



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)



INTERIM REPORT  
2013/14



**CHINA COMMUNICATION  
TELECOM SERVICES**

## **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 report, 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 report 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 report misleading.*



## HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2013 was approximately HK\$19,134,000.
- Net loss attributable to owners of the Company was approximately HK\$5,184,000 for the six months ended 30 September 2013.
- Loss per share for the six months ended 30 September 2013 was approximately HK0.40 cents.
- The board of the Directors (the "Board") does not recommend the payment of a dividend for the six months ended 30 September 2013.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the "Group") for the six months ended 30 September 2013.

## FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$19,134,000 for the six months ended 30 September 2013, representing an increase of approximately 13.0% as compared to approximately HK\$16,934,000 for the six months ended 30 September 2012. The turnover for the six months ended 30 September 2013 was attributable to the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

The Group made a net loss attributable to the owners of the Company of approximately HK\$5,184,000 for the six months ended 30 September 2013 as compared to approximately HK\$7,628,000 for the six months ended 30 September 2012. The improvement in results was mainly attributable to the increase in turnover from promotion and management services for Shentong Card.



## **BUSINESS REVIEW**

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group. 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"). Since December 2011, the Group has been concentrating on the business in promotion and management services for Shentong Card in the PRC.

The business has developed favourably for the current period. The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 13.0% as compared with the six months ended 30 September 2012.

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

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

For the six months ended 30 September 2013, the revenue derived from the provision of promotion and management services was approximately HK\$19,134,000 as compared to approximately HK\$16,934,000 for the six months ended 30 September 2012.

\* English translation of the name for identification purpose only



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue and profitability**

The Group recorded a turnover of approximately HK\$19,134,000 (2012: HK\$16,934,000) for the six months ended 30 September 2013, representing an increase of approximately 13.0% as compared with six months ended 30 September 2012. The turnover was attributable to the provision of promotion and management services for Shentong Card in the PRC.

The Group's gross profit for the six months ended 30 September 2013 amounted to approximately HK\$13,032,000 as compared to approximately HK\$10,231,000 for the six months ended 30 September 2012.


Selling and distribution and administrative expenses for the six months ended 30 September 2013 was approximately HK\$16,326,000 as compared to approximately HK\$17,158,000 for the six months ended 30 September 2012. The decrease of the expenses was mainly attributable to the decrease in equity-settled share-based payments charged for the period.

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

The Group made a net loss attributable to the owners of the Company of approximately HK\$5,184,000 for the six months ended 30 September 2013 as compared to approximately HK\$7,628,000 for the six months ended 30 September 2012. The decrease was mainly attributable to the increase in turnover generated from the provision of promotion and management services of Shentong Card in the PRC.

### **Liquidity and financial resources**

As at 30 September 2013, 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 a discounted value of approximately HK\$97.2 million (as at 31 March 2013: approximately HK\$96.3 million). The promissory note was unsecured and interest bearing at 2% per annum. On 31 March 2013, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date from 30 June 2013 to 30 June 2014. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2013 (as at 31 March 2013: HK\$Nil).



As at 30 September 2013, the Group had net current liabilities of approximately HK\$46.5 million (as at 31 March 2013: net current assets of approximately HK\$53.6 million). The Group's current assets consisted of cash and cash equivalents of approximately HK\$42.6 million (as at 31 March 2013: approximately HK\$59.2 million), available-for-sale financial assets of approximately HK\$12.6 million (as at 31 March 2013: HK\$Nil), and prepayments, deposits and other receivables of approximately HK\$8.4 million (as at 31 March 2013: approximately HK\$7.0 million). The Group's current liabilities included accruals and other payables of approximately HK\$1.6 million (as at 31 March 2013: approximately HK\$1.7 million), promissory note of approximately HK\$97.2 million (as at 31 March 2013: approximately HK\$Nil) and current taxation of approximately HK\$11.3 million (as at 31 March 2013: approximately HK\$10.9 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 1.56 as at 30 September 2013 as compared to 1.47 as at 31 March 2013.

