THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Communication Telecom Services Company Limited (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CHN

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)

(1) REFRESHMENT OF THE EXISTING ANNUAL CAPS REGARDING CONTINUING CONNECTED TRANSACTIONS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent financial adviser to the Independent Board Committee and Independent Shareholders

Nuada Limited

Corporate Finance Advisory

Capitalised terms used herein shall have the same meanings as those defined in the section headed "Definition" of this circular.

A letter from the Independent Board Committee is set out on page 21 of this circular. A letter from Nuada Limited, the Independent Financial Adviser of the Company, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 22 to 37 of this circular.

A notice convening the EGM to be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 14 April 2015 at 11:00 a.m. is set out on pages 44 to 45 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

This circular will remain at www.hkgem.com on the "Latest company announcements" page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.ccpi.com.hk.

24 March 2015

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENTS

Page

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Annual Caps"	the annual caps for the transactions contemplated under Third CCT Agreements for the period commencing from the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 respectively
"associate(s)"	has the meaning ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"CCC"	神州通信集團有限公司 (China Communication Group Co., Ltd.#), a company established under the laws of the PRC, a substantial Shareholder by virtue of its interest in approximately 27.54% of the issued share capital of the Company as at the Latest Practicable Date through CCI, its wholly-owned subsidiary
"CCI"	神州通信投資有限公司 (China Communication Investment Limited), a company incorporated in the British Virgin Islands with limited liability, a wholly-owned subsidiary of CCC
"CCT Agreements"	together, the Customer Service Hotline Rental Agreement, the Server Hosting Agreement, the Service Contract and the Web Advertising Agreement
"Company"	China Communication Telecom Services Company Limited, a company incorporated in the Cayman Islands with limited liability, whose issued Shares are listed on GEM
"connected persons"	has the meaning ascribed to it under Chapters 1 and 20 of the GEM Listing Rules
"Customer Service Hotline Rental Agreement"	the customer service hotline rental agreement entered into between Shentong Yijia and CCC on 11 January 2010 in relation to the provision of the designated national customer service hotline number 95130*** by CCC to Shentong Yijia, details of which have been included in the circular of the Company dated 5 February 2010
"Designated Shentong Card(s)"	the designated "Shentong Card(s)" preloaded with certain insurance products of CCC

"Director(s)"	the director(s) of the Company, from time to time
"Effective Date"	the date falling upon (i) the passing of the relevant resolutions by the Independent Shareholders at the EGM or (ii) 1 April 2015, whichever is later
"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the Third CCT Agreements and the transactions respectively contemplated thereunder and the Annual Caps
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee comprising Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li, all being the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Third CCT Agreements and the Annual Caps for the transactions contemplated thereunder
"Independent Financial Adviser"	Nuada Limited, a licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity, who has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Third CCT Agreements and the Annual Caps
"Independent Shareholders"	Shareholder(s) other than CCC and Shareholders who are connected to or otherwise associated with CCC a or interested in the Third CCT Agreements other than being a Shareholder of the Company
"Independent Third Party(ies)"	any person(s) or company(s) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, are third party(ies) independent of and not connected with their connected persons
"Latest Practicable Date"	20 March 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"PRC"	the People's Republic of China, which for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Second CCT Agreements"	together, the Second Customer Service Hotline Rental Agreement, the Second Server Hosting Agreement, the Second Service Contract and the Second Web Advertising Agreement
"Second Customer Service Hotline Rental Agreement"	the customer service hotline rental agreement entered into between Shentong Yijia and CCC on 9 October 2012 in relation to the provision of the designated national customer service hotline number 95130*** by CCC to Shentong Yijia, to renew the Customer Service Hotline Rental Agreement
"Second Server Hosting Agreement"	the server hosting agreement entered into between Shentong Yijia and CCC on 9 October 2012 in relation to the provision of server hosting service and the broadband leased line by CCC to Shentong Yijia, to renew the Server Hosting Agreement
"Second Service Contract"	the service contract entered into between Shentong Yijia and CCC on 9 October 2012 in relation to the provision of management service by Shentong Yijia to CCC regarding the Designated Shentong Cards, to renew the Service Contract
"Second Web Advertising Agreement"	the web advertising agreement entered into between Shentong Yijia and CCC on 9 October 2012 in relation to the provision of advertising space by CCC to Shentong Yijia, to renew the Web Advertising Agreement
"Server Hosting Agreement"	the server hosting agreement entered into between Shentong Yijia and CCC on 11 January 2010 (as supplemented by a supplemental agreement dated 17 March 2010) in relation to the provision of server hosting service and the broadband leased line by CCC to Shentong Yijia, details of which have been included in the circular of the Company dated 5 February 2010
"Service Contract"	the service contract entered into between Shentong Yijia and CCC on 30 November 2009 in relation to the provision of management service by Shentong Yijia to CCC regarding the Designated Shentong Cards, details of which have been included in the circular of the Company dated 5 February 2010

