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
ANNUAL 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.

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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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This Annual Report is printed on environmentally friendly paper

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. He Chenguang *(Chairman)*
Mr. Bao Yueqing *(Chief Executive Officer)*

Independent Non-Executive Directors
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

COMPANY SECRETARY

Mr. Yiu King Ming, *CPA*

COMPLIANCE OFFICER

Mr. Bao Yueqing

AUDIT COMMITTEE

Mr. Yip Tai Him *(Chairman)*
Ms. Han Liqun
Ms. Zhang Li

REMUNERATION COMMITTEE

Mr. Yip Tai Him *(Chairman)*
Ms. Han Liqun
Ms. Zhang Li

NOMINATION COMMITTEE

Mr. He Chenguang *(Chairman)*
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

AUTHORISED REPRESENTATIVES

Mr. Bao Yueqing
Mr. Yiu King Ming, *CPA*

AUDITORS

RSM Hong Kong
29th Floor Caroline Centre
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28 Yun Ping Road
Hong Kong

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
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24 Shedden Road, PO Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.ccpi.com.hk

GEM STOCK CODE

8206

Financial Highlights

The following is a summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years.

CONSOLIDATED RESULTS

	Year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**34,684**	38,484	38,865	34,495	33,102
(Loss)/profit before tax	**(18,820)**	(8,269)	(6,723)	(13,524)	162,332
Income tax (expense)/credit	**(1,550)**	(1,602)	(2,390)	(746)	1,454
(Loss)/profit for the year attributable to owners	**(20,370)**	(9,871)	(9,113)	(14,270)	163,794
Basic (loss)/earnings per share (HK cent(s))	**(1.57)**	(0.76)	(0.70)	(1.19)	13.71

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**40,741**	61,254	69,344	75,549	60,831
Total liabilities	**(116,573)**	(115,479)	(113,406)	(110,888)	(113,945)
Net liabilities	**(75,832)**	(54,225)	(44,062)	(35,339)	(53,114)
Net liabilities per share (HK cent(s))	**(5.86)**	(4.19)	(3.40)	(2.73)	(4.45)

Chairman's Statement

On behalf of the board of the Directors (the "Board"), I am pleased to present the audited consolidated results of China Communication Telecom Services Company Limited (the "Company", together with its subsidiary companies, collectively the "Group") for the year ended 31 March 2016.

FINANCIAL PERFORMANCE

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

The Group made a loss attributable to owners of the Company of approximately HK$20,370,000 for the year ended 31 March 2016 as compared to approximately HK$9,871,000 for the year ended 31 March 2015. The decline in results was mainly due to the professional fees (the "Professional Fee") incurred for the acquisition (the "Acquisition") of the entire issued share capital of Copious Link Ventures Limited (the "Target Company"). The Professional Fee incurred during the year was approximately HK$7.9 million. Excluding the Professional Fee, the adjusted loss attributable to owners of the Company was approximately HK$12.5 million for the year ended 31 March 2016. The Acquisition had been completed subsequent to the end of the reporting period on 16 May 2016.

BUSINESS REVIEW

Starting from 2010, the Group made continuous efforts to restructure and streamline the business operations so as to improve the overall financial status of the Group. In March 2010, the Group completed the acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited#) ("Yijia"). In December 2015, the Group proposed to acquire 100% of the equity interest in the Target Company. The Acquisition had been completed subsequent to the end of the reporting period on 16 May 2016. The principal subsidiaries of the Target Company are principally engaged in the promotion, sales and management of an electronic smart card "CRC Shentong Card" for use in payment for education and training courses in relation to China Robot Competition (the "CRC") facilitated by the provision of education and training courses relating to robotics standardized by CRC in Heilongjiang Province of the PRC as well as the organisation and hosting of CRC competition events in Heilongjiang Province of the PRC which is the key marketing tool for the provision of the above services. Both of Designated Shentong Card and CRC Shentong Card are electronic smart cards for use in electronic payment service businesses in the PRC. Since early 2010, the Board has strategically positioned the Group to focus on gaining exposure to the rapidly growing businesses of electronic smart card services and online gateway payment service in the PRC.

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

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

Provision of promotion and management services

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

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Chairman's Statement

PROSPECTS

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

The robot education market primarily comprises of two areas, robot training and robot teaching. Strong support from the PRC government in the robotics industry will promote the continuous development of the robot education market. In view of this, apart from the efforts in the development of the CRC Business, the Group will actively co-operate with the working committee of The National School Sports Robot League, the eighth major league led by the Ministry of Education, to assist in the expansion of the CRC Business and the promotion of school-based robot teaching in the country (collectively, the "CQE Business"). "The Teaching Guide on Robotics Curriculum in the Primary and Secondary Schools (機器人學中小學課程教學指南)" issued by the Ministry of Education was unanimously approved by experts on 21 January 2016. It sets clear standards and norms for robot education curriculum in the primary and secondary schools in the country, and is a pioneering step in promoting school-based robot teaching in the PRC.

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

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Chairman's Statement

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to our shareholders of their tremendous support and to my fellow Directors, our management and staff of their dedication and contribution in the past year.

He Chenguang
Chairman

Hong Kong, 17 June 2016

Management Discussion and Analysis

REVENUE AND PROFITABILITY

The Group recorded a revenue of approximately HK$34,684,000 (2015: HK$38,484,000) for the year ended 31 March 2016, representing a decrease of approximately 9.9% as compared with the year ended 31 March 2015 which was primarily due to the downturn of the PRC economic environment. All of the revenue for the two years ended 31 March 2016 and 2015 were attributable to the provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC.

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

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

NET LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

SEGMENT INFORMATION

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

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had outstanding promissory note at principal amount of approximately HK$94.4 million (as at 31 March 2015: approximately HK$94.4 million) with carrying value of approximately HK$102.0 million (as at 31 March 2015: approximately HK$100.1 million). The promissory note was originally unsecured, bearing an interest at the rate of 2% per annum, and with maturity date on 10 February 2010. On 30 March 2009, China Communication Investment Limited ("CCI") agreed to vary the terms of promissory note, such that the maturity date was changed to 10 August 2010 ("New Maturity Date"). In addition, before the New Maturity Date, the Group has the right to further postpone ("Maturity Postponement Right") the maturity date to 30 June 2012 ("Extended Maturity Date") if the latest published financial information of the Group indicating that the repayment of such principal and accrued interests would cause the net current assets of the Group to fall below HK$50 million. Such Maturity Postponement Right can be exercised on 30 June of every year subsequent to the Extended Maturity Date until the ultimate maturity date of 30 June 2025. Other than the said promissory note, the Group did not have any other committed borrowing facilities as at 31 March 2016 (as at 31 March 2015: HK$Nil).

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

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

GEARING RATIO

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

Management Discussion and Analysis

CAPITAL STRUCTURE

There was no change in the capital structure during the year ended 31 March 2016.

CHARGE ON ASSETS

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

EMPLOYEES, REMUNERATION POLICIES AND STAFF COSTS

As at 31 March 2016, the Group had 73 employees (2015: 72). The staff costs for the year ended 31 March 2016 was approximately HK$10.7 million (2015: HK$10.5 million). The Group's remuneration is determined with reference to the market conditions and the performance, qualifications and experience of individual employees while year-end bonus is based on the individual performance as recognition of and reward for their contributions. Other benefits accruing its employees include share option scheme, contributions made to statutory mandatory provident fund scheme and a group medical scheme to its employees.

MATERIAL INVESTMENT OR CAPITAL ASSETS

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

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

Save as disclosed above, for the year ended 31 March 2016 and 31 March 2015, the Group had no other significant investment. As at 31 March 2016, the Group has no plan for material investments or acquisition of capital assets. Nevertheless, the Group is constantly looking for such opportunities to enhance the shareholders' value.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

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

Management Discussion and Analysis

FOREIGN CURRENCY RISK

The income and expenditure of the Group are mainly carried in Hong Kong dollars and Renminbi and the assets and liabilities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group does not expect significant exposure to foreign exchange fluctuations. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant currency exposure should the need arise.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2016 and 31 March 2015.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. He Chenguang, aged 55, joined the Group and was elected as the Chairman of the Group in April 2006. He is responsible for formulating the Group's strategy of overall business development. Mr. He holds a professional qualification in business administration and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC. Currently, he is the chairman of the board of directors of the Company's substantial shareholder, 神州通信集團有限公司 (China Communication Group Co., Ltd.#) ("CCC"), a nationwide telecom operator and internet network operator in the PRC.