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

### **Capital structure**

There was no change in the capital structure during the six months ended 30 September 2013.

### **Charge on assets**

The Group did not have any charge on its assets as at 30 September 2013 and 31 March 2013.

### **Staff costs (including directors' emoluments)**

As at 30 September 2013, the Group had 69 employees (2012: 60). The staff costs for the six months ended 30 September 2013 was approximately HK\$5.0 million (six months ended 30 September 2012: approximately HK\$4.8 million). The Group's remuneration, bonus and share option scheme policies are granted based on the performance and experience of individual employees.



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

As at 30 September 2013, the Group did not have any plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

### **Foreign currency risk**

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

### **Contingent liabilities**

The Group did not have any significant contingent liabilities as at 30 September 2013 and 31 March 2013.

# Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Turnover</b>	4	<b>9,730</b>	8,809	<b>19,134</b>	16,934
Cost of sales		<b>(2,846)</b>	(3,283)	<b>(6,102)</b>	(6,703)
<b>Gross profit</b>		<b>6,884</b>	5,526	<b>13,032</b>	10,231
Other income	5	<b>82</b>	33	<b>180</b>	41
Selling and distribution expenses		<b>(3,937)</b>	(4,442)	<b>(7,440)</b>	(8,200)
Administrative expenses		<b>(4,454)</b>	(4,415)	<b>(8,886)</b>	(8,958)
<b>Loss from operations</b>		<b>(1,425)</b>	(3,298)	<b>(3,114)</b>	(6,886)
Finance costs	7	<b>(487)</b>	(452)	<b>(951)</b>	(941)
<b>Loss before tax</b>		<b>(1,912)</b>	(3,750)	<b>(4,065)</b>	(7,827)
Income tax (expense)/credit	8	<b>(679)</b>	(205)	<b>(1,119)</b>	199
<b>Loss for the period attributable to owners of the Company</b>	9	<b>(2,591)</b>	(3,955)	<b>(5,184)</b>	(7,628)
		<b>HK cents (Unaudited)</b>	HK cents (Unaudited)	<b>HK cents (Unaudited)</b>	HK cents (Unaudited)
<b>Loss per share</b>	11				
Basic		<b>(0.20)</b>	(0.33)	<b>(0.40)</b>	(0.64)
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Loss for the period</b>	<b>(2,591)</b>	(3,955)	<b>(5,184)</b>	(7,628)
<b>Other comprehensive income:</b> <i>Items that may be reclassified to profit or loss:</i>				
— Exchange differences on translating foreign operation	<b>67</b>	(62)	<b>205</b>	(42)
— Fair value changes on available-for-sale financial assets	<b>39</b>	—	<b>39</b>	—
<b>Other comprehensive income for the period, net of tax</b>	<b>106</b>	(62)	<b>244</b>	(42)
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>(2,485)</b>	(4,017)	<b>(4,940)</b>	(7,670)

# Condensed Consolidated Statement of Financial Position

AT 30 SEPTEMBER 2013

	Note	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	1,659	1,468
Intangible assets		6,108	7,827
		<b>7,767</b>	9,295
<b>Current assets</b>			
Prepayments, deposits and other receivables	13	8,406	7,006
Available-for-sale financial assets	14	12,644	–
Bank and cash balances		42,607	59,248
		<b>63,657</b>	66,254
<b>Current liabilities</b>			
Accruals and other payables		1,644	1,735
Promissory note	15	97,225	–
Current tax liabilities		11,307	10,922
		<b>110,176</b>	12,657
<b>Net current (liabilities)/assets</b>		<b>(46,519)</b>	53,597
<b>Total assets less current liabilities</b>		<b>(38,752)</b>	62,892

	Note	At 30 September 2013 HK\$'000 (Unaudited)	At 31 March 2013 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Promissory note	15	–	96,274
Deferred tax liabilities		<b>1,527</b>	1,957
		<b>1,527</b>	98,231
<b>NET LIABILITIES</b>		<b>(40,279)</b>	(35,339)
<b>Capital and reserves</b>			
Share capital	16	<b>12,947</b>	12,947
Reserves		<b>(53,226)</b>	(48,286)
<b>TOTAL EQUITY</b>		<b>(40,279)</b>	(35,339)

# Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Share-based payment reserve	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2012	11,947	1,042,779	8,320	1,512	13,204	-	(1,130,876)	(53,114)
Total comprehensive income for the period	-	-	-	(42)	-	-	(7,628)	(7,670)
Share option scheme								
— lapsed of share options granted	-	-	-	-	(12,220)	-	12,220	-
— share-based payments	-	-	-	-	661	-	-	661
Changes in equity for the period	-	-	-	(42)	(11,559)	-	4,592	(7,009)
At 30 September 2012	11,947	1,042,779	8,320	1,470	1,645	-	(1,126,284)	(60,123)
At 1 April 2013	12,947	1,072,549	8,320	1,903	1,522	-	(1,132,580)	(35,339)
Total comprehensive income for the period	-	-	-	205	-	39	(5,184)	(4,940)
Changes in equity for the period	-	-	-	205	-	39	(5,184)	(4,940)
At 30 September 2013	12,947	1,072,549	8,320	2,108	1,522	39	(1,137,764)	(40,279)

# Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	For the six months ended	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(3,840)</b>	613
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>	<b>(12,981)</b>	13
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>–</b>	(4,906)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(16,821)</b>	(4,280)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>180</b>	(20)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>59,248</b>	38,425
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>42,607</b>	34,125
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>		
Bank and cash balances	<b>42,607</b>	34,125

# Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

## 1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309GT, Ugland House, South Church Street, Grand Cayman, Cayman Islands. The address of its principal place of business is Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in the People's Republic of China (the "PRC").

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The condensed consolidated financial statements should be read in conjunction with the Group's annual financial statements ("Latest Annual Financial Statements") for the year ended 31 March 2013. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Latest Annual Financial Statements except as stated below.



### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting period 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 substantial changes to the Group's accounting policies and amounts reported for the current period 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 new terminology for statement of comprehensive income and income statement. 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 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.






**b. HKFRS 13 “Fair Value Measurement”**

HKFRS 13 “Fair Value Measurement” establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurements.

The adoption of HKFRS 13 only affects disclosures on fair value measurements in the financial statements. HKFRS 13 has been applied prospectively.

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.

The Group has incurred a loss attributable to owners of the Company for the current period and the Group’s financial position showing net current liabilities and net liabilities as at 30 September 2013. 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 these condensed consolidated financial statements of the Group based on the followings:

- (a) On 31 March 2013, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2014.
- (b) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.\*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

These condensed 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 condensed 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 condensed 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.

\* For identification purpose



### 3. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels of the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) **Disclosures of level in fair value hierarchy:**

Description	Fair value measurements as at 30 September 2013 using:			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Recurring fair value measurements:</b>				
Available-for-sale financial assets				
— Unlisted investment funds	—	—	12,644	12,644

(b) **Reconciliation of assets measured at fair value based on level 3:**

Description	Available-for-sale financial assets
	HK\$'000 (Unaudited)
At beginning of period	—
Total gains or losses recognised in profit or loss <sup>#</sup>	171
in other comprehensive income	39
Purchases	37,655
Settlements	(25,313)
Exchange differences	92
At end of period	12,644
<sup>#</sup> Include gains or losses for assets held at end of reporting period	—



The total gains or losses recognised in other comprehensive income are presented in investment valuation reserve in the condensed consolidated statement of profit or loss and other comprehensive income.

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other income in the condensed consolidated statement of profit or loss and other comprehensive income.

**(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 September 2013:**

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements of available-for-sale financial assets, the Group performs the valuations base on recent experience of similar transactions. Key unobservable inputs used in the level 3 fair value measurements are mainly expected return provided by a bank which offer the financial product. The annualised expected return is 4.5% and the Group estimates the fair value of available-for-sale financial assets base on investment principal plus expected return on time apportionment basis. Increase of expected return would cause the estimated fair value of available-for-sale financial assets to increase.

