



# 2012/13

## THIRD QUARTERLY REPORT



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)

# Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “Directors”) of China Communication Telecom Services Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## Highlights

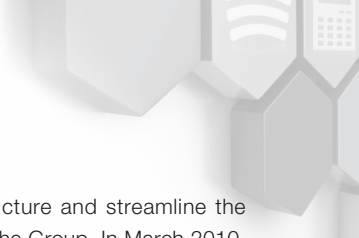
- Turnover of the Group for the nine months ended 31 December 2012 was approximately HK\$25,616,000.
- Net loss attributable to owners of the Company was approximately HK\$11,302,000 for the nine months ended 31 December 2012.
- Loss per share for the nine months ended 31 December 2012 was approximately HK\$0.95 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the nine months ended 31 December 2012.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the nine months ended 31 December 2012.

## Financial Performance

The Group recorded consolidated turnover of approximately HK\$25,616,000 for the nine months ended 31 December 2012, representing an increase of approximately 4.5% as compared to approximately HK\$24,503,000 for the nine months ended 31 December 2011. The turnover for the nine months ended 31 December 2012 was attributable to the provision of promotion and management services for an electronic smart card “Shentong Card” in the People’s Republic of China (the “PRC”).

The Group made a net loss attributable to owners of the Company of approximately HK\$11,302,000 for the nine months ended 31 December 2012 as compared to a net profit of approximately HK\$178,519,000 (as restated) for the nine months ended 31 December 2011. The net profit recorded in 2011 was mainly attributed by the gain on disposal of a subsidiary and the waiver of coupon interest.



## 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 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<sup>#</sup>) (“Yijia”). Since December 2011, the Group concentrates on the business in promotion and management services for Shentong Card in the PRC.

The consolidated turnover from promotion and management services for Shentong Card has reached an increase of approximately 4.5% as compared with the nine months ended 31 December 2011.

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

## PROVISION OF PROMOTION AND MANAGEMENT SERVICES

For the nine months ended 31 December 2012, the revenue derived from the provision of promotion and management services was approximately HK\$25,616,000 as compared to approximately HK\$24,503,000 for the nine months ended 31 December 2011.

<sup>#</sup> English translation of the name for identification purpose only

# Condensed Consolidated Income Statement

FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

|                                                               | Note | For the three months ended |             | For the nine months ended |             |
|---------------------------------------------------------------|------|----------------------------|-------------|---------------------------|-------------|
|                                                               |      | 31 December                |             | 31 December               |             |
|                                                               |      | 2012                       | 2011        | 2012                      | 2011        |
|                                                               |      | HK\$'000                   | HK\$'000    | HK\$'000                  | HK\$'000    |
|                                                               |      | (Unaudited)                | (Unaudited) | (Unaudited)               | (Unaudited) |
|                                                               |      |                            | (Restated)  |                           | (Restated)  |
| <b>Continuing operation</b>                                   |      |                            |             |                           |             |
| <b>Turnover</b>                                               | 3    | <b>8,682</b>               | 9,792       | <b>25,616</b>             | 24,503      |
| Cost of sales                                                 |      | <b>(3,653)</b>             | (2,699)     | <b>(10,356)</b>           | (8,073)     |
| <b>Gross profit</b>                                           |      | <b>5,029</b>               | 7,093       | <b>15,260</b>             | 16,430      |
| Other income                                                  | 4    | <b>27</b>                  | 7           | <b>68</b>                 | 15          |
| Waive of coupon interest                                      | 5    | <b>–</b>                   | 19,861      | <b>–</b>                  | 19,861      |
| Selling and distribution expenses                             |      | <b>(3,031)</b>             | (3,309)     | <b>(11,231)</b>           | (7,401)     |
| Administrative expenses                                       |      | <b>(5,038)</b>             | (3,532)     | <b>(13,996)</b>           | (10,574)    |
| <b>(Loss)/profit from operations</b>                          |      | <b>(3,013)</b>             | 20,120      | <b>(9,899)</b>            | 18,331      |
| Finance costs                                                 | 6    | <b>(473)</b>               | (1,124)     | <b>(1,414)</b>            | (3,783)     |
| <b>(Loss)/profit before tax</b>                               |      | <b>(3,486)</b>             | 18,996      | <b>(11,313)</b>           | 14,548      |
| Income tax (expense)/credit                                   | 7    | <b>(188)</b>               | (382)       | <b>11</b>                 | (1,670)     |
| <b>(Loss)/profit for the period from continuing operation</b> |      | <b>(3,674)</b>             | 18,614      | <b>(11,302)</b>           | 12,878      |
| <b>Discontinued operations</b>                                |      |                            |             |                           |             |
| Profit for the period from discontinued operations            | 10   | <b>–</b>                   | 165,728     | <b>–</b>                  | 165,633     |
| <b>(Loss)/profit for the period</b>                           | 8    | <b>(3,674)</b>             | 184,342     | <b>(11,302)</b>           | 178,511     |