Mr. He is the chairman of Professional Energy Committee of The Chinese People's Association for Friendship with Foreign Countries, the vice president of China-Cuba Friendship Association (a friendship association with foreign countries and a national people's organisation of the PRC which was founded in 1962). Mr. He is a part-time professor in Harbin Engineering University and University of Science and Technology Beijing. In 2011, Mr. He has also been awarded "Peaceful Development Contribution Award" jointly issued by the Chinese People's Association for Friendship with Foreign Countries and China Friendship Foundation for Peace and Development.

Mr. Bao Yueqing, aged 46, joined the Group in April 2010 as an executive Director until 30 June 2011 and subsequently as a general manager of the Company in May 2012 and appointed as an executive Director again and chief executive officer of the Group in January 2014. He is responsible for the daily operation of the Group and forming and implementation of the Company's business strategies. Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of major enterprises, in particular, management, operation and strategic development of telecommunication industry in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yip Tai Him, aged 45, joined the Group in October 2002. He is currently the chairman of each of the audit committee and remuneration committee and member of the nomination committee of the Company. He is responsible for reviewing the Company's annual report and accounts, half yearly reports and quarterly reports and to provide advices and comments thereon to the Board.

Mr. Yip is a practising accountant in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and the institute of Chartered Accountants in England and Wales. He has over 20 years of experience in accounting, auditing and financial management.

Mr. Yip was previously an independent non-executive director of iOne Holdings Limited (a company listed on the Stock Exchange), for the period from 8 April 2009 to 21 July 2014, Mega Medical Technology Limited (formerly known as Wing Tai Investment Holdings Limited) (a company listed on the Stock Exchange), for the period from 28 February 2001 to 20 June 2014, Lajin Entertainment Network Group Limited (formerly known as China Star Cultural Media Group Limited) (a company listed on GEM), for the period from 13 December 2008 to 2 April 2015 and an independent non-executive director and non-executive director of Larry Jewelry International Company Limited (a company listed on GEM), for the period from 16 May 2014 to 15 October 2014 and 1 April 2014 to 16 May 2014 respectively. He is currently an independent non-executive director of GCL-Poly Energy Holdings Limited, Excel Development (Holdings) Limited, Sino Golf Holdings Limited and Redco Properties Group Limited (all are listed on the Stock Exchange) and Vinco Financial Group Limited (a company listed on GEM).

Ms. Han Liqun, aged 63, was appointed as an independent non-executive Director in January 2014. Ms. Han holds a Bachelor degree of Instrumentation and Automation from Taiyuan University of Technology, a Master degree from the Institute of Computing Technology of the Chinese Academy of Sciences and a Doctorate degree of Pattern Recognition and Intelligent Systems from Beijing Institute of Technology. Ms. Han was a visiting research fellow at City University London.

Ms. Han has long been participated in the research in aspects such as artificial neural network theory and applications, pattern recognition and intelligent information processing as well as intelligent control and detection. She completed various significant scientific and technological research projects with outstanding results on pattern recognition and intelligent detection and control issues in light industry, chemical, agricultural, transportation and aerospace industries. Ms. Han also published 136 theses and 11 books, a number of which were included by various international literature institutions. Furthermore, she chaired and participated in over 20 scientific research projects, obtained 4 national invention patents and received a second prize from the first Wu Wenjun Artificial Intelligence Science Technology Awards.

English name is for identification purpose only

Ms. Han, Beijing Outstanding Teacher, has been engaged in education for more than 26 years and taught 15 courses. She has taught in Beijing Light Industry School under the Ministry of Light Industry of the PRC and Beijing Technology and Business University as the Dean, illustrating her outstanding teaching and research achievements. She chaired over 20 education reforms in the Ministry of Education of the PRC, Ministry of Light Industry, Beijing Municipal Commission of Education, etc. By virtue of her teaching results, she received a grand prize and a first prize from the Institutional Outstanding Teaching Achievement Awards and a second prize from the Beijing Teaching Achievement Awards.

Ms. Han is currently the Executive Vice President of Chinese Association for Artificial Intelligence and the Chairman of the Working Committee of Intelligence Products and Industry, the Chairman of the Expert Committee of the Working Committee of the China Robotic Sports, the Executive Vice President of China Intelligence Robots Innovation Alliance (全國智能機器人創新聯盟), the Chairman of the International Robotic Competition and Maker Education Alliance (國際機器人競技與創客教育聯盟), the Vice President of the Simulation Application Society of China Computer Users Association, the Deputy Director of the Editorial Board of "Computer Simulation" and the Associate Editor-in-Chief of "CAAI Transactions on Intelligent Systems".

Ms. Zhang Li, aged 56, was appointed as an independent non-executive Director in March 2014. Ms. Zhang holds a Bachelor of Engineering in Solid Mechanics from the Department of Mathematics and Mechanics of Henan University of Science and Technology, China, a Master of Engineering in Mechanical Design from the Department of Mechanical Design of Henan University of Science and Technology, China, and a Doctor of Engineering in Composite Materials from the School of Material Engineering of Wuhan University of Technology, China. Ms. Zhang is a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students. She was also the dean of the School of Mechanical Automation, the dean of the School of Mechanical Engineering and the deputy director of the Office of Evaluation and Construction for Undergraduate Assessment of Beijing Technology and Business University. Since 2007, Ms. Zhang has been to Canada, Singapore, the United States, the United Kingdom, Australia and other countries for academic exchanges and visits.

Ms. Zhang's expertise is in the study of mechanical automation and composite materials. Ms. Zhang has outstanding achievements in education and scientific research. Ms. Zhang focuses on the study of mechanical design and mechanics of composite materials, and engages in the design, manufacture and application of advanced composite material components as well as computer-aided engineering. She has chaired or participated in over 30 projects, such as "Research of Thermal Dynamic Performance of Composite Engines" by National Natural Science Foundation of China, National Science and Technology Support Program, the science and technology development project of "Research of Dynamic Performance of Composite Flywheels" by Beijing Municipal Commission of Education, talent training funded projects in Beijing and enterprise service projects. Ms. Zhang has published over 100 academic papers, some of which were included by various international literature institutions. She published 16 books, translations and textbooks and 1 Beijing quality textbook.

Ms. Zhang, an Excellent Teacher, has engaged in education for over 33 years. She was awarded the title of National Excellent Teacher, Top Creative Talent in Beijing Universities and the award of Top Teacher in Beijing Universities. She has also been merited as the Backbone Teacher of Mechanical Engineering across the century. Ms. Zhang served as the leader of Beijing Academic Innovation Team and won the First Class Award for School Education and Teaching Achievement. She was responsible for the completion of the Country's "10th five-year" key planning issues for tertiary education "Research on the education reform of new international division for electrical and mechanical engineering" and the Beijing education reform project "Improvement, reform and discussion on the education system, methodology and contents of engineering mechanics". She was also funded by the Beijing inter-organisational talent project.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Dr. Wong Lee Ping, aged 51, joined the Group in March 2015, is the investor relationship representative of the Group. He is responsible for the Group's strategy for investor relations functions. Dr. Wong is a certified public accountant of the HKICPA and also a fellow member of the Association of Chartered Certified Accountants. Dr. Wong holds a Doctor degree of Corporate Management from Jinan University of PRC and MBA from University of Portsmouth, UK.

Mr. Yiu King Ming, aged 31, joined the Group in September 2015, is the financial controller and company secretary of the Group. He is responsible for financial planning and reporting and general administration of the Group. Mr. Yiu holds a Bachelor Degree of Accountancy from the Hong Kong Polytechnic University. Mr. Yiu is a member of the HKICPA. Prior to joining to the Group, he worked in a multinational accounting firm and has over 9 years' experience in auditing.

Ms. Chow Tsz Yan, joined the Group in February 2016, is the Head of Corporate Communications of the Group. She is responsible for the operation and strategic direction of the Group's corporate communication. Ms. Chow holds a Bachelor of International Corporate Communication from the University of Central Lancashire.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company acknowledges that good and effective corporate governance could make an important contribution to corporate success and enhance values to the Group and our shareholders. Therefore, the Board is committed to maintain and ensure the standards of corporate governance within the Group and to ensure that the business activities and decision making processes are regulated in a proper and responsible manner. Save as disclosed below, the Group has adopted the practices and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules throughout the year ended 31 March 2016.