#### 4. TURNOVER

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

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Promotion and management services	9,730	8,809	19,134	16,934

#### 5. OTHER INCOME

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Gain on disposals of available- for-sale financial assets	80	-	171	-
Interest income	2	8	9	16
Sundry income	-	25	-	25
	82	33	180	41

## 6. SEGMENT INFORMATION

**Promotion and  
management  
services**  
HK\$'000  
(Unaudited)

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### Six months ended 30 September 2013:

Turnover from external customer, net of sales tax	19,134
Segment profit	2,414

### As at 30 September 2013:

Segment assets	30,513
Segment liabilities	1,129

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### Six months ended 30 September 2012:

Turnover from external customer, net of sales tax	16,934
Segment loss	(810)

### As at 31 March 2013:

Segment assets	28,557
Segment liabilities	844

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	For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
<b>Reconciliations of segment profit or loss:</b>		
Total profit/(loss) of reportable segment	<b>2,414</b>	(810)
Other income	<b>180</b>	41
Finance costs	<b>(951)</b>	(941)
Income tax (expense)/credit	<b>(1,119)</b>	199
Unallocated head office and corporate expenses	<b>(5,708)</b>	(6,117)
Consolidated loss for the period	<b>(5,184)</b>	(7,628)

## 7. FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Interest on promissory note payable to CCI	<b>487</b>	452	<b>951</b>	941



## 8. INCOME TAX (EXPENSE)/CREDIT

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Current tax	(844)	(716)	(1,566)	(823)
Deferred tax	165	511	447	1,022
	(679)	(205)	(1,119)	199

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and six months ended 30 September 2013 and 2012.

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

## 9. LOSS FOR THE PERIOD

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

	For the three months ended 30 September		For the six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Amortisation of intangible assets				
— included in cost of sales	-	1,406	479	2,814
— included in selling and distribution expenses	655	635	1,305	1,272
	655	2,041	1,784	4,086
Depreciation	189	333	379	667
Directors' emoluments	1,012	1,082	2,033	2,222
Operating lease charges for land and buildings	905	699	1,656	1,398
Equity-settled share-based payments	-	332	-	661
Staff costs including directors' emoluments				
— Salaries, bonus and allowances	2,371	2,284	4,795	4,660
— Retirement benefits scheme contributions	130	95	249	185
	2,501	2,379	5,044	4,845



## 10. DIVIDENDS

No dividends have been paid or proposed during the three months and six months ended 30 September 2013, nor has any dividend been proposed since the end of reporting period (three months and six months ended 30 September 2012: HK\$Nil).

## 11. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the three months and six months ended 30 September 2013 is based on the loss for the period attributable to owners of the Company of approximately HK\$2,591,000 (three months ended 30 September 2012: HK\$3,955,000) and HK\$5,184,000 (six months ended 30 September 2012: HK\$7,628,000) respectively and the weighted average number of ordinary shares of 1,294,697,017 (three months and six months ended 30 September 2012: 1,194,697,017) in issue during both periods.

### (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 three months and six months ended 30 September 2013 and 2012.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2013, the Group acquired property, plant and equipment of approximately HK\$556,000 (six months ended 30 September 2012: HK\$3,000).

### 13. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	<b>At 30 September 2013 HK\$'000 (Unaudited)</b>	At 31 March 2013 HK\$'000 (Audited)
Amount due from a substantial shareholder (note)	<b>7,025</b>	5,303
Other receivables	<b>28</b>	16
Prepayment and deposits	<b>1,353</b>	1,687
	<b>8,406</b>	7,006

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

### 14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The available-for-sale financial assets is a three-month unguaranteed investment funds offered by a bank with a maximum annual rate of return of 4.5% and is denominated in RMB.

### 15. PROMISSORY NOTE

As at 30 September 2013, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (at 31 March 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.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 30 September 2013, the coupon rate is 2% per annum (at 31 March 2013: 2% per annum) and the effective interest rate is 1.97% (at 31 March 2013: 1.97%).

