifications. According to the industry report, the development of robot education in Heilongjiang Province outperforms the national average level. Heilongjiang Shentong has the largest market share in the province in terms of the number of participants and course providers. The CRC Business facilitates the expansion of the Group's business to CRC-related education and training courses with significant growth potential, meanwhile realises the Group's objective of optimisation of business operation, bringing a new source of income for the Group. With growing reputation and status of the CRC events, and the growing number of participants in robot training courses in the country, it is expected that income from the CRC Business of the Group will keep increasing.

The robot education market primarily comprises of two areas, robot training and robot teaching. Strong support from the PRC government in the robotics industry will promote the continuous development of the robot education market. In view of this, apart from the efforts in the development of the CRC Business, the Group will actively co-operate with the working committee of The National School Sports Robot League, the eighth major league led by the Ministry of Education, to assist in the expansion of the CRC Business and the promotion of school-based robot teaching in the country (collectively, the "CQE Business"). "The Teaching Guide on Robotics Curriculum in the Primary and Secondary Schools (機器人學中小學課程

[#] *English name is for identification purpose only*

教學指南)" issued by the Ministry of Education was unanimously approved by experts on 21 January 2016. It sets clear standards and norms for robot education curriculum in the primary and secondary schools in the country, and is a pioneering step in promoting school-based robot teaching in the PRC.

Looking forward to the coming year, the Board will continue to capture the growth opportunity of the robot education market in the PRC. The Group will continue to expand the CRC Business in Heilongjiang Province, which include the strengthening of the developed CRC operation network in Harbin City and Daqing City and the gradual expansion of the business network to the remaining 11 prefecture-level cities, thereby increase the number of CRC course providers and participants. At the same time, the Group has the priority to acquire or operate the CRC Business in the relevant provinces and cities from the parent company. The Group will explore other appropriate opportunities for acquisition and market expansion in order to further enhance the coverage of the CRC Business of the Group. On the other hand, the Group is now awaiting the launch of the school-based robotics curriculums in the PRC. In addition, all management and payment of CRC training courses and competitions should be conducted through CRC Shentong Card system. CRC Shentong Card records all the information of the participation in robot sports of the participants. In the future, the Group will explore how to make use of the large CRC Shentong Card database to optimise the related operation of robot sports. All in all, the Group will endeavor to form a new industry layout. We will continue the development of the CRC Business, the CQE Business as well as Designated Shentong Card and CRC Shentong Card business so as to enhance the overall operating strength of the Group and realise the sustainable growth of the business.

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 2016, together with the comparative figures for the corresponding year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Revenue	*2*	**34,684**	38,484
Cost of sales		**(11,020)**	(11,477)
Gross profit		**23,664**	27,007
Other income	*3*	**52**	129
Selling and distribution expenses		**(14,684)**	(14,839)
Administrative expenses		**(25,968)**	(18,672)
Loss from operations		**(16,936)**	(6,375)
Finance costs	*5*	**(1,884)**	(1,894)
Loss before tax		**(18,820)**	(8,269)
Income tax expense	*6*	**(1,550)**	(1,602)
Loss for the year attributable to owners of the Company	*7*	**(20,370)**	(9,871)
		HK cent	HK cent
Loss per share	*9*		
Basic (cents per share)		**(1.57)**	(0.76)
Diluted (cents per share)		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(20,370)**	(9,871)
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,237)**	(292)
Total comprehensive income for the year attributable to owners of the Company	**(21,607)**	(10,163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2016

	Note	**2016** **HK$'000**	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**933**	1,559
Intangible assets		**–**	2,164
Total non-current assets		**933**	3,723
Current assets			
Prepayments, deposits and other receivables	*10*	**21,847**	12,364
Bank and cash balances		**17,961**	45,167
Total current assets		**39,808**	57,531
TOTAL ASSETS		**40,741**	61,254
EQUITY AND LIABILITIES			
Share capital	*12*	**12,947**	12,947
Reserves		**(88,779)**	(67,172)
Total equity		**(75,832)**	(54,225)
Non-current liabilities			
Promissory note	*11*	**101,949**	100,065
Deferred tax liabilities		**–**	541
Total non-current liabilities		**101,949**	100,606
Current liabilities			
Accruals and other payables		**2,003**	2,530
Current tax liabilities		**12,621**	12,343
Total current liabilities		**14,624**	14,873
TOTAL EQUITY AND LIABILITIES		**40,741**	61,254