|                                                                        | Note | For the three months ended     |                                              | For the nine months ended      |                                              |
|------------------------------------------------------------------------|------|--------------------------------|----------------------------------------------|--------------------------------|----------------------------------------------|
|                                                                        |      | 31 December                    |                                              | 31 December                    |                                              |
|                                                                        |      | 2012                           | 2011                                         | 2012                           | 2011                                         |
|                                                                        |      | <i>HK\$'000</i>                | <i>HK\$'000</i>                              | <i>HK\$'000</i>                | <i>HK\$'000</i>                              |
|                                                                        |      | (Unaudited)                    | (Unaudited)<br>(Restated)                    | (Unaudited)                    | (Unaudited)<br>(Restated)                    |
| <b>Attributable to:</b>                                                |      |                                |                                              |                                |                                              |
| Owners of the Company                                                  |      |                                |                                              |                                |                                              |
| (Loss)/profit from continuing operation                                |      | (3,674)                        | 18,614                                       | (11,302)                       | 12,878                                       |
| Profit from discontinued operations                                    |      | –                              | 165,713                                      | –                              | 165,641                                      |
| (Loss)/profit for the period attributable to owners of the Company     |      | (3,674)                        | 184,327                                      | (11,302)                       | 178,519                                      |
| Non-controlling interests                                              |      |                                |                                              |                                |                                              |
| Profit/(loss) from continuing operation                                |      | –                              | –                                            | –                              | –                                            |
| Profit/(loss) from discontinued operations                             |      | –                              | 15                                           | –                              | (8)                                          |
| Profit/(loss) for the period attributable to non-controlling interests |      | –                              | 15                                           | –                              | (8)                                          |
|                                                                        |      | (3,674)                        | 184,342                                      | (11,302)                       | 178,511                                      |
|                                                                        |      | <i>HK cents</i><br>(Unaudited) | <i>HK cents</i><br>(Unaudited)<br>(Restated) | <i>HK cents</i><br>(Unaudited) | <i>HK cents</i><br>(Unaudited)<br>(Restated) |
| <b>(Loss)/earnings per share</b>                                       | 11   |                                |                                              |                                |                                              |
| From continuing and discontinued operations                            |      |                                |                                              |                                |                                              |
| – basic                                                                |      | (0.31)                         | 15.43                                        | (0.95)                         | 14.94                                        |
| – diluted                                                              |      | (0.31)                         | 15.42                                        | (0.95)                         | 14.88                                        |
| From continuing operation                                              |      |                                |                                              |                                |                                              |
| – basic                                                                |      | (0.31)                         | 1.56                                         | (0.95)                         | 1.08                                         |
| – diluted                                                              |      | (0.31)                         | 1.56                                         | (0.95)                         | 1.07                                         |