## 16. SHARE CAPITAL

	<b>At 30 September 2013 HK\$'000 (Unaudited)</b>	At 31 March 2013 HK\$'000 (Audited)
<b>Authorised:</b> 10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
<b>Issued and fully paid:</b> 1,294,697,017 ordinary shares of HK\$0.01 each	<b>12,947</b>	12,947

## 17. CONTINGENT LIABILITIES

As at 30 September 2013, the Group did not have any significant contingent liabilities (at 31 March 2013: HK\$Nil).

## 18. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	<b>At 30 September 2013 HK\$'000 (Unaudited)</b>	At 31 March 2013 HK\$'000 (Audited)
Property, plant and equipment Contracted but not provided for	<b>1,211</b>	160

## 19. LEASE COMMITMENTS

At end of each of the reporting period the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>At 30 September 2013 HK\$'000 (Unaudited)</b>	At 31 March 2013 HK\$'000 (Audited)
Within one year	<b>3,787</b>	2,094
In the second to fifth years inclusive	<b>4,573</b>	1,081
	<b>8,360</b>	3,175

Operating lease payments represent rentals payable by the Group for a number of properties held under operating leases. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms and do not include contingent rentals.

## 20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

	<b>For the three months ended 30 September</b>		<b>For the six months ended 30 September</b>	
	<b>2013 HK\$'000 (Unaudited)</b>	2012 HK\$'000 (Unaudited)	<b>2013 HK\$'000 (Unaudited)</b>	2012 HK\$'000 (Unaudited)
Promotion and management service income (with tax) receivable from CCC	<b>9,759</b>	8,998	<b>19,237</b>	17,606
Service fee payable to CCC	<b>(1,515)</b>	(1,470)	<b>(3,017)</b>	(2,941)
— Advertising expenses	<b>(394)</b>	(297)	<b>(750)</b>	(548)
— Customer service hotline rental	<b>(2,122)</b>	(1,323)	<b>(4,224)</b>	(2,647)
— Server hosting service				

## Other Information

### INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 September 2013, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held				Number of underlying shares		Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme		
Lam Lee G.	200,000	-	-	-	200,000	-	200,000	0.02%
Xiao Haiping	1,000,000	-	-	-	1,000,000	-	1,000,000	0.08%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules as at 30 September 2013.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 September 2013, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held				Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests				
CCC (Note 1)	-	356,542,000	-	-	356,542,000	-	356,542,000	27.54%
CCI	356,542,000	-	-	-	356,542,000	-	356,542,000	27.54%
Jin Xian Gen (Note 2)	-	128,205,128	-	-	128,205,128	-	128,205,128	9.90%
Full Ocean Development Limited	128,205,128	-	-	-	128,205,128	-	128,205,128	9.90%
Jin Lin Jun (Note 3)	-	128,205,128	-	-	128,205,128	-	128,205,128	9.90%
Amazing International Holdings Limited	128,205,128	-	-	-	128,205,128	-	128,205,128	9.90%
Yang Shaoxiao (Note 4)	-	-	-	128,205,128	128,205,128	-	128,205,128	9.90%
Jin Yan (Note 5)	-	-	-	119,398,128	119,398,128	-	119,398,128	9.22%
Friendly Capital Limited	109,900,000	-	-	-	109,900,000	-	109,900,000	8.49%

### Notes:

- (1) CCC is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.
- (2) Mr. Jin Xian Gen is interested in 90% of the entire issued share capital of Full Ocean Development Limited and is therefore deemed to be interested in 128,205,128 shares held by Full Ocean Development Limited by virtue of the SFO.




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- (3) Mr. Jin Lin Jun is interested in 97% of the entire issued share capital of Amazing International Holdings Limited and is therefore deemed to be interested in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.
  - (4) Mr. Jin Lin Jun has pledged his equity interest in Amazing International Holdings Limited to Mr. Yang Shaoxiao, and Mr. Yang Shaoxiao is therefore considered to have a security interest in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.
  - (5) Mr. Jin Xian Gen has pledged his equity interest in Full Ocean Development Limited to Ms. Jin Yan, and Ms. Jin Yan is therefore considered to have security interest in 119,398,128 shares held by Full Ocean Development Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2013, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## **SHARE OPTION SCHEMES**

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the "Old Scheme") conditionally adopted on 28 October 2002. The Old Scheme became unconditional upon the listing of the Company's shares on GEM on 15 November 2002. The Old Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company's shareholders on 28 July 2006 and was expired on 15 November 2012. Details of the Old Scheme have been set out in the Company's annual report of year 2012/13.



