



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)

2015 / 16
INTERIM REPORT

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 GEM of the Stock Exchange (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

- Revenue of the Group for the six months ended 30 September 2015 was approximately HK\$16,685,000.
- Net loss attributable to owners of the Company was approximately HK\$8,425,000 for the six months ended 30 September 2015.
- Loss per share for the six months ended 30 September 2015 was approximately HK0.65 cent.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the six months ended 30 September 2015.

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 2015.

Financial Performance

The Group recorded consolidated revenue of approximately HK\$16,685,000 for the six months ended 30 September 2015, representing a decrease of approximately 17.5% as compared to approximately HK\$20,232,000 for the six months ended 30 September 2014. The revenue for the six months ended 30 September 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 the owners of the Company of approximately HK\$8,425,000 for the six months ended 30 September 2015 as compared to approximately HK\$4,310,000 for the six months ended 30 September 2014. The decline in results was mainly due to the decline in revenue and gross profit.

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 concentrates on the business in promotion and management services for Shentong Card in the PRC.

For the six months ended 30 September 2015, the segment profit generated from promotion and management services was approximately HK\$1,092,000, representing a decrease of approximately 60.3% as compared to approximately HK\$2,751,000 for the six months ended 30 September 2014. The decrease in the segment profit generated from promotion and management services was primarily due to the downturn of the PRC economic environment.

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 2015, the revenue derived from the provision of promotion and management services was approximately HK\$16,685,000 as compared to approximately HK\$20,232,000 for the six months ended 30 September 2014.

English name is for identification purpose only

Management Discussion and Analysis

Revenue and profitability

The Group recorded a revenue of approximately HK\$16,685,000 (2014: approximately HK\$20,232,000) for the six months ended 30 September 2015, representing a decrease of approximately 17.5% as compared with six months ended 30 September 2014 which was primarily due to the downturn of the PRC economic environment. The revenue 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 2015 amounted to approximately HK\$11,060,000 as compared to approximately HK\$14,351,000 for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in revenue derived from promotion and management services for Shentong Card.

Selling and distribution and administrative expenses for the six months ended 30 September 2015 was approximately HK\$18,163,000 as compared to approximately HK\$16,783,000 for the six months ended 30 September 2014. The increase was primarily attributable to the increase in operating lease charges for land and buildings and auditor's remuneration.

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\$8,425,000 for the six months ended 30 September 2015 as compared to approximately HK\$4,310,000 for the six months ended 30 September 2014. The increase was mainly due to the decline in revenue and gross profit.

Liquidity and financial resources

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

As at 30 September 2015, the Group had outstanding promissory note at a nominal value of approximately HK\$94.4 million (as at 31 March 2015: approximately HK\$94.4 million) with a carrying amount of approximately HK\$101.0 million (as at 31 March 2015: approximately HK\$100.0 million). The promissory note was unsecured and interest bearing at 2% per annum. On 30 September 2015, the Group and China Communication Investment Limited ("CCI"), being the noteholder, agreed to extend the maturity date from 30 June 2016 to 30 June 2017. Other than the promissory note, the Group did not have any other committed borrowing facilities as at 30 September 2015 (as at 31 March 2015: HK\$Nil).

As at 30 September 2015, the Group had net current assets of approximately HK\$35.9 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\$43.3 million (as at 31 March 2015: approximately HK\$45.2 million) and prepayments, deposits and other receivables of approximately HK\$7.4 million (as at 31 March 2015: approximately HK\$12.3 million). The Group's current liabilities included accruals and other payables of approximately HK\$2.5 million (as at 31 March 2015: approximately HK\$2.5 million) and current tax liabilities of approximately HK\$12.3 million (as at 31 March 2015: approximately HK\$12.3 million).

The gearing ratio, defined as the ratio of total liabilities to total assets, was 2.20 as at 30 September 2015 as compared to 1.89 as at 31 March 2015.

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 2015.

Charge on assets

The Group did not have any charge on its assets as at 30 September 2015 and 31 March 2015.

Staff costs (including Directors' emoluments)

As at 30 September 2015, the Group had 74 employees (2014: 98). The staff costs for the six months ended 30 September 2015 was approximately HK\$5.0 million (six months ended 30 September 2014: approximately HK\$4.9 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

The Group is constantly looking for suitable investment to enhance the shareholders' value.