# Condensed Consolidated Statement of Comprehensive Income

FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

|                                                                                 | For the three months ended |             | For the nine months ended |             |
|---------------------------------------------------------------------------------|----------------------------|-------------|---------------------------|-------------|
|                                                                                 | 31 December                |             | 31 December               |             |
|                                                                                 | 2012                       | 2011        | 2012                      | 2011        |
|                                                                                 | HK\$'000                   | HK\$'000    | HK\$'000                  | HK\$'000    |
|                                                                                 | (Unaudited)                | (Unaudited) | (Unaudited)               | (Unaudited) |
|                                                                                 |                            | (Restated)  |                           | (Restated)  |
| <b>(Loss)/profit for the period</b>                                             | <b>(3,674)</b>             | 184,342     | <b>(11,302)</b>           | 178,511     |
| <b>Other comprehensive income:</b>                                              |                            |             |                           |             |
| Exchange differences on translating foreign operations                          | 54                         | 38          | 12                        | 287         |
| Exchange differences reclassified to profit or loss on disposal of a subsidiary | –                          | (11,199)    | –                         | (11,199)    |
| <b>Other comprehensive income for the period, net of tax</b>                    | <b>54</b>                  | (11,161)    | <b>12</b>                 | (10,912)    |
| <b>Total comprehensive income for the period</b>                                | <b>(3,620)</b>             | 173,181     | <b>(11,290)</b>           | 167,599     |
| <b>Attributable to:</b>                                                         |                            |             |                           |             |
| Owners of the Company                                                           | (3,620)                    | 173,180     | (11,290)                  | 167,763     |
| Non-controlling interests                                                       | –                          | 1           | –                         | (164)       |
|                                                                                 | <b>(3,620)</b>             | 173,181     | <b>(11,290)</b>           | 167,599     |

# Notes to the Interim Financial Information

FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

## 1. GENERAL

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

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

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange.

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

The interim financial information should be read in conjunction with the Group's annual financial statements ("Latest Annual Financial Statements") for the year ended 31 March 2012. The accounting policies and methods of computation used in the preparation of this interim financial information are consistent with those used in the Latest Annual Financial Statements together with the adoption of new and revised HKFRSs.

In the current period, 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 period beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior periods.



The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The Group has incurred loss attributable to owners of the Company for the current period and the Group's financial position showing net current liabilities and net liabilities as at 31 December 2012. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Nevertheless, the directors had adopted the going concern basis in the preparation of this interim financial information of the Group based on the following:

- (a) On 31 March 2012, the Group agreed with China Communication Investment Limited ("CCI"), a substantial shareholder of the Company, to postpone the maturity date of the promissory note to 30 June 2013.
- (b) The directors have obtained the confirmation from 神州通信集團有限公司 (China Communication Group Co., Ltd.\*) ("CCC"), the holding company of CCI and regarded as the substantial shareholder of the Company, that CCC will continue to provide adequate funds for the Group to meet its financial obligation as they fall due, both present and future.

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

\* For identification purpose

### 3. TURNOVER

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

|                                      | For the three months<br>ended 31 December |             | For the nine months<br>ended 31 December |             |
|--------------------------------------|-------------------------------------------|-------------|------------------------------------------|-------------|
|                                      | 2012                                      | 2011        | 2012                                     | 2011        |
|                                      | HK\$'000                                  | HK\$'000    | HK\$'000                                 | HK\$'000    |
|                                      | (Unaudited)                               | (Unaudited) | (Unaudited)                              | (Unaudited) |
| Promotion and management services    | 8,682                                     | 9,792       | 25,616                                   | 24,503      |
| Representing:                        |                                           |             |                                          |             |
| Continuing operation                 | 8,682                                     | 9,792       | 25,616                                   | 24,503      |
| Discontinued operations<br>(note 10) | –                                         | –           | –                                        | –           |
|                                      | 8,682                                     | 9,792       | 25,616                                   | 24,503      |

### 4. OTHER INCOME

|                                      | For the three months<br>ended 31 December |             | For the nine months<br>ended 31 December |             |
|--------------------------------------|-------------------------------------------|-------------|------------------------------------------|-------------|
|                                      | 2012                                      | 2011        | 2012                                     | 2011        |
|                                      | HK\$'000                                  | HK\$'000    | HK\$'000                                 | HK\$'000    |
|                                      | (Unaudited)                               | (Unaudited) | (Unaudited)                              | (Unaudited) |
| Interest income                      | 10                                        | 99          | 26                                       | 119         |
| Sundry income                        | 17                                        | –           | 42                                       | –           |
|                                      | 27                                        | 99          | 68                                       | 119         |
| Representing:                        |                                           |             |                                          |             |
| Continuing operation                 | 27                                        | 7           | 68                                       | 15          |
| Discontinued operations<br>(note 10) | –                                         | 92          | –                                        | 104         |
|                                      | 27                                        | 99          | 68                                       | 119         |

## 5. WAIVE OF COUPON INTEREST

On 7 December 2011, the Group and CCI entered into a Deed of Waiver, pursuant to which CCI agreed to waive the coupon interest payable due by the Group up to 7 December 2011. Future coupon interests are to be calculated in accordance with the original terms of the promissory note.