At an annual general meeting (the "AGM") of the Company held on 7 August 2013, the Company's shareholders approved the adoption of a new share option scheme (the "New Scheme"), pursuant to which the Directors may grant options to eligible persons (as defined under the New Scheme) to subscribe for shares in the Company in accordance with the terms of the New Scheme. The maximum number of shares can be issued under the New Scheme was 129,469,701 which is equivalent to 10% of the issued share capital of the Company as at the date of the AGM. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share options schemes of the Company shall not exceed 30% of the issued share capital of the Company from time to time (other than those granted to the substantial shareholders (as defined in the GEM Listing Rules)). The total number of shares that may be granted under the New Scheme to the independent non-executive Directors ("INEDs") or any of their respective connected persons shall not exceed 0.1% of the shares in issue of the Company from time to time. Unless otherwise approved by the shareholders of the Company in general meeting, the maximum number of shares that may be granted to eligible persons (as defined in the New Scheme) under the New Scheme shall not exceed 1% within any 12-month period. The option period will not be more than ten years from the date of grant of the option and the Directors may at its discretion determine the minimum period for which the option has to be held or other conditions to be achieved before the exercise of the subscription right attaching thereon.

Each share option under the New Scheme entitles the holder to subscribe for one share of HK\$0.01 each in the Company at a price, which is to be determined by the Board provided that it shall be not less than the higher of: (i) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the eligible person), which must be a business day; and (ii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant.

As at 30 September 2013, no options under the New Scheme have been granted. Particulars of the outstanding options granted under the Old Scheme as at 30 September 2013 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share	Number of share options					As at 30 September 2013
				As at 1 April 2013	Options granted during the period	Options exercised during the period <sup>(1)</sup>	Options lapsed during the period <sup>(2)</sup>	Options cancelled during the period	
HK\$									
<b>Other Eligible Participants</b>									
In aggregate	14 September 2011	14 November 2011 to 13 November 2013	1.50	1,000,000	-	-	-	-	1,000,000
In aggregate	2 December 2011	2 December 2012 to 1 December 2013	1.24	6,000,000	-	-	-	-	6,000,000
				7,000,000	-	-	-	-	7,000,000

Notes:

- (1) No share options were exercised during the period.
- (2) In accordance with the Old Scheme, the grantee of an option ceases to be an Eligible Participant due to termination of relationship with the Company or its subsidiary companies, the grantee may exercise the option up to his entitlement at the date of cessation of his relationship within the period of three months following the date of such cessation. No share options were lapsed during the period.

## DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or other body corporate granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors, their respective associates to acquire such rights in any other body corporate.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **COMPETING INTERESTS**

None of the Directors of the Company had any interest in a business which competes or may compete with the businesses of the Group.

## **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 six months ended 30 September 2013.

## **AUDIT COMMITTEE**

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. During this period, it comprises three INEDs, namely Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong. The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditors. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 September 2013.



## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the CG Code contained in Appendix 15 to the GEM Listing Rules during the six months ended 30 September 2013.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code of Conduct"). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the six months ended 30 September 2013.

By order of the Board

**China Communication Telecom Services Company Limited**  
**He Chenguang**  
*Chairman*

As at the date of this report, the Board comprises:

Mr. He Chenguang (*Executive Director and Chairman*)

Mr. Zhang Peng (*Executive Director and Chief Executive Officer*)

Dr. Lam Lee G. (*Non-Executive Director*)

Mr. Xiao Haiping (*Non-Executive Director*)

Mr. Yip Tai Him (*Independent Non-Executive Director*)

Ms. Cao Huifang (*Independent Non-Executive Director*)

Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 11 November 2013