Under Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Ms. Han Liqun and Ms. Zhang Li, the independent non-executive Directors, were unable to attend the annual general meeting held on 5 August 2015 (the "2015 AGM"), the extraordinary general meeting held on 14 April 2015 (the "2015 EGM") and the extraordinary general meeting held on 16 February 2016 (the "2016 EGM") of the Company due to their other business activities and unexpected engagement. Mr. Yip Tai Him, an independent non-executive Director and the chairman of each of the audit committee and remuneration committee of the Company, was unable to attend the 2015 EGM and 2016 EGM due to his other business activities and unexpected engagement.

In addition, under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company and he should also invite the chairman of the audit committee, remuneration committee, nomination committee and any other committees (as appropriate) of the Company to attend. Mr. He Chenguang (chairman of the Board and chairman of the nomination committee of the Company) was unable to attend the 2015 AGM due to an unexpected business trip. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2015 AGM to answer and address questions raised by shareholders of the Company at the 2015 AGM. Under the Code Provision E.1.2 of the CG code, the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. Mr. Yip Tai Him, the chairman of the independent board committee of the Company, was unable to attend the 2015 EGM and 2016 EGM due to his other business activities and unexpected engagement.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the code provisions set out in the CG Code. The key principles and practices of the Company are summarised below.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2016, all Directors have participated in continuous professional development programmes such as attending external conferences, seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. The Company is of the view that all Directors has complied with the code provisions A.6.5. A record of the training received by the respective Directors are kept and updated by the company secretary of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

Corporate Governance Report

BOARD OF DIRECTORS

As at the date of this report, the Board comprises five Directors in which two are executive Directors and three are independent non-executive Directors. During the year ended 31 March 2016 and up to the date of this report, the Board comprises the following Directors:

Executive Directors:
Mr. He Chenguang, *Chairman of the Board*
Mr. Bao Yueqing, *Chief Executive Officer*

Independent Non-Executive Directors:
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 10 to 12 of this report.

The number of the Board meetings and the other committees' meetings held for the year ended 31 March 2016 and the attendance of each Director are as follows:

	Numbers of the meetings attended/held			
	Board	Nomination Committee	Audit Committee	Remuneration Committee
Executive Directors				
Mr. He Chenguang	16/16	1/1	N/A	N/A
Mr. Bao Yueqing	16/16	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Yip Tai Him	14/16	1/1	5/5	3/3
Ms. Han Liqun	14/16	1/1	5/5	3/3
Ms. Zhang Li	14/16	1/1	5/5	3/3

During the year, a total of three general meetings of the Company were held and the attendance records are as follows:

	Numbers of the meetings attended/held
Executive Directors	
Mr. He Chenguang	0/3
Mr. Bao Yueqing	3/3
Independent Non-Executive Directors	
Mr. Yip Tai Him	1/3
Ms. Han Liqun	0/3
Ms. Zhang Li	0/3

Corporate Governance Report

The Board is accountable to the shareholders and lead the Group in an ethical, responsible and effective manner. The Board sets the overall strategic directions of the Group, establishes effective management and monitors its performance. The Board is required to meet at least four times a year in addition to the meetings to approve the financial results. Notice of at least 14 days is given for a regular Board meeting and reasonable notice is generally given to all Directors for other Board meetings. Apart from these regular meeting, Board meetings are also held to approve major issues and notice of each regular meeting is given to all Directors. All relevant materials, including draft minutes were sent to all Directors relating to the matters brought before the meeting to ensure that the Directors are given sufficient time to review the same. All the Directors have been provided with sufficient resources to discharge their duties, and, upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances, at the Company's expenses. All Directors will have the opportunity to include matters in the agenda for Board meetings. Matters requiring the Board's unanimous decision include material acquisitions or disposals of assets, significant investments, capital projects, annual budgets, and key issues relating to human resources and administration matters.

According to the practice of the Board, any material transaction, which involves a conflict of interest for a substantial shareholder (as defined in the GEM Listing Rules) or a Director, will be considered and dealt with by the Board at a Board meeting. The articles of association (the "Articles") contain certain provision requiring such Directors to abstain from voting and not to be counted in the quorum at such meetings for approving transactions in which such Directors or any of their respective associates have a material interests.

Daily operations and administration are delegated to the senior management team. All the said minutes are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

According to the Articles of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or multiple of three, then the number nearest to, but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. All Directors appointed to fill a causal vacancy or as an addition to the Board shall be subject to election by the Shareholders at the first general meeting after their appointment.

Directors' training is an ongoing process. During the year, Directors have regular updates on changes and developments of the Group's business and to the regulatory environments in which the Company operates. All Directors are also encouraged to attend relevant training courses at the Company's expense.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer are held by separate individuals. The role and responsibilities of the Chairman is separate from that of the Chief Executive Officer. The position of the Chairman and Chief Executive Officer is held by Mr. He Chenguang and Mr. Bao Yueqing respectively. The Chairman was responsible for leading the Board in forming the Group's strategies and policies and for organising the business of the Board. The Chief Executive Officer was responsible for the daily operations of the Group and was accountable to the Board for the Group's financial and operational performance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1) and 5.05A of the GEM Listing Rules, the Board currently comprises three independent non-executive Directors representing two-third of the Board. The independent non-executive Directors are appointed for a specific term. All the three independent non-executive Directors have been appointed for a term of one year and they are subject to retirement by rotation in accordance with the Articles.

The Company has received the annual independence confirmation from each of Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li (all being independent non-executive Directors) pursuant to Rule 5.09 of the GEM Listing Rules. The Board has assessed their independence and concluded that all of them satisfied the independence criteria. Amongst three independent non-executive Directors, Mr. Yip Tai Him has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 5.05(2) of the GEM Listing Rules.

To assist the execution of its responsibilities, three Board committees, namely Audit Committee, Remuneration Committee and Nomination Committee, have been established by the Board. These committees well function within the clearly defined terms of reference. All independent non-executive Directors play a significant role in these committees to ensure the independence and objectivity.

REMUNERATION COMMITTEE

At the Board meeting held on 1 April 2005, a Remuneration Committee has been established. The Remuneration Committee consists of three members, all of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr. Yip Tai Him and meets at least once a year.

The roles and functions of the Remuneration Committee are to review and recommend the remuneration packages of the Directors and the senior management of the Group, oversee and review the administration of the Share Option Scheme and to review the appropriateness of compensation for Directors and the senior management of the Group. No Directors is involved in determining his/her own remuneration.

The Remuneration Committee takes into consideration the market condition, comparable companies, past performance and the experience and knowledge possessed when determining remuneration packages of the Directors. The remuneration package for executive Directors comprises a basic salary and a discretionary bonus for their contributions in accordance with code provisions B.1.2(c)(ii). All revision to remuneration packages of the Directors are subject to the review and approval of the Board.

NOMINATION OF DIRECTORS

At the Board meeting held on 30 April 2012, a Nomination Committee has been established. The Nomination Committee consists of four members, of which the present Nomination Committee consists of a majority of independent non-executive Directors. The Nomination Committee is chaired by Mr. He Chenguang. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors. It also has the responsibility to ensure the Board has an appropriate balance of independent Directors, with a mix of business experience in relevant disciplines. According to the board diversity policy adopted by the Nomination Committee, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board.

All Directors are subject to election by shareholders of the Company at the annual general meeting. The new Directors are notified on the role of the Board and Board Committee, their duties and obligation as a director of a listed company.

Mr. He Chenguang and Ms. Han Liqun will retire at the forthcoming annual general meeting and the re-election of Mr. He Chenguang as executive Director and Ms. Han Liqun as independent non-executive Director are to be proposed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the following corporate governance functions:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- to review the Company's compliance with the code provisions and disclosure in the Corporate Governance Report; and
- such other corporate governance and functions set out in the code provisions (as amended from time to time) for which the Board are responsible.

AUDITOR'S REMUNERATION

The Company has appointed RSM Hong Kong as the auditors of the Group (the "Auditor") since April 2011. The Audit Committee is responsible for considering the appointment of the external auditor, including whether such non-audit engagements could affect their independence. The Board is authorised in the annual general meeting to determine the remuneration of the Auditor. For the year ended 31 March 2016, the Auditor's remuneration in connection with the provision of audit and non-audit services paid by the Group were as follows:

	For the year ended 31 March	
	2016	2015
	HK$	HK$
Statutory audit services	**538,000**	538,000
Non-audit services	**2,012,000**	500,000
	2,550,000	1,038,000

AUDIT COMMITTEE

The written terms of reference, which describe the authorities and duties of the Audit Committee, were implemented in accordance with the GEM Listing Rules. The Audit Committee comprises three members, all of whom are independent non-executive Directors and is chaired by Mr. Yip Tai Him.