NOTES:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

The preparation of consolidated 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$20,370,000 and net operating cash outflow of approximately HK$25,690,000 for the year ended 31 March 2016, and as at 31 March 2016 the Group had a capital deficiency of approximately HK$75,832,000. 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 and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(a) On 30 September 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 2017.

(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 present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to it by the Group when necessary.

Having regard to 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.

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

(a) Application of new and revised HKFRSs

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 2015:

Amendment to HKAS 24 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment clarifies how payments to entities providing key management personnel services are to be disclosed. This amendment had no effect on the Group's consolidated financial statements.

Amendment to HKFRS 8 (Annual Improvements to HKFRSs 2010–2012 Cycle)

The amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly. These clarifications had no effect on the Group's consolidated financial statements.

(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 2015. 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 is in the process of assessing, 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[1, 4]
HKFRS 16	Leases[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

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 2016, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 HKFRS 15 "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and related interpretations.

(c) Amendments to the Rules Governing the Listing of Securities on the GEM on the Stock Exchange

The Stock Exchange in April 2015 released revised Chapter 18 of the Rules Governing the Listing of Securities on the GEM in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the consolidated financial statements.

2. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Promotion and management services	**34,684**	38,484

3. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of financial assets at fair value through profit or loss	**–**	51
Interest income	**51**	77
Sundry income	**1**	1
	52	129

4. SEGMENT INFORMATION

The Group has the following operating segment:

Promotion and management services — Provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC

The accounting policies of the operating segment are the same as those applicable to the Group. 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 operating segment profit or loss, assets and liabilities:

	Promotion and management services	
	2016	2015
	HK$'000	*HK$'000*
Year ended 31 March		
Revenue from external customer, net of sales taxes	**34,684**	38,484
Segment profit	**3,259**	4,239
Interest income	**50**	74
Depreciation and amortisation	**2,864**	3,478
Additions to segment non-current assets	**165**	798
As at 31 March		
Segment assets	**36,377**	36,212
Segment liabilities	**1,312**	1,357

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

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segment	**34,684**	38,484
Consolidated revenue	**34,684**	38,484
Profit or loss		
Total profit of reportable segment	**3,259**	4,239
Finance costs	**(1,884)**	(1,894)
Income tax expense	**(1,550)**	(1,602)
Unallocated amounts:		
Directors' emoluments	**(3,546)**	(3,261)
Legal and professional fee	**(8,233)**	(1,081)
Rent	**(2,280)**	(2,280)
Other unallocated head office and corporate expenses	**(6,136)**	(3,992)
Consolidated loss for the year	**(20,370)**	(9,871)
Assets		
Total assets of reportable segment	**36,377**	36,212
Unallocated assets:		
Bank and cash balances	**3,550**	24,251
Other unallocated head office and corporate assets	**814**	791
Consolidated total assets	**40,741**	61,254
Liabilities		
Total liabilities of reportable segment	**1,312**	1,357
Current tax liabilities	**12,621**	12,343
Deferred tax liabilities	**–**	541
Promissory note	**101,949**	100,065
Other unallocated head office and corporate liabilities	**691**	1,173
Consolidated total liabilities	**116,573**	115,479

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.

Revenue from major customer

For the years ended 31 March 2016 and 2015, 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 relevant revenue is approximately HK$34,684,000 (2015: HK$38,484,000).

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on promissory note payable to CCI	**1,884**	1,894

6. INCOME TAX EXPENSE

	2016	2015
	HK$'000	*HK$'000*
Current tax		
Provision for the year	**2,076**	2,242
Under-provision in prior year	**–**	10
Deferred tax	**(526)**	(650)
	1,550	1,602

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 March 2016 and 2015.