## 6. FINANCE COSTS

|                                               | For the three months<br>ended 31 December |             | For the nine months<br>ended 31 December |             |
|-----------------------------------------------|-------------------------------------------|-------------|------------------------------------------|-------------|
|                                               | 2012                                      | 2011        | 2012                                     | 2011        |
|                                               | HK\$'000                                  | HK\$'000    | HK\$'000                                 | HK\$'000    |
|                                               | (Unaudited)                               | (Unaudited) | (Unaudited)                              | (Unaudited) |
|                                               |                                           | (Restated)  |                                          | (Restated)  |
| Interest on promissory note<br>payable to CCI | 473                                       | 1,124       | 1,414                                    | 3,783       |
| Representing:                                 |                                           |             |                                          |             |
| Continuing operation                          | 473                                       | 1,124       | 1,414                                    | 3,783       |
| Discontinued operations                       | –                                         | –           | –                                        | –           |
|                                               | 473                                       | 1,124       | 1,414                                    | 3,783       |

## 7. INCOME TAX (EXPENSE)/CREDIT

|              | For the three months<br>ended 31 December |             | For the nine months<br>ended 31 December |             |
|--------------|-------------------------------------------|-------------|------------------------------------------|-------------|
|              | 2012                                      | 2011        | 2012                                     | 2011        |
|              | HK\$'000                                  | HK\$'000    | HK\$'000                                 | HK\$'000    |
|              | (Unaudited)                               | (Unaudited) | (Unaudited)                              | (Unaudited) |
| Current tax  | (701)                                     | (918)       | (1,524)                                  | (3,262)     |
| Deferred tax | 513                                       | 536         | 1,535                                    | 1,592       |
|              | (188)                                     | (382)       | 11                                       | (1,670)     |

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the three months and nine months ended 31 December 2012 and 2011.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2011: 25%).



the following:

The Group's (loss)/profit for the period is stated after charging the following:

|                                                 | For the three months ended 31 December |             |                         |             |             |             |
|-------------------------------------------------|----------------------------------------|-------------|-------------------------|-------------|-------------|-------------|
|                                                 | Continuing operation                   |             | Discontinued operations |             | Total       |             |
|                                                 | 2012                                   | 2011        | 2012                    | 2011        | 2012        | 2011        |
|                                                 | HK\$'000                               | HK\$'000    | HK\$'000                | HK\$'000    | HK\$'000    | HK\$'000    |
|                                                 | (Unaudited)                            | (Unaudited) | (Unaudited)             | (Unaudited) | (Unaudited) | (Unaudited) |
| Amortisation of intangible assets               |                                        |             |                         |             |             |             |
| – included in cost of sales                     | 1,414                                  | 1,655       | -                       | -           | 1,414       | 1,655       |
| – included in selling and distribution expenses | 639                                    | 487         | -                       | -           | 639         | 487         |
|                                                 | 2,053                                  | 2,142       | -                       | -           | 2,053       | 2,142       |
| Depreciation                                    | 349                                    | 284         | -                       | -           | 349         | 284         |
| Directors' emoluments                           | 985                                    | 1,135       | -                       | -           | 985         | 1,135       |
| Operating lease charges for land and buildings  | 714                                    | 691         | -                       | -           | 714         | 691         |
| Equity-settled share-based payment              | 223                                    | 352         | -                       | -           | 223         | 352         |
| Staff costs excluding directors' emoluments     |                                        |             |                         |             |             |             |
| – Salaries, bonus and allowances                | 1,316                                  | 1,030       | -                       | 24          | 1,316       | 1,054       |
| – Retirement benefits scheme contributions      | 90                                     | 97          | -                       | 3           | 90          | 100         |
|                                                 | 1,406                                  | 1,127       | -                       | 27          | 1,406       | 1,154       |