The Audit Committee meets at least four times each year. The main duties of the Audit Committee are summarised as follows:

— Discuss the work with the external auditors of the Company;
— Meet with external auditors of the Company, when they consider necessary;
— Review the quarterly, interim and annual financial statements and the report of the independent auditors on the Company's annual consolidated financial statements before these are presented to the Board;
— Ensure the quarterly, interim and annual consolidated financial statements are properly prepared;
— Review the independence of the external auditors annually;
— Ensure that cooperation is provided by management to the external auditors; and
— Review the adequacy and effectiveness of the Group's internal control system.

The Audit Committee is empowered to conduct investigations on any matters within the scope of responsibilities of the Audit Committee. The Audit Committee is authorised to obtain independent professional advices if it deems necessary to discharge its responsibilities.

For the year ended 31 March 2016, the Audit Committee held five meetings in which the members of the Audit Committee reviewed and concluded with satisfaction in relation to the internal control system of the Group and the following reports:

— Annual report for the year ended 31 March 2015;
— Quarterly reports for the first quarter and third quarter of 2015/16;
— Interim report for the first six months of 2015/16; and
— Review of continuing connected transactions of the Group.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts of the Company. The Group incurred a loss attributable to owners of the Company of approximately HK$20,370,000 and has net operating cash outflow of approximately HK$25,690,000 for the year ended 31 March 2016, and as at 31 March 2016 the Group had a capital deficiency of approximately HK$75,832,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, the Directors had adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the followings:

(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 CCC, the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to it by the Group when necessary.

Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the Directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The responsibilities of the external auditor with respect to their financial reporting are set out in the Independent Auditor's Report on pages 32 to 33 of this report.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has formulated the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

The Board had conducted annual review on the internal control system of the Group and its effectiveness and is of the view that the Group's internal control system is effective to achieve the Group's internal control objectives and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

COMPANY SECRETARY

Mr. Yiu King Ming has been the company secretary of the Company since September 2015. Mr. Yiu has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2016. The Company is of the view that Mr. Yiu has complied with Rule 5.15 of the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Right to put forward proposals and to convene a general meeting

In accordance with the Company's Article 69, two or more Shareholders holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right by written requisition to the Company, to require a general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Board does not within twenty-one (21) days from the date of deposit of such requisition proceed duly to convene the meeting to be held within a further twenty-one (21) days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of the deposit of such requisitions, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, for the attention of the Board.

INVESTOR RELATIONS

The annual general meeting provides an opportunity for Shareholders to exchange their views with the Board. Mr. Bao Yueqing (executive Director and chief executive officer of the Company) had attended the annual general meeting for Year 2015 held on 5 August 2015 to answer questions from Shareholders. The Company's website (http://www.ccpi.com.hk) offers a communication channel between the Company and the Shareholders and potential investors.

CONSTITUTIONAL DOCUMENTS

During the year, there was no change in the Company's constitutional documents.

Directors' Report

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Group and the Company for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiary companies are set out in note 19 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Companies Ordinance including an analysis on financial key performance indication of likely future development in the Group business, employment policy and subsequent events can be found in the "Chairman's Statement" and "Management Discussion and Analysis" set out on pages 4 to 9 of the annual report. Those discussion forms part of this "Directors' Report".

The financial risk management objectives and policies of the Group are shown in note 6 to the consolidated financial statements.

The Group is committed to environmental protection and carries out various measures to ensure the fulfillment of its duties to the environment. During the year ended 31 March 2016, the Group had already commenced the assessment of our major suppliers' duties to the environment and commenced the feasibility study on using environmental friendly materials. The Group will continue to make every endeavor to protect the environment and eliminate any violation of environmental protection laws and regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company is incorporated in Cayman Islands with its shares listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The Group's subsidiaries are incorporated in the British Virgin Islands, Hong Kong and the PRC. The Group's operations are mainly carried out by the Group's subsidiaries in the PRC while the Group also has a corporate and administrative office in Hong Kong.

The Group's establishments and operations accordingly shall comply with relevant laws and regulations in Cayman Islands, the British Virgin Islands, the PRC and Hong Kong. During the year under review, the Group complied with all the relevant laws and regulations in Cayman Islands, the British Virgin Islands, the PRC and Hong Kong that have a significant impact on the Group.

SEGMENT INFORMATION

An analysis of the Group's revenue and contributions to results by principal activities for the year is set out in note 9 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss on page 34 of this report.

The state of affairs of the Group and the Company at 31 March 2016 are set out in the consolidated statement of financial position and statement of financial position on page 36 of this report and note 25(a) to the consolidated financial statements respectively.

DIVIDENDS
The Directors do not recommend the payment of any dividends in respect of the year ended 31 March 2016 (2015: HK$Nil).

RESERVES
Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statements of changes in equity on page 37 and note 25(b) to the consolidated financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT
Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL
Details of movements in share capital of the Company during the year ended 31 March 2016 are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES
At 31 March 2016, the Company's had no distributable reserves (2015: HK$Nil).

DONATIONS
No donations were made to charities by the Group during the year ended 31 March 2016 (2015: HK$Nil).

RETIREMENT BENEFITS SCHEME
The Group contributes to defined contribution retirement schemes which are available to all employees. With effect from 1 December 2000, the Group has joined a mandatory provident fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the scheme. The employees of the Company's subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. These subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to these schemes is to make the required contributions under the schemes.

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

TAX RELIEF
The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

FINANCIAL INFORMATION SUMMARY
A summary of the consolidated results and of the consolidated assets and liabilities of the Group for the last five financial years is set out on page 3.

PURCHASE, SALE OR REDEMPTION OF SHARES
Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the year ended 31 March 2016.

SHARE OPTION SCHEMES

The Company adopted a share option scheme (the "2013 Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 7 August 2013. Summary of the 2013 Share Option Scheme is as follows:

(a) Purpose and Participants of the 2013 Share Option Scheme

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to (i) any employees (including, without limitation, executive Directors) of the Company and/or any of its subsidiaries; (ii) any non-executive Directors (including, without limitation, independent non-executive Directors) of the Company and/or any of its subsidiaries; (iii) any consultants, suppliers or customers of the Company and/or any of its subsidiaries; (iv) any employee (whether full-time or part-time and including Directors) of any entity (the "Invested Entity") in which the Group holds any equity interest; and/or (v) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group eligible for share options under the 2013 Share Option Scheme (the "Eligible Participants") as incentives or rewards for their contribution to the Company and/or its Subsidiaries.

(b) Maximum number of shares available for issue

The maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2013 Share Option Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders.

The limit of the 2013 Share Option Scheme can be issued under the 2013 Share Option Scheme was 129,469,701 which is equivalent to 10% of the issued share capital of the Company as at the date of the annual general meeting of the Company held on 7 August 2013.

Subject to the issue of a circular by the Company and the approval of the shareholders of the Company (the "Shareholders") in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

(i) refresh this limit at any time to 10% of the shares of the Company in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed).

(ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

(iii) notwithstanding the foregoing, the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiary companies if this will result in the 30% limit being exceeded.

As at the latest practicable date prior to the issue of this report, no options was still outstanding under the 2013 Share Option Scheme.

(c) Maximum entitlement of each Eligible Participant

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Participant or Grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing Grantee) which would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon Shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing Grantee) and his, her or its associates abstaining from voting.

The Company must send a circular to the Shareholders disclosing the identity of the Eligible Participant or Grantee, the number and terms of options to be granted (and options previously granted) to such Eligible Participant, the information required under the GEM Listing Rules. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before the date on which Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(d) Price of shares

The subscription price for a share of the Company in respect of any particular option granted under the 2013 Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(e) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of the Company, or any of their respective associates (as defined in the GEM Listing Rules) must be approved by the independent non-executive Directors (excluding the independent non- executive Director who is the proposed grantee of the option).

Where any grant of options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) would result in the shares issued or to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the relevant class of shares of the Company in issue; and

(ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by Shareholders of the Company.