PRC Enterprise Income Tax has been provided at a rate of 25% (2015: 25%).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	**(18,820)**	(8,269)
Tax at the PRC Enterprise Income Tax rate of 25% (2015: 25%)	**(4,705)**	(2,067)
Tax effect of temporary differences not recognised	**(19)**	(10)
Tax effect of income that is not taxable	**(4)**	(1)
Tax effect of expenses that are not deductible	**6,278**	3,670
Under-provision in prior year	**–**	10
Income tax expense	**1,550**	1,602

7. LOSS FOR THE YEAR

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation of intangible assets		
— included in selling and distribution expenses	**2,104**	2,598
Depreciation	**771**	881
Operating lease charges for land and buildings	**4,665**	4,181
Auditor's remuneration		
— audit services	**538**	538
— other services	**2,012**	500
	2,550	1,038

8. DIVIDENDS

No dividends have been paid or proposed during the year, nor has any dividend been proposed since the end of reporting period (2015: Nil).

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$20,370,000 (2015: HK$9,871,000) and the weighted average number of ordinary shares of 1,294,697,017 (2015: 1,294,697,017) in issue during the year.

(b) Diluted loss per share

No diluted loss per share is presented as the Company did not have any dilutive potential ordinary shares during the two years ended 31 March 2016 and 2015.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Amount due from a substantial shareholder *(note)*	**20,656**	9,664
Other receivables	**11**	29
Prepayments and deposits	**1,180**	2,671
	21,847	12,364

Note: The amount due from CCC, a substantial shareholder is denominated in RMB, unsecured, interest-free and repayable on demand.

11. PROMISSORY NOTE

As at 31 March 2016, the promissory note is held by CCI with principal amount of approximately HK$94,427,000 (2015: HK$94,427,000).

On 31 March 2015, the Group and CCI agreed to extend the maturity date from 30 June 2015 to 30 June 2016. On 30 September 2015, the Group and CCI further agreed to extend the maturity date from 30 June 2016 to 30 June 2017.

The principal amount of the promissory note is denominated in HK$. The promissory note is unsecured. As at 31 March 2016, the coupon rate is 2% per annum (2015: 2% per annum) and the effective interest rate is 1.86% (2015: 1.88%).

12. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 March 2016 and 2015	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	1,294,697,017	12,947

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 financial position of the Company and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance 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 indicates that the Company and its subsidiaries incurred a loss attributable to owners of the Company of approximately HK$20,370,000 and net operating cash outflow of approximately HK$25,690,000 for the year ended 31 March 2016 and as at 31 March 2016 the Company and its subsidiaries had a capital deficiency of approximately HK$75,832,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's and its subsidiaries' 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$34,684,000 (2015: HK$38,484,000) for the year ended 31 March 2016, representing a decrease of approximately 9.9% as compared with the year ended 31 March 2015 which was primarily due to the downturn of the PRC economic environment. All of the revenue for the two years ended 31 March 2016 and 2015 were attributable to the provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC.

The Group's gross profit for the year ended 31 March 2016 amounted to approximately HK$23,664,000 as compared to approximately HK$27,007,000 for the year ended 31 March 2015. The decrease was mainly attributable to the decrease in revenue derived from promotion and management services for Designated Shentong Card.

Selling and distribution expenses and administrative expenses for the year ended 31 March 2016 was approximately HK$40,652,000 as compared to approximately HK$33,511,000 for the year ended 31 March 2015. The increase was mainly attributable to the Professional Fee incurred for the Acquisition.

Net Loss Attributable to Owners of the Company

The Group made a loss attributable to owners of approximately HK$20,370,000 for the year ended 31 March 2016 as compared to approximately HK$9,871,000 for the year ended 31 March 2015. The increase was mainly attributable to the Professional Fee incurred for the Acquisition (as defined below).

Segment Information

During the year under review, all the revenue was derived from the promotion and management services.

Liquidity and Financial Resources

As at 31 March 2016, the Group had outstanding promissory note at principal amount of approximately HK$94.4 million (as at 31 March 2015: approximately HK$94.4 million) with carrying value of approximately HK$102.0 million (as at 31 March 2015: approximately HK$100.1 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$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2016 (as at 31 March 2015: HK$Nil).