Foreign currency risk

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi ("RMB") and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and RMB. 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 2015 and 31 March 2015.



**TO THE BOARD OF DIRECTORS OF
CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)**

Introduction

We have reviewed the interim financial information set out on pages 9 to 25 which comprises the condensed consolidated statement of financial position of China Communication Telecom Services Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 30 September 2015 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the following facts that the Group has incurred a loss of approximately HK\$8,425,000 attributable to owners of the Company for the current period and the Group had a capital deficiency of approximately HK\$63,331,000 as at 30 September 2015. As further explained in note 2 to the interim financial information, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as going concern.

RSM Hong Kong

Certified Public Accountants

Hong Kong

6 November 2015

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2015

	Note	For the three months ended 30 September		For the six months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	8,502	10,395	16,685	20,232
Cost of sales		(2,968)	(3,012)	(5,625)	(5,881)
Gross profit		5,534	7,383	11,060	14,351
Other income	4	16	67	34	85
Selling and distribution expenses		(3,447)	(3,679)	(7,320)	(7,791)
Administrative expenses		(6,785)	(5,100)	(10,843)	(8,992)
Loss from operations		(4,682)	(1,329)	(7,069)	(2,347)
Finance costs	6	(477)	(477)	(948)	(949)
Loss before tax		(5,159)	(1,806)	(8,017)	(3,296)
Income tax expense	7	(170)	(451)	(408)	(1,014)
Loss for the period attributable to owners of the Company	8	(5,329)	(2,257)	(8,425)	(4,310)
		HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)	HK cent (Unaudited)
Loss per share	10				
Basic		(0.41)	(0.17)	(0.65)	(0.33)
Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2015

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss for the period	(5,329)	(2,257)	(8,425)	(4,310)
Other comprehensive income, net of tax				
<i>Item that may be reclassified to profit or loss:</i>				
— Exchange differences on translating foreign operation	(659)	307	(681)	(28)
Total comprehensive income for the period attributable to owners of the Company	(5,988)	(1,950)	(9,106)	(4,338)

Condensed Consolidated Statement of Financial Position

At 30 September 2015

	Note	At 30 September 2015 HK\$'000 (Unaudited)	At 31 March 2015 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,151	1,559
Intangible assets		845	2,164
Total non-current assets		1,996	3,723
Current assets			
Prepayments, deposits and other receivables	12	7,420	12,364
Bank and cash balances		43,311	45,167
Total current assets		50,731	57,531
TOTAL ASSETS		52,727	61,254
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	14	12,947	12,947
Reserves		(76,278)	(67,172)
Total equity		(63,331)	(54,225)

		At 30 September 2015 HK\$'000 (Unaudited)	At 31 March 2015 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
	13	101,013	100,065
Promissory note			
Deferred tax liabilities		211	541
Total non-current liabilities		101,224	100,606
Current liabilities			
Accruals and other payables		2,507	2,530
Current tax liabilities		12,327	12,343
Total current liabilities		14,834	14,873
TOTAL EQUITY AND LIABILITIES		52,727	61,254

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2015

	Share capital	Share premium	Merger reserve	Foreign currency translation reserve	Statutory reverse	Share-based payment 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 2014	12,947	1,072,549	8,320	2,172	-	121	(1,140,171)	(44,062)
Total comprehensive income for the period	-	-	-	(28)	-	-	(4,310)	(4,338)
Changes in equity for the period	-	-	-	(28)	-	-	(4,310)	(4,338)
At 30 September 2014	12,947	1,072,549	8,320	2,144	-	121	(1,144,481)	(48,400)
At 1 April 2015	12,947	1,072,549	8,320	1,880	-	-	(1,149,921)	(54,225)
Total comprehensive income for the period	-	-	-	(681)	-	-	(8,425)	(9,106)
Transfer	-	-	-	-	625	-	(625)	-
Changes in equity for the period	-	-	-	(681)	625	-	(9,050)	(9,106)
At 30 September 2015	12,947	1,072,549	8,320	1,199	625	-	(1,158,971)	(63,331)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2015

	For the six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,098)	1,868
Interest received	33	34
Proceeds from disposals of financial assets at fair value through profit or loss	–	12,558
Purchase of financial assets at fair value through profit or loss	–	(12,507)
Purchase of property, plant and equipment	(39)	(747)
NET CASH USED IN INVESTING ACTIVITIES	(6)	(662)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,104)	1,206
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(752)	(11)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	45,167	51,680
CASH AND CASH EQUIVALENTS AT END OF PERIOD	43,311	52,875
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	43,311	52,875

Notes to the Condensed Financial Statements

For the six months ended 30 September 2015

1. General information

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 PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business in Hong Kong 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 GEM of 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 PRC.