The Company must send a circular to the Shareholders disclosing (i) details of the number and terms of the options to be granted; (ii) a recommendation from the independent non-executive Directors (excluding an independent non-executive Director who is the proposed grantee of the options) on whether or not to vote in favour of the proposed grant; (iii) the information relating to any Directors who are trustees of the scheme or have a direct or indirect interest in the trustees; and (iv) the information required under the GEM Listing Rules. Any change in the terms of options granted to a connected person or its associates must be approved by Shareholders in a general meeting.

(f) Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the 2013 Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the 2013 Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the 2013 Share Option Scheme by Shareholders by resolution at the general meeting.

DIRECTORS

The Directors who held office during the year and up to the date of this report were as follows:

Executive Directors
Mr. He Chenguang
Mr. Bao Yueqing

Independent Non-Executive Directors
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

In accordance with Article 108 of the Articles of the Company, one-third (or, if their number is not three or a multiple of three, than the number nearest to, but not less than, one-third) of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company but shall then be eligible for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. In accordance with Article 96 of the Articles, any Director appointed either to fill a causal vacancy or as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. Accordingly, Mr. He Chenguang and Ms. Han Liqun shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received written confirmations from each of the independent non-executive Directors for their annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company has assessed their independence and concluded that all independent non-executive Directors are considered to be independent within the definition of the GEM Listing Rules.

Directors' Report

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A (1) of the GEM Listing Rules, there are changes in the information required to be disclosed pursuant to paragraph (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules during the course of the directors' term of office. With effect from 1 January 2016, Mr. He Chenguang's and Mr. Bao Yueqing's remuneration were revised to HK$160,000 and HK$110,000 per month respectively, which were determined based on their qualifications, experience, level of responsibilities and prevailing market conditions.

Mr. Yip Tai Him ceased to be the independent non-executive director of Lajin Entertainment Network Group Limited (stock code: 8172) with effect from 2 April 2015. With effect from 20 July 2015, Mr. Yip has been appointed as an independent non-executive director of the Excel Development (Holdings) Limited (stock code: 1372). With effect from 14 September 2015, Mr. Yip has been appointed as an independent non-executive director of the Sino Golf Holdings Limited (stock code: 361).

Save as disclosed above, there are no other matters that need to be disclosed pursuant to Rule 17.50A (1) of the GEM Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. The employment of each executive Directors under their respective service contract shall be continuous subject to termination by either party to the contract serving written notice to the other to terminate such employment to take effect three months from the date of service of such notice.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiary companies which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the directors' emoluments and those of the five highest paid individuals of the Group for the year ended 31 March 2016 are set out in notes 13 and 14 to the consolidated financial statements respectively.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual independence confirmation from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the Directors' interests in contracts as disclosed in the section headed "Details of the continuing connected transactions of the Group" below, no Directors had a significant beneficial interest, whether directly or indirectly, in any contracts of significance to the business of the Group to which the Company or any of its subsidiary companies were a party at the end of the year ended 31 March 2016 or any time during the year ended 31 March 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 10 to 12.

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

As at 31 March 2016, 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:

	Number of shares held			
Name of Director	**Personal interests**	**Corporate interests**	**Total**	**Approximate percentage of issued share capital**
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 March 2016.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 31 March 2016, 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:

	Number of shares held				
Name of shareholder	**Personal interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of issued share capital**
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%

Notes:

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

Save as disclosed above, as at 31 March 2016, 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group to protect the Directors and officers of the Group against any potential liability arising from the Group's activities which such Directors and officers may be held liable.

MANAGEMENT CONTRACTS

No substantial contracts concerning the management and administration of the Company were entered into or existed during the reporting year.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 32 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

	2016
Purchases	
— the largest supplier	**90%**
— five largest suppliers	**97%**
Sales	
— the largest customer	**100%**
— five largest customers	**100%**

Save for CCC, being a shareholder of the Company interested in more than 5% of the Company's issued share capital through its shareholding in CCI, none of the Directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

The Group understands that customers and suppliers are important to the sustainable and stable development of its business. The Group seeks to work with its suppliers in pursuit of continuous improvement in social and environmental performance. The Group is also committed to ensuring that environmental considerations are an integral part of its operation through cooperation with its suppliers to provide high-quality services to its customers. The Group conducts assessment process from time to time to evaluate the performance of its suppliers.

CONTINUING CONNECTED TRANSACTIONS

Relationship between the Group and each of the relevant connected persons

CCC, a company established under the laws of the PRC. By virtue of its interests as to approximately 27.54% of the issued share capital of the Company held by CCI, its wholly-owned subsidiary, which is holding 356,542,000 shares of the Company, CCC is considered to be a connected person to the Company. Mr. He Chenguang, the chairman of the Company and an executive Director, was also the legal representative of CCC and is therefore considered to be interested in the transactions.

Details of the continuing connected transactions of the Group

Pursuant to Rule 20.46 of the GEM Listing Rules, details of the continuing connected transactions during the year ended 31 March 2016 which the Company undertakes the transactions under the written agreements are set out as follows:

1. On 9 March 2015, CCC and Yijia entered into the third customers service hotline rental agreement, pursuant to which CCC shall provide a designated national customer service hotline number 95130*** to Yijia, in consideration of which CCC would charge Yijia (i) an annual fee of RMB20,000; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system, representing a discount of 50% to the nationwide standard rate in the PRC. The calling charge rate was subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time;

2. On 9 March 2015, CCC and Yijia entered into the third server hosting agreement, pursuant to which (i) Yijia would place its servers in CCC's server rooms and CCC would provide monitoring, management and technical support services to Yijia and (ii) CCC would provide designated 300M-bandwidth share of the broadband leased line to Yijia for the operation of its website and CCC will also provide 90 IP addresses and not more than ten (10) racks of servers for the use of Yijia and supply 2200W (10A) electricity for each rack of servers rented to Yijia, in consideration of which CCC would charge Yijia an annual rental fee of not more than RMB8.4 million;

3. On 9 March 2015, CCC and Yijia entered into the third service agreement, pursuant to which Yijia would provide to CCC services regarding (i) the management and sale of the Designated Shentong Card; (ii) assistance in the after-sale-services for the Designated Shentong Card; and (iii) following-up with the enquiries and/or complaints raised by the users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card, in consideration of which Yijia would charge CCC (i) issuance handling fees of RMB5 for each Designated Shentong Card issued by Yijia; (ii) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Yijia; (iii) sale commission of RMB3 for the insurance products preloaded in the Designated Shentong Card issued by Yijia; and (iv) sale commission of 20% of the total value of purchases made by the users through the designated "Shentong Card" issued by Yijia for the property and life insurance products and 10% for the purchases of health insurance products;

4. On 9 March 2015, CCC and Yijia entered into the third web advertising agreement, pursuant to which Yijia agreed to place and CCC agreed to arrange for the web advertisements of Yijia to be published on the website of CCC "Shentong Net", and 24-hour technical support services should also be provided by CCC to Yijia to handle all technical issues arising out of the publication of the advertisements. The amount of advertising fees to be incurred by Yijia during the term of such web advertising agreement should not be made more than RMB5 million for the period commencing on the Effective Date until 31 March 2016 and RMB5 million for each of the two years ending 31 March 2018 and details of the advertising arrangement and the payment methods should be determined based on mutual agreement of Yijia and CCC to be reached at least three days prior to the publication of the relevant advertisements.

The aforesaid agreements have been reviewed by independent non-executive Directors of the Company who have confirmed that for the year ended 31 March 2016, the above agreements have been entered into (a) in the ordinary and usual course of business of the Group; (b) on terms no less favourable to the Group than terms available to or from independent third parties, and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Based on the work performed, the auditor of the Company has confirmed to us that, in respect of the above-mentioned continuing connected transactions: (a) nothing has come to the auditor's attention that causes the auditor to believe that the transactions have not been approved by the Company's Board of Directors; (b) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; (c) nothing has come to the attention of the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and (d) with respect to the aggregate amount of each of the transactions, nothing has come to the auditor's attention that causes the auditor to believe that the transactions have exceeded the annual cap disclosed in the circular of the Company dated 24 March 2015.

The Company confirms that it has complied with the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules during the reporting year.

RELATED PARTY TRANSACTIONS

During the year ended 31 March 2016, save as the continuing connected transactions mentioned on page 29 and 30 and related party transactions disclosed in note 31 to the consolidated financial statements, the Group had not entered into other significant transactions with related parties. No transactions have been entered into with the Directors (being the key management personnel) during the year other than the emoluments paid to them as disclosed in note 14 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

A management discussion and analysis of the Group's annual results is shown on pages 7 to 9.