**For the nine months ended 31 December**

|                                                 | <b>Continuing operation</b> |             | <b>Discontinued operations</b> |             | <b>Total</b>       |             |
|-------------------------------------------------|-----------------------------|-------------|--------------------------------|-------------|--------------------|-------------|
|                                                 | <b>2012</b>                 | 2011        | <b>2012</b>                    | 2011        | <b>2012</b>        | 2011        |
|                                                 | <b>HK\$'000</b>             | HK\$'000    | <b>HK\$'000</b>                | HK\$'000    | <b>HK\$'000</b>    | HK\$'000    |
|                                                 | <b>(Unaudited)</b>          | (Unaudited) | <b>(Unaudited)</b>             | (Unaudited) | <b>(Unaudited)</b> | (Unaudited) |
| Amortisation of intangible assets               |                             |             |                                |             |                    |             |
| – included in cost of sales                     | <b>4,228</b>                | 4,921       | -                              | -           | <b>4,228</b>       | 4,921       |
| – included in selling and distribution expenses | <b>1,911</b>                | 1,449       | -                              | -           | <b>1,911</b>       | 1,449       |
|                                                 | <b>6,139</b>                | 6,370       | -                              | -           | <b>6,139</b>       | 6,370       |
| Depreciation                                    | <b>1,016</b>                | 837         | -                              | -           | <b>1,016</b>       | 837         |
| Directors' emoluments                           | <b>3,207</b>                | 3,558       | -                              | -           | <b>3,207</b>       | 3,558       |
| Operating lease charges for land and buildings  | <b>2,112</b>                | 2,065       | -                              | -           | <b>2,112</b>       | 2,065       |
| Equity-settled share-based payment              | <b>884</b>                  | 1,712       | -                              | -           | <b>884</b>         | 1,712       |
| Staff costs excluding directors' emoluments     |                             |             |                                |             |                    |             |
| – Salaries, bonus and allowances                | <b>3,774</b>                | 3,398       | -                              | 99          | <b>3,774</b>       | 3,497       |
| – Retirement benefits scheme contributions      | <b>255</b>                  | 306         | -                              | 20          | <b>255</b>         | 326         |
|                                                 | <b>4,029</b>                | 3,704       | -                              | 119         | <b>4,029</b>       | 3,823       |

## 9. DIVIDENDS

No dividends have been paid or proposed during the three months and nine months ended 31 December 2012, nor has any dividend been proposed since the end of reporting period (three months and nine months ended 31 December 2011: HK\$Nil).

## 10. DISCONTINUED OPERATIONS

During the year ended 31 March 2012, the Group ceased its online game, e-Sports platform and computer games distribution and licensing operations upon the extraordinary general meeting held on 20 January 2011, approving the agreement dated 1 December 2010 for the disposal of 75% interest in a subsidiary, 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.\*) ("CCP") at a consideration of HK\$140 million.

\* For identification purpose

The disposal was completed on 7 December 2011.

The results of the discontinued operations for the three months and nine months ended 31 December 2011, which have been included in the interim financial information, were as follows:

|                                                    | <b>For the<br/>three months<br/>ended<br/>31 December<br/>2011</b> | <b>For the<br/>nine months<br/>ended<br/>31 December<br/>2011</b> |
|----------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------|
|                                                    | <i>HK\$'000</i>                                                    | <i>HK\$'000</i>                                                   |
|                                                    | (Unaudited)                                                        | (Unaudited)                                                       |
|                                                    | (Restated)                                                         | (Restated)                                                        |
| Turnover ( <i>note 3</i> )                         | –                                                                  | –                                                                 |
| Cost of sales                                      | –                                                                  | –                                                                 |
| Gross profit                                       | –                                                                  | –                                                                 |
| Other income ( <i>note 4</i> )                     | 92                                                                 | 104                                                               |
| Selling and distribution expenses                  | (10)                                                               | (35)                                                              |
| Administrative expenses                            | (21)                                                               | (103)                                                             |
| Gain on disposal of CCP                            | 165,667                                                            | 165,667                                                           |
| Profit for the period from discontinued operations | 165,728                                                            | 165,633                                                           |

## 11. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

#### (i) *From continuing and discontinued operations*

The calculation of basic (loss)/earnings per share attributable to owners of the Company for the three months and nine months ended 31 December 2012 is based on the loss for the period attributable to owners of the Company of approximately HK\$3,674,000 (three months ended 31 December 2011 (Restated): earnings of HK\$184,327,000) and HK\$11,302,000 (nine months ended 31 December 2011 (Restated): earnings of HK\$178,519,000) respectively and the weighted average number of ordinary shares of 1,194,697,017 (three months and nine months ended 31 December 2011: 1,194,697,017) in issue during both periods.