2. Basis of preparation and accounting policies

These condensed 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 GEM Listing Rules.

These condensed financial statements should be read in conjunction with the Group's annual financial statements ("Latest Annual Financial Statements") for the year ended 31 March 2015. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the Latest Annual Financial Statements except as stated below.

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 2015. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not early applied the new 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 by the Group 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 HKFRSs would have a material impact on its results of operations and financial position.

The Group incurred a loss attributable to owners of the Company for the current period and the Group had a capital deficiency as at 30 September 2015. 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 financial statements of the Group based on the following:

- (a) On 30 September 2015, the Group agreed with 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 financial obligations as they fall due, both present and future.

These condensed 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 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 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

3. Revenue

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

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Promotion and management services	8,502	10,395	16,685	20,232

4. Other income

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Gain on disposals of financial assets at fair value through profit or loss	-	51	-	51
Interest income	15	16	33	34
Sundry income	1	-	1	-
	16	67	34	85

5. Segment information

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

Six months ended 30 September 2015:	
Revenue from external customer	16,685
Segment profit	1,092
As at 30 September 2015:	
Segment assets	35,797
Segment liabilities	1,284
Six months ended 30 September 2014:	
Revenue from external customer	20,232
Segment profit	2,751
As at 31 March 2015: (Audited)	
Segment assets	36,212
Segment liabilities	1,357

**For the six months
ended 30 September**

2015	2014
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Reconciliation of segment profit or loss:

Total profit of reportable segment	1,092	2,751
Finance costs	(948)	(949)
Income tax expense	(408)	(1,014)
Unallocated head office and corporate expenses	(8,161)	(5,098)
<hr/>		
Consolidated loss for the period	(8,425)	(4,310)

6. Finance costs

	For the three months ended 30 September		For the six months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on promissory note payable to CCI	477	477	948	949

7. Income tax expense

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax				
— Provision for the period	329	615	729	1,329
— Under-provision in prior year	-	-	-	10
Deferred tax	(159)	(164)	(321)	(325)
	170	451	408	1,014

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 2015 and 2014.

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

8. 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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Amortisation of intangible assets	636	653	1,285	1,299
Depreciation	200	202	417	405
Directors' emoluments	808	808	1,620	1,644
Operating lease charges for land and buildings	1,171	978	2,353	1,952
Staff costs including Directors' emoluments				
— salaries, bonus and allowances	2,454	2,528	4,707	4,575
— retirement benefits scheme contributions	154	187	306	334
	2,608	2,715	5,013	4,909

9. Dividends

No dividends have been paid or proposed during the three months and six months ended 30 September 2015, nor has any dividend been proposed since the end of the reporting period (three months and six months ended 30 September 2014: HK\$Nil).

10. 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 2015 is based on the loss for the period attributable to owners of the Company of approximately HK\$5,329,000 (three months ended 30 September 2014: HK\$2,257,000) and HK\$8,425,000 (six months ended 30 September 2014: HK\$4,310,000) respectively and the weighted average number of ordinary shares of 1,294,697,017 (three months and six months ended 30 September 2014: 1,294,697,017) 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 2015 and 2014.

11. Property, plant and equipment

During the six months ended 30 September 2015, the Group acquired property, plant and equipment of approximately HK\$39,000 (six months ended 30 September 2014: HK\$747,000).

12. Prepayments, deposits and other receivables

	At 30 September 2015 HK\$'000 (Unaudited)	At 31 March 2015 HK\$'000 (Audited)
Amount due from a substantial shareholder (note)	5,074	9,664
Other receivables	87	29
Prepayments and deposits	2,259	2,671
	7,420	12,364

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

13. Promissory note

As at 30 September 2015, the promissory note is held by CCI with principal amount of approximately HK\$94,427,000 (at 31 March 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 agreed to extend the maturity date from 30 June 2016 to 30 June 2017.