CORPORATE GOVERNANCE REPORT

A corporate governance report is shown on pages 13 to 20.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors. The audit committee has reviewed the accounting principles and practice adopted by the Group and the Company's audited results for the year ended 31 March 2016 and discussed with the management regarding auditing, internal control and financial reporting matters.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Directors and within the knowledge of the Directors, it is confirmed that there is sufficient public float, representing more than 25% of the Company's issued shares at the latest practicable date prior to the issue of this report.

COMPETING INTERESTS

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

OTHER MATTERS

(a) The company secretary and the qualified accountant of the Company is Mr. Yiu King Ming, CPA.

(b) The compliance officer of the Company is Mr. Bao Yueqing appointed pursuant to Rule 5.19 of the GEM Listing Rules.

Directors' Report

AUDITORS

At the Company's last annual general meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015 our auditor changed the name under which it practices to RSM Hong Kong and accordingly has signed its report under its new name.

RSM Hong Kong will retire and being eligible, offer itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

There has been no change in auditors of the Company in the three years ended 31 March 2016.

By Order of the Board
He Chenguang
Chairman

Hong Kong, 17 June 2016

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Communication Telecom Services Company Limited (the "Company") and its subsidiaries set out on pages 34 to 68, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which indicates that the Company and its subsidiaries incurred a loss attributable to owners of the Company of approximately HK$20,370,000 and net operating cash outflow of approximately HK$25,690,000 for the year ended 31 March 2016 and as at 31 March 2016 the Company and its subsidiaries had a capital deficiency of approximately HK$75,832,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's and its subsidiaries' ability to continue as a going concern.

RSM Hong Kong
Certified Public Accountants
Hong Kong

17 June 2016

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 31 MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	7	**34,684**	38,484
Cost of sales		**(11,020)**	(11,477)
Gross profit		**23,664**	27,007
Other income	8	**52**	129
Selling and distribution expenses		**(14,684)**	(14,839)
Administrative expenses		**(25,968)**	(18,672)
Loss from operations		**(16,936)**	(6,375)
Finance costs	10	**(1,884)**	(1,894)
Loss before tax		**(18,820)**	(8,269)
Income tax expense	11	**(1,550)**	(1,602)
Loss for the year attributable to owners of the Company	12	**(20,370)**	(9,871)
		HK cent	HK cent
Loss per share	16		
Basic (cents per share)		**(1.57)**	(0.76)
Diluted (cents per share)		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2016

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

Consolidated Statement of Financial Position

AT 31 MARCH 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	**933**	1,559
Intangible assets	18	**–**	2,164
Total non-current assets		**933**	3,723
Current assets			
Prepayments, deposits and other receivables	20	**21,847**	12,364
Bank and cash balances	21	**17,961**	45,167
Total current assets		**39,808**	57,531
TOTAL ASSETS		**40,741**	61,254
EQUITY AND LIABILITIES			
Share capital	24	**12,947**	12,947
Reserves	26	**(88,779)**	(67,172)
Total equity		**(75,832)**	(54,225)
Non-current liabilities			
Promissory note	22	**101,949**	100,065
Deferred tax liabilities	23	**–**	541
Total non-current liabilities		**101,949**	100,606
Current liabilities			
Accruals and other payables		**2,003**	2,530
Current tax liabilities		**12,621**	12,343
Total current liabilities		**14,624**	14,873
TOTAL EQUITY AND LIABILITIES		**40,741**	61,254

Approved by the Board of Directors on 17 June 2016 and are signed on its behalf by:

He Chenguang
Director

Bao Yueqing
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 MARCH 2016

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	12,947	1,072,549	8,320	2,172	–	121	(1,140,171)	(44,062)
Total comprehensive income for the year	–	–	–	(292)	–	–	(9,871)	(10,163)
Share option scheme — lapsed share options	–	–	–	–	–	(121)	121	–
Changes in equity for the year	–	–	–	(292)	–	(121)	(9,750)	(10,163)
At 31 March 2015	12,947	1,072,549	8,320	1,880	–	–	(1,149,921)	(54,225)
At 1 April 2015	12,947	1,072,549	8,320	1,880	–	–	(1,149,921)	(54,225)
Transfer	–	–	–	–	625	–	(625)	–
Total comprehensive income for the year	–	–	–	(1,237)	–	–	(20,370)	(21,607)
Changes in equity for the year	–	–	–	(1,237)	625	–	(20,995)	(21,607)
At 31 March 2016	12,947	1,072,549	8,320	643	625	–	(1,170,916)	(75,832)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2016

	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(18,820)**	(8,269)
Adjustments for:		
Amortisation of intangible assets	**2,104**	2,598
Depreciation	**771**	881
Finance costs	**1,884**	1,894
Gain on disposals of financial assets at fair value through profit or loss	**–**	(51)
Interest income	**(51)**	(77)
Operating loss before working capital changes	**(14,112)**	(3,024)
Increase in prepayments, deposits and other receivables	**(9,483)**	(1,155)
(Decrease)/increase in accruals and other payables	**(527)**	513
Cash used in operations	**(24,122)**	(3,666)
Income tax paid	**(1,568)**	(1,869)
Net cash used in operating activities	**(25,690)**	(5,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**51**	77
Proceeds from gain of financial assets at fair value through profit or loss	**–**	51
Purchases of property, plant and equipment	**(200)**	(816)
Net cash used in investing activities	**(149)**	(688)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(25,839)**	(6,223)
Effect of foreign exchange rate changes	**(1,367)**	(290)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**45,167**	51,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	**17,961**	45,167
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**17,961**	45,167

1. GENERAL INFORMATION

China Communication Telecom Services Company Limited (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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 19 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

The Group incurred a loss attributable to owners of the Company of approximately HK$20,370,000 and net operating cash outflow of approximately HK$25,690,000 for the year ended 31 March 2016, and as at 31 March 2016 the Group had a capital deficiency of approximately HK$75,832,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(a) On 30 September 2015, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the maturity dates of the promissory note to 30 June 2017.

(b) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its present and future financial obligations as they fall due, and to cause CCI to postpone the repayment dates of any present and future liabilities due to it by the Group when necessary.

Having regard to the financial support of CCC and CCI, at a level sufficient to finance the working capital requirements of the Group, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

* *English name is for identification purpose only*

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND REQUIREMENTS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2015:

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

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

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

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2015. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1, 4]
HKFRS 16	Leases[3]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[2]

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise the right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in of profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to the consolidated profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Computer equipment	33%–50%
Leasehold improvements	Shorter of unexpired lease period and useful lives
Equipment, furniture and fixtures	25%–33%
Motor vehicles	18%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets is charged to the consolidated statement of profit or loss on a straight line basis over the estimated useful lives of 7 years (2015: 7 years).

(e) Operating leases (the Group as lessee)

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(f) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically other receivables, bank and cash balances are classified in this category.

(h) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(l) Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Promotion and management services income includes issuance handling fees and sales commission which is recognised when each electronic smart card "Designated Shentong Card" is activated and technical services commission which is recognised when expenditures of Designated Shentong Card are made by users. Revenue of promotion and management services income is net of value-added tax and other sales levy.

Interest income is recognised on a time-proportion basis using the effective interest method.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(p) Share-based payments

The Group issues equity-settled share-based payments to certain employees and others providing similar services. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Borrowing costs (Continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

The carrying amount of financial assets is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the substantial shareholder at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 March 2016 was HK$933,000 (2015: HK$1,559,000).

(b) Amortisation of intangible assets

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives involves management's estimation. The Group reassesses the useful life of the intangible assets annually and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period. The carrying amount of intangible assets as at 31 March 2016 was nil (2015: HK$2,164,000).

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$1,550,000 (2015: HK$1,602,000) of income tax was charged in profit or loss based on the estimated profit.

(d) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 March 2016, no impairment loss for bad and doubtful debts was made (2015: Nil).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the principal operation entities of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The Group's credit risk is primarily attributable to other receivables and bank and cash balances. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has certain concentrations of credit risk in the amount due from a substantial shareholder, which is closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are banks which high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Total** HK$'000
At 31 March 2016			
Accruals and other payables	**2,003**	**–**	**2,003**
Promissory note	**–**	**104,320**	**104,320**
At 31 March 2015			
Accruals and other payables	2,530	–	2,530
Promissory note	–	102,432	102,432

As described in notes 2 and 22 to the consolidated financial statements, the Group has reached an agreement with CCI to postpone the maturity date of promissory note to 30 June 2017. The directors are of the view that this agreement would be adequate to maintain the liquidity risk to an acceptable level.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk

The Group has minimal exposure to interest rate risk as the changes in market interest rates have insignificant effect on the Group's operating cash flow.