#### (ii) *From continuing operation*

The calculation of basic (loss)/earnings per share from continuing operation attributable to owners of the Company for the three months and nine months ended 31 December 2012 is based on the loss for the period from continuing operation attributable to owners of the Company of approximately HK\$3,674,000 (three months ended 31 December 2011 (Restated): earnings of HK\$18,614,000) and HK\$11,302,000 (nine months ended 31 December 2011 (Restated): earnings of HK\$12,878,000) respectively and the denominator used is the same as that detailed above.

#### (iii) *From discontinued operations*

Basic earnings per share from the discontinued operations attributable to owners of the Company for the three months and nine months ended 31 December 2011 was HK cents 13.87 (Restated) per share and HK cents 13.86 (Restated) respectively, based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$165,713,000 (Restated) and HK\$165,641,000 (Restated) respectively and the denominator used was the same as that detailed above.

**(b) Diluted (loss)/earnings per share**

**(i) *From continuing and discontinued operations***

The calculation of diluted earnings per share attributable to owners of the Company for the three months and nine months ended 31 December 2011 was based on the profit for the period attributable to owners of the Company of approximately HK\$184,327,000 (Restated) and HK\$178,519,000 (Restated) respectively and the weighted average number of ordinary shares of 1,195,078,898 and 1,200,085,123 respectively, being the weighted average number of ordinary shares of 1,194,697,017 in issue during the period used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 381,881 and 5,388,106 respectively assumed to have been issued at no consideration on the deemed exercise of the share options outstanding during the period.

**(ii) *From continuing operation***

The calculation of diluted earnings per share from continuing operation attributable to owners of the Company for the three months and nine months ended 31 December 2011 was based on the profit for the period from continuing operation attributable to owners of the Company of approximately HK\$18,614,000 (Restated) and HK\$12,878,000 (Restated) respectively and the denominator used is the same as that detailed above.

**(iii) *From discontinued operations***

Diluted earnings per share from the discontinued operation attributable to owners of the Company for the three months and nine months ended 31 December 2011 was HK cents 13.86 (Restated) per share and HK cents 13.81 (Restated) per share respectively, based on the profit for the period from discontinued operations attributable to the owners of the Company of approximately HK\$165,713,000 (Restated) and HK\$165,641,000 (Restated) respectively and the denominators used are the same as that detailed above.

The Company did not have any dilutive potential ordinary shares during the three months and nine months ended 31 December 2012. Diluted loss per share are presented as equal to basic loss per share as a result.



## 12. MOVEMENT OF RESERVES

|                                                         | Share<br>premium<br>HK\$'000<br>(Unaudited) | Merger<br>reserve<br>HK\$'000<br>(Unaudited) | Foreign<br>currency<br>translation<br>reserve<br>HK\$'000<br>(Unaudited) | Share-based<br>payment<br>reserve<br>HK\$'000<br>(Unaudited) | Accumulated<br>losses<br>HK\$'000<br>(Unaudited) | Sub-total<br>HK\$'000<br>(Unaudited) | Non-<br>controlling<br>interests<br>HK\$'000<br>(Unaudited) | Total<br>HK\$'000<br>(Unaudited) |
|---------------------------------------------------------|---------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------|--------------------------------------|-------------------------------------------------------------|----------------------------------|
| At 1 April 2011                                         | 1,042,779                                   | 8,320                                        | 12,280                                                                   | 15,288                                                       | (1,298,687)                                      | (220,020)                            | (620)                                                       | (220,640)                        |
| Total comprehensive income for<br>the period (Restated) | -                                           | -                                            | (10,756)                                                                 | -                                                            | 178,519                                          | 167,763                              | (164)                                                       | 167,599                          |
| Share option scheme                                     |                                             |                                              |                                                                          |                                                              |                                                  |                                      |                                                             |                                  |
| – equity-settled share-based<br>payment expenses        | -                                           | -                                            | -                                                                        | 1,712                                                        | -                                                | 1,712                                | -                                                           | 1,712                            |
| Disposal of a subsidiary                                | -                                           | -                                            | -                                                                        | -                                                            | -                                                | -                                    | 784                                                         | 784                              |
| Changes in equity for the period                        | -                                           | -                                            | (10,756)                                                                 | 1,712                                                        | 178,519                                          | 169,475                              | 620                                                         | 170,095                          |
| At 31 December 2011 (Restated)                          | 1,042,779                                   | 8,320                                        | 1,524                                                                    | 17,000                                                       | (1,120,168)                                      | (50,545)                             | -                                                           | (50,545)                         |
| At 1 April 2012                                         | <b>1,042,779</b>                            | <b>8,320</b>                                 | <b>1,512</b>                                                             | <b>13,204</b>                                                | <b>(1,130,876)</b>                               | <b>(65,061)</b>                      | <b>-</b>                                                    | <b>(65,061)</b>                  |
| Total comprehensive income for<br>the period            | -                                           | -                                            | 12                                                                       | -                                                            | (11,302)                                         | (11,290)                             | -                                                           | (11,290)                         |
| Share option scheme                                     |                                             |                                              |                                                                          |                                                              |                                                  |                                      |                                                             |                                  |
| – equity-settled share-based<br>payment expenses        | -                                           | -                                            | -                                                                        | 884                                                          | -                                                | 884                                  | -                                                           | 884                              |
| – forfeiture of share options<br>granted                | -                                           | -                                            | -                                                                        | (12,566)                                                     | 12,566                                           | -                                    | -                                                           | -                                |
| Changes in equity for the period                        | -                                           | -                                            | 12                                                                       | (11,682)                                                     | 1,264                                            | (10,406)                             | -                                                           | (10,406)                         |
| At 31 December 2012                                     | <b>1,042,779</b>                            | <b>8,320</b>                                 | <b>1,524</b>                                                             | <b>1,522</b>                                                 | <b>(1,129,612)</b>                               | <b>(75,467)</b>                      | <b>-</b>                                                    | <b>(75,467)</b>                  |