The principal amount of the promissory note is denominated in Hong Kong dollars. The promissory note is unsecured. As at 30 September 2015, the coupon rate is 2% per annum (at 31 March 2015: 2% per annum) and the effective interest rate is 1.86% (at 31 March 2015: 1.88%).

14. Share capital

	At 30 September 2015 HK\$'000 (Unaudited)	At 31 March 2015 HK\$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
Issued and fully paid:		
1,294,697,017 ordinary shares of HK\$0.01 each	12,947	12,947

15. Contingent liabilities

As at 30 September 2015, the Group did not have any significant contingent liabilities (at 31 March 2015: HK\$Nil).

16. Capital commitments

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

	At	At
	30 September	31 March
	2015	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Purchase of property, plant and equipment		
— Contracted but not provided for	4	1,044

17. 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:

	At	At
	30 September	31 March
	2015	2015
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	4,350	4,797
In the second to fifth years inclusive	399	2,416
	4,749	7,213

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

18. Related party transactions

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

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Promotion and management service income from CCC	8,533	10,415	16,748	20,313
Service fee to CCC				
— Advertising expenses	(1,379)	(1,509)	(2,597)	(3,002)
— Customer service hotline rental	(427)	(427)	(865)	(840)
— Server hosting service	(2,058)	(2,112)	(4,156)	(4,203)
Interest on promissory note payable to CCI	(477)	(477)	(948)	(949)

Other Information

Interests and short positions of Directors and chief executives in shares and underlying shares and debentures

As at 30 September 2015, 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			Approximate percentage of issued share capital
	Personal interests	Corporate interests	Total	
Bao Yueqing	2,844,000	–	2,844,000	0.22%

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 2015.

Interests and short positions of shareholders in shares and underlying shares

As at 30 September 2015, 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	Approximate percentage of issued share capital
	Personal interests	Corporate interests	Other interests		
CCC (Note 1)	–	356,542,000	–	356,542,000	27.54%
CCI	356,542,000	–	–	356,542,000	27.54%
Jin Xian Gen (Note 2)	–	128,205,128	–	128,205,128	9.90%
Full Ocean Development Limited	128,205,128	–	–	128,205,128	9.90%
Jin Lin Jun (Note 3)	–	128,205,128	–	128,205,128	9.90%
Amazing International Holdings Limited	128,205,128	–	–	128,205,128	9.90%
Yang Shaoxiao (Note 4)	–	–	128,205,128	128,205,128	9.90%
Jin Yan (Note 5)	–	–	107,169,128	107,169,128	8.28%
Friendly Capital Limited	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.
- (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 107,169,128 shares held by Full Ocean Development Limited by virtue of the SFO.

Save as disclosed above, as at 30 September 2015, 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 scheme

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed on 7 August 2013. Details of the 2013 Share Option Scheme have been set out in the Company's annual report of year 2014/15.

There is no outstanding options which have been granted under the 2013 Share Option Scheme as at 30 September 2015.

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, or 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.

Purchase, sale or redemption of shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares on the GEM during the six months ended 30 September 2015.

Directors' interests in a competing business

None of the Directors nor their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group.

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 the six months ended 30 September 2015, it comprises three independent non-executive Directors, namely Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li. 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.

Review of accounts

The audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 September 2015. The audit committee is of the opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements and that adequate disclosures have been made.

The external auditor has reviewed the interim financial information for the six months ended 30 September 2015 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

Code on corporate governance practices

Having made specific enquiry of all Directors, the Board has confirmed that all Directors have complied with the principles and code provisions (the “Code Provisions”) set out in the CG Code during the six months ended 30 September 2015, save for the deviation from Code Provisions A.6.7 and E.1.2 which are explained below:

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 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 5 August 2015 (the “2015 AGM”) due to their 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 at the 2015 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

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 2015.

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. Bao Yueqing (*Executive Director and Chief Executive Officer*)

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

Ms. Han Liqun (*Independent Non-Executive Director*)

Ms. Zhang Li (*Independent Non-Executive Director*)

Hong Kong, 6 November 2015