The Group's interest-rate risk arises from promissory note, which is at fixed rate and will expose the Group to fair value interest-rate risk.

(e) Categories of financial instruments at 31 March:

	2016 **HK$'000**	2015 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
— Deposits and other receivables	**21,322**	10,348
— Bank and cash balances	**17,961**	45,167
Financial liabilities:		
Financial liabilities at amortised cost		
— Accruals and other payables	**2,003**	2,530
— Promissory note	**101,949**	100,065

(f) Fair values

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

7. REVENUE

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

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

8. OTHER INCOME

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

9. SEGMENT INFORMATION

The Group has the following operating segment:

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

The accounting policies of the operating segment are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include finance costs, income tax expense and unallocated corporate expenses. Segment assets include all non-current assets and current assets with the exception of corporate assets. Segment liabilities include all non-current liabilities and current liabilities with the exception of current tax liabilities, deferred tax liabilities and corporate liabilities.

Information about operating segment profit or loss, assets and liabilities:

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

9. SEGMENT INFORMATION (CONTINUED)

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

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

Geographical information

No separate analysis of segment information by geographical is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is the PRC.

Revenue from major customer

For the years ended 31 March 2016 and 2015, the Group has only one customer which contributed more than 10% of the revenue of the Group. The customer is under the promotion and management services segment and the relevant revenue is approximately HK$34,684,000 (2015: HK$38,484,000).

10. FINANCE COSTS

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

11. INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current tax		
Provision for the year	**2,076**	2,242
Under-provision in prior year	**–**	10
Deferred tax (note 23)	**(526)**	(650)
	1,550	1,602

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

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

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

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

12. LOSS FOR THE YEAR

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

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

13. EMPLOYEE BENEFITS EXPENSE

	2016 HK$'000	2015 HK$'000
Employee benefits expenses:		
Salaries, bonuses and allowances	**10,089**	9,827
Retirement benefit scheme contributions	**591**	647
	10,680	10,474

Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2015: two) directors whose emoluments are reflected in the analysis presented in note 14. The emoluments of the remaining three (2015: three) individuals are set out below:

	2016 HK$'000	2015 HK$'000
Basic salaries and allowances	**2,255**	1,559
Retirement benefits scheme contributions	**47**	49
	2,302	1,608

The emoluments fell within the following band:

	Number of individuals 2016	2015
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,499,999	**1**	–

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Note	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking				Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
		Fees	Salary and allowances	Employer's contribution to a retirement benefits scheme	Other benefits		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
He Chenguang		**–**	**1,980**	**18**	**–**	**–**	**1,998**
Bao Yueqing		**–**	**1,330**	**18**	**–**	**–**	**1,348**
Independent non-executive directors							
Yip Tai Him		**100**	**–**	**–**	**–**	**–**	**100**
Han Liqun		**50**	**–**	**–**	**–**	**–**	**50**
Zhang Li		**50**	**–**	**–**	**–**	**–**	**50**
Total for the year ended 31 March 2016		**200**	**3,310**	**36**	**–**	**–**	**3,546**
Executive directors							
He Chenguang		–	1,800	18	–	–	1,818
Bao Yueqing		–	1,200	18	–	–	1,218
Non-executive directors							
Xiao Haiping	(i)	–	5	–	–	–	5
Independent non-executive directors							
Yip Tai Him		100	–	–	–	–	100
Han Liqun		50	–	–	–	–	50
Zhang Li		50	–	–	–	–	50
Cao Huifang	(ii)	20	–	–	–	–	20
Total for the year ended 31 March 2015		220	3,005	36	–	–	3,261

Notes: (i) Resigned on 15 April 2014.
(ii) Resigned on 31 May 2014.

None of the directors had waived any emoluments during the year (2015: Nil).

14. BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

15. DIVIDENDS

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

16. LOSS PER SHARE

(a) Basic loss per share

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

(b) Diluted loss per share

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

17. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK$'000	Leasehold improvements HK$'000	Equipment, furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 April 2014	4,914	944	538	918	7,314
Additions	199	617	–	–	816
Exchange differences	(52)	(1)	(5)	(10)	(68)
At 31 March 2015 and 1 April 2015	5,061	1,560	533	908	8,062
Additions	69	–	–	131	200
Exchange differences	(206)	(26)	(16)	(40)	(288)
At 31 March 2016	4,924	1,534	517	999	7,974
Accumulated depreciation and impairment losses					
At 1 April 2014	3,516	944	513	698	5,671
Charge for the year	594	103	7	177	881
Exchange differences	(37)	(1)	(4)	(7)	(49)
At 31 March 2015 and 1 April 2015	4,073	1,046	516	868	6,503
Charge for the year	554	200	5	12	771
Exchange differences	(174)	(7)	(16)	(36)	(233)
At 31 March 2016	4,453	1,239	505	844	7,041
Carrying amount					
At 31 March 2016	471	295	12	155	933
At 31 March 2015	988	514	17	40	1,559

18. INTANGIBLE ASSETS

	Distribution network HK$'000	Service contract HK$'000	Total HK$'000
Cost			
At 1 April 2014	74,535	185,305	259,840
Exchange differences	(810)	(2,016)	(2,826)
At 31 March 2015 and 1 April 2015	73,725	183,289	257,014
Exchange differences	(3,082)	(7,663)	(10,745)
At 31 March 2016	70,643	175,626	246,269
Accumulated amortisation and impairment losses			
At 1 April 2014	69,723	185,305	255,028
Amortisation for the year	2,598	–	2,598
Exchange differences	(760)	(2,016)	(2,776)
At 31 March 2015 and 1 April 2015	71,561	183,289	254,850
Amortisation for the year	2,104	–	2,104
Exchange differences	(3,022)	(7,663)	(10,685)
At 31 March 2016	70,643	175,626	246,269
Carrying amount			
At 31 March 2016	–	–	–
At 31 March 2015	2,164	–	2,164

The distribution network was fully amortised during the year (2015: 0.8 year remaining life).

19. INVESTMENTS IN SUBSIDIARIES

Particulars of the subsidiaries as at 31 March 2016 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing		Principal activities
			Direct	Indirect	
Favor Grow Holdings Limited	British Virgin Islands	US$10 ordinary shares	100%	–	Investment holding
Grandsun International Creation Limited	Hong Kong	HK$1 ordinary share	–	100%	Investment holding
hk6.com Limited	Hong Kong	HK$1,000 ordinary shares	–	100%	Inactive
HK6 Investment China (BVI) Limited	British Virgin Islands	US$1 ordinary share	100%	–	Investment holding
HK6 Investment Limited	British Virgin Islands	US$2,614 ordinary shares	100%	–	Investment holding
HK6 Media Limited	Hong Kong	HK$2 ordinary shares	–	100%	Inactive
Hong Kong Financial Institute Limited	Hong Kong	HK$1,307 ordinary shares	–	100%	Inactive
Oriental Glory (H.K.) Limited	Hong Kong	HK$1 ordinary share	–	100%	Investment holding
Pro-Concept Development Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Sino Key International Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
Success Advantage Investments Limited	British Virgin Islands	US$1 ordinary share	–	100%	Inactive
神州奧美網絡(國際)有限公司	Hong Kong	HK$1 ordinary share	100%	–	Not yet commence business
北京神通益家科技服務有限公司 (note) (Beijing Shentong Yijia Technology Services Company Limited*)	PRC	RMB1,000,000	–	100%	Provision of promotion and management services for an electronic smart card "Designated Shentong Card" in the PRC

Note: Established in the PRC as a wholly foreign-owned enterprise.

* *English name is for identification purpose only*

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

As at 31 March 2016, the bank and cash balances of the Group's subsidiary in the PRC denominated in Renminbi ("RMB") amounted to approximately HK$14,411,000 (2015: HK$20,916,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

21. BANK AND CASH BALANCES

As at 31 March 2016, the bank and cash balances of the Group denominated in RMB amounted to approximately HK$14,411,000 (2015: HK$20,916,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

22. PROMISSORY NOTE

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

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

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

23. DEFERRED TAX LIABILITIES

The following is the deferred tax liabilities recognised by the Group.