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued and unissued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shentong Yijia"	北京神通益家科技服務有限公司(Beijing Shentong Yijia Technology Services Company Limited#), a company established under the laws of the PRC, a wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Third CCT Agreements"	together, the Third Customer Service Hotline Rental Agreement, the Third Server Hosting Agreement, the Third Service Contract and the Third Web Advertising Agreement
"Third Customer Service Hotline Rental Agreement"	the customer service hotline rental agreement entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of the designated national customer service hotline number 95130*** by CCC to Shentong Yijia, to renew the Second Customer Service Hotline Rental Agreement
"Third Server Hosting Agreement"	the server hosting agreement entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of server hosting service and the broadband leased line by CCC to Shentong Yijia, to renew the Second Server Hosting Agreement
"Third Service Contract"	the service contract entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of management service by Shentong Yijia to CCC regarding the Designated Shentong Cards, to renew the Second Service Contract
"Third Web Advertising Agreement"	the web advertising agreement entered into between Shentong Yijia and CCC on 9 March 2015 in relation to the provision of advertising space by CCC to Shentong Yijia, to renew the Second Web Advertising Agreement

"Web Advertising Agreement"	the web advertising agreement dated 11 January 2010 (as supplemented by a supplemental agreement dated 17 March 2010) entered into between Shentong Yijia and CCC in relation to the provision of advertising space by CCC to Shentong Yijia, details of which have been included in the circular of the Company dated 5 February 2010
"HK$" and "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

English translation of the name for identification purpose only

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of RMB0.809 to HK$1.00. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

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)

Executive Directors:
Mr. He Chenguang
Mr. Bao Yueqing

Independent non-executive Directors:
Mr. Yip Tai Him
Ms. Han Liqun
Ms. Zhang Li

Registered office:
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 2115–2116
21/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

24 March 2015

To the Shareholders

Dear Sir or Madam

(1) REFRESHMENT OF THE EXISTING ANNUAL CAPS REGARDING CONTINUING CONNECTED TRANSACTIONS; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the circulars of the Company dated 5 February 2010 and 26 October 2012 respectively in relation to inter alia, the CCT Agreements and the Second CCT Agreements. Independent Shareholders' approvals for the continuing connected transactions and the related caps assigned under each of the Second CCT Agreements had been obtained by the Company at the extraordinary general meeting of the Company held on 19 November 2012.

Reference is also made to the announcements of the Company dated 9 March 2015 and 12 March 2015 respectively. As the Second CCT Agreements will be expired on 31 March 2015, the Third CCT Agreements have been entered into on 9 March 2015 and the Board would like to propose to seek the approval of the Independent Shareholders in relation to, among other matters, the Third CCT Agreements and the Annual Caps of the transactions contemplated respectively thereunder.

The purpose of this circular is to provide you with further information regarding the Third CCT Agreements as well as the Annual Caps for the transactions respectively contemplated thereunder, and to seek approval from the Independent Shareholders for the Third CCT Agreements and the transactions respectively contemplated thereunder, and the Annual Caps.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circulars of the Company dated 5 February 2010 and 26 October 2012 respectively relating to, inter alia, the CCT Agreements and the Second CCT Agreements.

Independent Shareholders' approvals for the continuing connected transactions and the relevant annual caps assigned under each of the Second CCT Agreements had been obtained by the Company at the extraordinary general meeting of the Company held on 19 November 2012.

