



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)

THIRD QUARTERLY REPORT
2015/16



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 nine months ended 31 December 2015 was approximately HK\$25,581,000.
- Net loss attributable to owners of the Company was approximately HK\$13,897,000 for the nine months ended 31 December 2015.
- Loss per share for the nine months ended 31 December 2015 was approximately HK1.07 cents.
- The board of the Directors (the "Board") does not recommend the payment of a dividend for the nine months ended 31 December 2015.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the "Group") for the nine months ended 31 December 2015.

Financial Performance

The Group recorded consolidated revenue of approximately HK\$25,581,000 for the nine months ended 31 December 2015, representing a decrease of approximately 15.0% as compared to approximately HK\$30,093,000 for the nine months ended 31 December 2014. The revenue for the nine months ended 31 December 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\$13,897,000 for the nine months ended 31 December 2015 as compared to approximately HK\$6,228,000 for the nine months ended 31 December 2014. The decline in results was mainly due to the professional fee incurred for the proposed acquisition of the entire issued share capital of Copious Link Ventures Limited (the "Target Company") during the period under review.

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. The principal subsidiaries of the Target Company are principally engaged in the promotion, sales and management of an electronic smart card “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. Shentong Cards are one of the electronic smart card and online gateway 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.

For the nine months ended 31 December 2015, the revenue generated from the provision of promotion and management services was approximately HK\$25,581,000, representing a decrease of approximately 15.0% as compared to approximately HK\$30,093,000 for the nine months ended 31 December 2014. The decrease in the revenue generated from the provision of 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 the PRC market.

Provision of promotion and management services

For the nine months ended 31 December 2015, the revenue derived from the provision of promotion and management services was approximately HK\$25,581,000 as compared to approximately HK\$30,093,000 for the nine months ended 31 December 2014.

English name is for identification purpose only

Condensed Consolidated Statement of Profit or Loss

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

	Note	For the three months ended		For the nine months ended	
		31 December		31 December	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	8,896	9,861	25,581	30,093
Cost of sales		(2,801)	(2,917)	(8,426)	(8,798)
Gross profit		6,095	6,944	17,155	21,295
Other income	4	3	23	37	108
Selling and distribution expenses		(3,663)	(3,536)	(10,983)	(11,327)
Administrative expenses		(6,902)	(4,556)	(17,745)	(13,548)
Loss from operations		(4,467)	(1,125)	(11,536)	(3,472)
Finance costs	5	(469)	(478)	(1,417)	(1,427)
Loss before tax		(4,936)	(1,603)	(12,953)	(4,899)
Income tax expense	6	(536)	(315)	(944)	(1,329)
Loss for the period attributable to owners of the Company	7	(5,472)	(1,918)	(13,897)	(6,228)
		HK cent	HK cent	HK cent	HK cent
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share	9				
Basic		(0.42)	(0.15)	(1.07)	(0.48)
Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

	For the three months ended		For the nine months ended	
	31 December		31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(5,472)	(1,918)	(13,897)	(6,228)
Other comprehensive income, net of tax:				
<i>Item that may be reclassified to profit or loss</i>				
– Exchange differences on translating foreign operation	(1,080)	(295)	(1,761)	(323)
Total comprehensive income for the period attributable to owners of the Company	(6,552)	(2,213)	(15,658)	(6,551)

Notes to the Interim Financial Information

FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

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 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 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 interim financial information has been prepared by the directors of the Company (the "Directors") in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

The amounts included in this interim financial information have been computed in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The interim financial information 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 this interim financial information are consistent with those used in the Latest Annual Financial Statements.

In the current period, the Group has adopted all new and revised 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 interim financial information 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 31 December 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

Nevertheless, the Directors had adopted the going concern basis in the preparation of this interim financial information 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 financial obligation as they fall due, both present and future.

This interim financial information has 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 interim financial information on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the interim financial information 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.