	Revaluation of acquired intangible assets HK$'000
At 1 April 2014	(1,203)
Credit to the consolidated profit or loss for the year (note 11)	650
Exchange differences	12
At 31 March 2015 and 1 April 2015	(541)
Credit to the consolidated profit or loss for the year (note 11)	526
Exchange differences	15
At 31 March 2016	–

At the end of the reporting period, the Group has unused tax losses of approximately HK$19,566,000 (2015: HK$19,566,000) available for offset against future profits and may be carried forward indefinitely.

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of a subsidiary for which deferred tax liabilities have not been recognised is approximately HK$22,946,000 (2015: HK$23,703,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. SHARE CAPITAL

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

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes judgements to the capital structure in light of changes in economic conditions. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The management was aware of the Group's deficiency of capital amounted to HK$75,832,000 (2015: HK$54,225,000) as at the end of reporting period. The Company successfully raised additional capital by placing of new shares on 16 May 2016 which helped strengthening the capital of the Group by approximately HK$179,900,000 (after deducting related professional fees). On 16 May 2016, the Group had also completed its acquisition of Copious Link Ventures Limited and its subsidiaries (collectively, the "Target Group"). Up to the approval date of these consolidated financial statements, the Group has make use of HK$163,000,000 of the proceeds from issuing of new shares to settle part of the consideration (the "Consideration") of acquisition of HK$27,100,000 and partial liabilities (the "Service Fee") of the Target Group of HK$135,900,000 (collectively, the "Settlement"). After the Settlement, the Group will still have Consideration payable of HK$2,900,000 (the "Remaining Consideration") and Service Fee payable of HK$214,100,000 (the "Remaining Service Fee"). The Remaining Consideration is payable after the vendor of the Target Group providing satisfactory evidence of fulfillment of certain tax reporting and payment requirements. The Remaining Service Fee is payable on or before 15 November 2016. The Group is considering other means of fundraising including, but not limited to, by way of equity and/or debt to fund the obligation. A substantial shareholder of the Company, CCC, has also agreed to cause CCI to postpone the repayment date of the Remaining Service Fee should the Group be unable to complete the contemplated fundraising before 15 November 2016. Details are set out in note 32 to the Company's consolidated financial statements and announcements of the Company dated 3 May 2016 and 16 May 2016.

The externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of its issued shares throughout the year. The Company was not informed of any change in its shareholdings that would lead to its non-compliance with the 25% limit throughout the year.

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2016 HK$'000	2015 HK$'000
Non-current assets			
Investments in subsidiaries		**20**	20
Current assets			
Amounts due from subsidiaries		**19,751**	20,765
Prepayments		**119**	119
Bank and cash balances		**3,067**	22,287
Total current assets		**22,937**	43,171
TOTAL ASSETS		**22,957**	43,191
EQUITY AND LIABILITIES			
Share capital		**12,947**	12,947
Reserves	25(b)	**6,918**	27,199
Total equity		**19,865**	40,146
LIABILITIES			
Current liabilities			
Other payables and accruals		**527**	956
Amount due to a subsidiary		**2,565**	2,089
Total current liabilities		**3,092**	3,045
TOTAL EQUITY AND LIABILITIES		**22,957**	43,191

Approved by the Board of Directors on 17 June 2016 and are signed on its behalf by:

He Chenguang *Director*	**Bao Yueqing** *Director*

25. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	1,072,549	121	(1,034,696)	37,974
Loss for the year	–	–	(10,775)	(10,775)
Share option scheme				
— lapsed share options	–	(121)	121	–
At 31 March 2015	1,072,549	–	(1,045,350)	27,199
At 1 April 2015	**1,072,549**	**–**	**(1,045,350)**	**27,199**
Loss for the year	**–**	**–**	**(20,281)**	**(20,281)**
At 31 March 2016	**1,072,549**	**–**	**(1,065,631)**	**6,918**

26. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 2002.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(b) to the consolidated financial statements.

(iv) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(v) Share-based payment reserve

The share-based payment reserve represents equity-settled share-based payments to certain eligible participants of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4(p) to the consolidated financial statements.

27. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The purpose of the Company's share option scheme (the "Scheme") is to provide incentives and rewards to eligible participants who may contribute to the growth and development of the Group. Eligible participants include the employees (including executive directors), non-executive directors (including independent non-executive directors), any consultants, suppliers or customers, employees of any invested entity and any person who, in the sole discretion of the Board has contributed or may contribute to the Group eligible for share options under the Scheme.

At the annual general meeting of the Company held on 7 August 2013, the Company's shareholders approved the adoption of the Scheme. The Scheme became effective on 7 August 2013 and, unless otherwise cancelled or amended, the Scheme will remain in force for 10 years from that date.

The maximum number of shares under the Scheme which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Scheme. Thereafter, if refreshed, the maximum number shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit by the shareholders. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or any independent non-executive director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for a share of the Company in respect of any particular option granted under the Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

27. SHARE-BASED PAYMENTS (CONTINUED)

Equity-settled share option scheme (Continued)

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Details of the outstanding options granted under the Scheme as at the end of reporting periods are as follows:

Employees and others providing similar services

Date of grant	Vesting period	Exercisable period	Exercise price	Number of shares issuable under options granted	
			HK$	**2016**	2015
				'000	'000
28 March 2014	Immediately	29 March 2014 to 28 March 2015	0.492	**–**	–

Options not exercised were expired after the exercisable period.

Details of the share options outstanding during the year are as follows:

	2016 Number of share options	**2016** Weighted average exercise price	2015 Number of share options	2015 Weighted average exercise price
	'000	**HK$**	'000	HK$
Outstanding at the beginning of the year	**–**	**–**	2,000	0.492
Granted during the year	**–**	**–**	–	–
Lapsed during the year	**–**	**–**	(2,000)	0.492
Outstanding at the end of the year	**–**	**–**	–	–
Exercisable at the end of the year	**–**	**–**	–	–

No share option was granted for the year ended 31 March 2015 and 2016.

28. CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any significant contingent liabilities (2015: Nil).

29. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment		
— Contracted but not provided for	**4**	1,044

30. LEASE COMMITMENTS

At 31 March 2016 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**2,348**	4,797
In the second to fifth years inclusive	**–**	2,416
	2,348	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 range from two to three years and rentals are fixed over the lease terms and do not include contingent rentals.

31. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

	2016 HK$'000	2015 HK$'000
Promotion and management service income from CCC (excluding sales taxes)	**34,816**	38,592
Service fee to CCC		
— Advertising expenses	**(5,815)**	(6,005)
— Customer service hotline rental	**(1,699)**	(1,626)
— Server hosting service	**(8,172)**	(8,407)
Interest on promissory note payable to CCI	**(1,884)**	(1,894)

The details of remuneration, of key management personnel, represents the emoluments of directors of the Company paid during the year are set out in note 14(a).

32. EVENTS AFTER REPORTING PERIOD

On 3 May 2016, the Company entered into CCI Subscription Agreement with CCI in respect of 100,000,000 new shares of the Company to be allotted and issued to CCI at HK$0.5 per new share. The CCI Subscription Agreement was completed on 16 May 2016.

On 3 May 2016, the Company entered into Investor Subscription Agreements with 6 independent investors in respect a total of 261,000,000 new shares of the Company to be allotted and issued to them at HK$0.5 per new share. The Investor Subscription Agreements were completed on 16 May 2016.

On 9 December 2015, the Group has entered into the Sale and Purchase Agreement with Profuse Year Limited (the "Vendor"), a wholly-owned subsidiary of CCI, to acquire the entire issued share capital of Copious Link Ventures Limited (the "Target Company") with a consideration of HK$30 million (the "Acquisition"). The Acquisition was completed on 16 May 2016, as a result, the Target Company and its subsidiaries became wholly-owned subsidiaries of the Group since then. The Group is required to pay HK$27,100,000 to the Vendor on or before 12 November 2016 and to pay the remaining HK$2,900,000 after the Vendor providing satisfactory evidence of fulfilment of certain tax reporting and payment requirements. Upon completion of the Acquisition, the Group is required to settle certain payables due to CCI incurred by a subsidiary of the Target Company before the Acquisition; and the relevant amount is HK$350,000,000 ("Service Fee") payable on or before 15 November 2016.

On 17 June 2016, CCC, a substantial shareholder of the Company, has agreed to cause CCI to postpone the repayment date of any portion of the Service Fee due to CCI by the Group should the Company be unable to raise adequate fund for repayment before 15 November 2016.