### 13. COMPARATIVE FIGURES

Certain comparative figures in the interim financial information of the Group for the three months and nine months period ended 31 December 2011 have been restated to reflect the adjustments made in the audited financial statements for the year ended 31 March 2012.

Waiver of coupon interest and finance cost have been increased by approximately HK\$13,000 and HK\$18,000, respectively. Gain on disposals of subsidiary as included in profit from discontinued operations has been adjusted downward by approximately HK\$3,936,000. The above restatements have resulted in a decrease in the Group's profit by approximately HK\$3,941,000 for the three months and nine months period ended 31 December 2011.

An amount of HK\$3,072,000 as included in the foreign currency translation reserve related to the disposed subsidiary has not been derecognised upon disposal. The same amount has been adjusted and as a result the Group's total comprehensive income for the three months and nine months period ended 31 December 2011 have been restated downward by HK\$7,013,000.

## Other Information

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

As at 31 December 2012, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

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

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 the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 31 December 2012.

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

As at 31 December 2012, 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

| Name of shareholder                    | Number of shares held |                     |                  |                 |                           | Number of underlying shares |                     | Approximate percentage of the issued share capital of the Company |
|----------------------------------------|-----------------------|---------------------|------------------|-----------------|---------------------------|-----------------------------|---------------------|-------------------------------------------------------------------|
|                                        | Personal interests    | Corporate interests | Family interests | Other interests | Total interests in shares | Share Option Scheme         | Aggregate interests |                                                                   |
| CCC (Note 1)                           | -                     | 356,542,000         | -                | -               | 356,542,000               | -                           | 356,542,000         | 29.84%                                                            |
| CCI                                    | 356,542,000           | -                   | -                | -               | 356,542,000               | -                           | 356,542,000         | 29.84%                                                            |
| Jin Xian Gen (Note 2)                  | -                     | 128,205,128         | -                | -               | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |
| Full Ocean Development Limited         | 128,205,128           | -                   | -                | -               | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |
| Jin Lin Jun (Note 3)                   | -                     | 128,205,128         | -                | -               | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |
| Amazing International Holdings Limited | 128,205,128           | -                   | -                | -               | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |
| Yang Shaoxiao (Note 4)                 | -                     | -                   | -                | 128,205,128     | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |
| Jin Yan (Note 5)                       | -                     | -                   | -                | 128,205,128     | 128,205,128               | -                           | 128,205,128         | 10.73%                                                            |

Notes:

- (1) 神州通信集團有限公司 (China Communication Group Co., Ltd. #) ("CCC") is deemed to be substantial shareholder as defined in the GEM Listing Rules. CCI is a wholly-owned subsidiary of CCC.
- (2) Mr. Jin Xian Gen is interested in 90% of the entire issued share capital of Full Ocean Development Limited and is therefore deemed to be interested in 128,205,128 shares held by Full Ocean Development Limited by virtue of the SFO.