3. Revenue

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Promotion and management services	8,896	9,861	25,581	30,093

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4. Other Income

	For the three months ended 31 December		For the nine months ended 31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on disposals of financial assets at fair value through profit or loss	–	–	–	51
Interest income	3	23	36	57
Sundry income	–	–	1	–
	3	23	37	108

5. Finance Costs

	For the three months ended 31 December		For the nine months ended 31 December	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on promissory note payable to CCI	469	478	1,417	1,427

6. Income Tax Expense

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax				
– Provision for the period	693	478	1,422	1,807
– Under-provision in prior year	–	–	–	10
Deferred tax	(157)	(163)	(478)	(488)
	536	315	944	1,329

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and nine months ended 31 December 2015 and 2014.

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

7. Loss for the Period

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

	For the three months ended 31 December		For the nine months ended 31 December	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Amortisation of intangible assets	625	655	1,910	1,954
Depreciation	183	259	600	664
Directors' emoluments	808	808	2,428	2,452
Operating lease charges for land and buildings	1,161	1,049	3,514	3,001
Staff costs including				
Directors' emoluments				
– salaries, bonus and allowances	2,150	2,448	6,857	7,023
– retirement benefits scheme contributions	151	165	457	499
	2,301	2,613	7,314	7,522

8. Dividends

No dividends have been paid or proposed during the three months and nine months ended 31 December 2015, nor has any dividend been proposed since the end of reporting period (three months and nine months ended 31 December 2014: HK\$Nil).

9. Loss per Share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company for the three months and nine months ended 31 December 2015 is based on the loss for the period attributable to owners of the Company of approximately HK\$5,472,000 (three months ended 31 December 2014: HK\$1,918,000) and HK\$13,897,000 (nine months ended 31 December 2014: HK\$6,228,000) respectively and the weighted average number of ordinary shares of 1,294,697,017 (three months and nine months ended 31 December 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 three months and nine months ended 31 December 2015 and 2014.

10. Movement of Reserves

	Share premium HK\$'000 (Unaudited)	Merger reserve HK\$'000 (Unaudited)	Foreign currency translation reserve HK\$'000 (Unaudited)	Statutory reserve HK\$'000 (unaudited)	Share-based payment reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1 April 2014	1,072,549	8,320	2,172	-	121	(1,140,171)	(57,009)
Total comprehensive income for the period	-	-	(323)	-	-	(6,228)	(6,551)
Changes in equity for the period	-	-	(323)	-	-	(6,228)	(6,551)
At 31 December 2014	1,072,549	8,320	1,849	-	121	(1,146,399)	(63,560)
At 1 April 2015	1,072,549	8,320	1,880	-	-	(1,149,921)	(67,172)
Total comprehensive income for the period	-	-	(1,761)	-	-	(13,897)	(15,658)
Transfer	-	-	-	625	-	(625)	-
Changes in equity for the period	-	-	(1,761)	625	-	(14,522)	(15,658)
At 31 December 2015	1,072,549	8,320	119	625	-	(1,164,443)	(82,830)

11. Material Transactions

On 9 December 2015, the Group and Profuse Year Limited ("Vendor"), a company incorporated in the British Virgin Islands and wholly owned by CCI entered into the Sale and Purchase Agreement, pursuant to which the Group conditionally agreed to purchase and the Vendor conditionally agreed to sell, the entire equity interest of Copious Link Ventures Limited ("Copious Link") with a consideration of HK\$30 million. The completion of such transaction is conditional upon, among other things, the completion of the Placing(s) (i.e. up to an aggregate of not more than 670,809,083 new shares of the Company to independent investors) and the Subscription (i.e. up to an aggregate of no more than 254,938,265 new shares of the Company to CCI). Details of the above has been set out in the Company's circular dated 31 December 2015.

Other Information

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

As at 31 December 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 31 December 2015.

Interests and short positions of shareholders in shares and underlying shares

As at 31 December 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%
Yang Shao Hui	209,032,256	–	–	209,032,256	16.15%
Friendly Capital Limited	109,900,000	–	–	109,900,000	8.49%

Note:

- (1) CCC is deemed to be a substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.

Save as disclosed above, as at 31 December 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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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 third quarterly results of the Group for the nine months ended 31 December 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.

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 nine months ended 31 December 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 nine months ended 31 December 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, 5 February 2016