As at 31 March 2016, the Group had net current assets of approximately HK$25.2 million (as at 31 March 2015: approximately HK$42.7 million). The Group's current assets consisted of cash and cash equivalents of approximately HK$18.0 million (as at 31 March 2015: approximately HK$45.2 million), prepayments, deposits and other receivables of approximately HK$21.8 million (as at 31 March 2015: approximately HK$12.4 million). The Group's current liabilities include accruals and other payables of approximately HK$2.0 million (as at 31 March 2015: approximately HK$2.5 million), current tax liabilities of approximately HK$12.6 million (as at 31 March 2015: approximately HK$12.3 million).

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

Gearing Ratio

No gearing ratio was available as the Group was in a negative equity position. The debt to asset ratio, defined as the ratio of total liabilities to total assets, was 2.86 as at 31 March 2016 as compared to 1.89 as at 31 March 2015.

Capital Structure

There was no change in the capital structure during the reporting year.

Charge on Assets

The Group did not have any charge on its assets as at 31 March 2016 and 31 March 2015.

Employees, Remuneration Policies and Staff Costs

As at 31 March 2016, the Group had 73 employees (2015: 72). The staff costs for the year ended 31 March 2016 was approximately HK$10.7 million (2015: HK$10.5 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 2016 and 31 March 2015, the Group had no other significant investment. As at 31 March 2016, 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

On 9 December 2015, the Company, as purchaser, and Profuse Year Limited (the "**Vendor**"), as vendor, entered into a sale and purchase agreement in relation the acquisition of the entire issued share capital of Copious Link Ventures Limited (the "**Target Company**") for a consideration of HK$30 million (the "**Acquisition**"). The Target Company and its subsidiaries are principally engaged in the promotion, sales and management of an electronic smart card "CRC Shentong Card" in the PRC facilitated by the provision of education and training courses relating to robotics standardized by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. The Vendor is a connected person of the Company under the GEM Listing Rules by virtue of being an associate of CCI, a substantial shareholder of the Company under the GEM Listing Rules. The Acquisition constitutes a very substantial acquisition and connected transaction of the Company under the GEM Listing Rules. The relevant resolutions in relation to the Acquisition were duly passed by the independent shareholders by way of poll at the extraordinary general meeting of the Company held on 16 February 2016. Subsequent to the end of the reporting period, the Acquisition was completed on 16 May 2016. Details of the Acquisition were set out in the announcement of the Company dated 9 December 2015, the circular of the Company dated 31 December 2015 and the announcement of the Company dated 16 May 2016.

Save as disclosed above, there were no other material acquisitions or disposals of subsidiaries during the year.

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 2016 and 31 March 2015.

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 2016.

DIRECTORS' SECURITIES TRANSACTIONS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2016. The Company also had made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors.

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 2016.

Under Code Provision A.6.7 of the CG Code, independent non-executive Directors and other 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 held on 5 August 2015 (the "2015 AGM"), the extraordinary general meeting held on 14 April 2015 (the "2015 EGM") and the extraordinary general meeting held on 16 February 2016 (the "2016 EGM") of the Company 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 2015 EGM and 2016 EGM 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 2015 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 2015 AGM to answer and address questions raised by shareholders of the Company at the 2015 AGM. Under the Code Provision E.1.2 of the CG code, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. Mr. Yip Tai Him, the chairman of the independent board committee of the Company, was unable to attend the 2015 EGM and 2016 EGM due to his other business activities and unexpected engagement.

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 2016, 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 2015;
— Quarterly reports for the first quarter and third quarter of 2015/16;
— Interim report for the first six months of 2015/16; and
— Review of continuing connected transactions of the Group.

The financial statements of the Company and the Group for the year ended 31 March 2016 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 HONG KONG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2016 have been agreed by the Group's auditor, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2016. The work performed by RSM Hong Kong 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 Hong Kong on this preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held at 11:00 a.m. on Friday, 5 August 2016 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 2016

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.