# English translation of the name for identification purpose only

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

Save as disclosed above, as at 31 December 2012, 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 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

## SHARE OPTION SCHEMES

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

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 31 December 2012 were as follows:

|                                 |                   |                                      |                          | Number of share options |                                   |                                                    |                                                 |                                     |                        |
|---------------------------------|-------------------|--------------------------------------|--------------------------|-------------------------|-----------------------------------|----------------------------------------------------|-------------------------------------------------|-------------------------------------|------------------------|
| Name or category of participant | Date of grant     | Exercisable period                   | Exercise price per share | As at 1 April 2012      | Options granted during the period | Options exercised during the period <sup>(2)</sup> | Options lapsed during the period <sup>(1)</sup> | Options cancelled during the period | As at 31 December 2012 |
| HK\$                            |                   |                                      |                          |                         |                                   |                                                    |                                                 |                                     |                        |
| Other Eligible Participants     |                   |                                      |                          |                         |                                   |                                                    |                                                 |                                     |                        |
| In aggregate                    | 7 April 2010      | 7 April 2011 to 6 April 2012         | 1.25                     | 31,170,000              | -                                 | -                                                  | (31,170,000)                                    | -                                   | -                      |
| In aggregate                    | 14 April 2011     | 14 October 2011 to 13 October 2012   | 1.75                     | 1,000,000               | -                                 | -                                                  | (1,000,000)                                     | -                                   | -                      |
| In aggregate                    | 14 September 2011 | 14 November 2011 to 13 November 2013 | 1.50                     | 1,000,000               | -                                 | -                                                  | -                                               | -                                   | 1,000,000              |
| In aggregate                    | 2 December 2011   | 2 December 2012 to 1 December 2013   | 1.24                     | 6,000,000               | -                                 | -                                                  | -                                               | -                                   | 6,000,000              |
|                                 |                   |                                      |                          | 39,170,000              | -                                 | -                                                  | (32,170,000)                                    | -                                   | 7,000,000              |

*Notes:*

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

## **DIRECTORS' RIGHT TO ACQUIRE SHARES**

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

## **PRE-EMPTIVE RIGHTS**

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

## **COMPETING INTERESTS**

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

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the nine months ended 31 December 2012.

## AUDIT COMMITTEE

The Company has established an audit committee on 28 October 2002 with written terms of reference based on the guidelines set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. Currently, it comprises four Independent Non-Executive Directors, namely Mr. Yip Tai Him, Ms. Cao Huifang, Ms. Liu Hong and Dr. Lam Lee G. (appointed on 1 January 2013). The primary duties of the audit committee are to review the Company's annual report and accounts, half-yearly reports and quarterly reports and to provide advice and comments thereon to the Board. In addition, the audit committee considers any significant and unusual items that are, or may need to be, reflected in such reports and accounts and gives due consideration to any matters that have been raised by the Company's qualified accountant, compliance officer and auditor. The audit committee is also responsible for reviewing and supervising the financial reporting process and the Group's internal control system.

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the nine months ended 31 December 2012.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Save and except as hereinafter mentioned, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the nine months ended 31 December 2012.

Pursuant to Code Provision A.6.7, if an independent non-executive Director of the Company serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by the shareholders. Mr. Yip Tai Him has served as an independent non-executive Director for over nine years, but Mr. Yip Tai Him is not due to retirement by rotation yet. The Company opined that a service term of over nine years is not the key factor in determining the independence of an independent non-executive Director, the Company believes that Mr. Yip Tai Him can exercise his own integrity and experience and to express opinions on matters of the Company independently and therefore his independence is confirmed.



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

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the nine months ended 31 December 2012.

By order of the Board  
**China Communication Telecom Services Company Limited**  
**He Chenguang**  
*Chairman*

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

Mr. He Chenguang (*Executive Director and Chairman*)  
Mr. Zhang Peng (*Executive Director and Chief Executive Officer*)  
Mr. Xiao Haiping (*Non-Executive Director*)  
Dr. Lam Lee G. (*Independent Non-Executive Director*)  
Mr. Yip Tai Him (*Independent Non-Executive Director*)  
Ms. Cao Huifang (*Independent Non-Executive Director*)  
Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 1 February 2013