Except for the amount of annual caps, there is no material difference between the Second CCT Agreements and the Third CCT Agreements. Details of each of the Third CCT Agreements are set out as follows:

Third Customer Service Hotline Rental Agreement

Date: 9 March 2015

Parties: CCC as supplier and Shentong Yijia as purchaser

Services: CCC shall provide a designated national customer service hotline number 95130*** to Shentong Yijia

Pricing basis: CCC will charge Shentong Yijia (i) an annual fee of RMB20,000 (equivalent to approximately HK$24,722) for each of the years ending 31 March 2017 and 31 March 2018 and a pro-rata annual fee for the period commencing on the Effective Date until 31 March 2016 on a 12-month year basis); (ii) a calling charge of RMB0.06 (equivalent to approximately HK$0.074) per 6 seconds, which is the nationwide standard rate in the PRC, for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK$0.19) 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 RMB0.3 (equivalent to approximately HK$0.37) per minute for outgoing calls via "VoIP". Such nationwide standard rates are the rates adopted by all the three licensed telecommunication operators in PRC for hotline rental.

The calling charges are subject to adjustment in accordance with any new standard rate to be announced by the PRC government from time to time. In such cases, the new standard rate will be adopted by CCC upon it becoming effective. However, CCC will still charge Shentong Yijia in accordance with the scaled-discount rates as stated in the agreement for the incoming calls and a discount of 50% for outgoing calls to the nationwide standard rate. The scaled-discount rates for long distance incoming calls and the 50% discount rate for outgoing calls will not be changed.

The annual fee and separate charges on long distance incoming calls and outgoing calls are made on normal commercial terms and determined with reference to the charges provided by several nationwide telecommunication operators. It was found that the pricing basis (including the fixed annual fee, the separate charges on long distance incoming calls and outgoing calls and the corresponding scaled-discount rates) under the Third Customer Service Hotline Rental Agreement is more favourable than those offered by other nationwide telecommunication operators. For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Third Customer Service Hotline Rental Agreement, CCC provides monthly summary of the incoming calls and outgoing calls, including but not limited to the telephone numbers of the incoming calls and outgoing calls, calling and ending time of each call, duration of each call, and charging rate of each call. Shentong Yijia performs calculation check and reviews the charging rates each month to ensure that the transactions are within the framework of the Third Customer Hotline Rental Agreement. CCC and Shentong Yijia will then sign on a statement to confirm the agreed charge each month.

The annual fee and the pro-rata annual fee shall be payable by Shentong Yijia on 31 March for the period commencing on the Effective Date until 31 March 2016 and each of the years ending 31 March 2017 and 31 March 2018 during the term of the Third Customer Service Hotline Rental Agreement, whereas the calling charges shall be settled by Shentong Yijia monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Shentong Yijia under the Customer Service Hotline Rental Agreement will be returned to Shentong Yijia on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the service fee payable on time.

The Directors consider that the above pricing basis was made on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to similar transactions carried out in the market and are no less favourable than terms available from independent third parties. After comparing the prices set by other telecommunication operators and CCC, Shentong Yijia found that the rates offered by CCC is favourable to Shentong Yijia, the Directors' considered that the pricing terms are fair and reasonable and in the interest of Shareholders as a whole.

Term: For the period commencing on the Effective Date until 31 March 2018, which shall be automatically renewed for successive periods of one (1) year unless terminated by either party by 90 days' written notice prior to the expiry of the term or renewed terms, subject to compliance with the GEM Listing Rules.

Annual cap: The annual caps for the Third Customer Service Hotline Rental Agreement for each of the period commencing on the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB1.40 million (equivalent to approximately HK$1.73 million), RMB1.45 million (equivalent to approximately HK$1.79 million) and RMB1.50 million (equivalent to approximately HK$1.85 million) respectively.

Third Server Hosting Agreement

Date: 9 March 2015

Parties: CCC as supplier and Shentong Yijia as purchaser

Services:

(i) Server hosting service: Shentong Yijia will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to Shentong Yijia; and

(ii) Dedicated leased-lines: CCC will provide designated 300M-bandwidth share of the broadband leased lines to Shentong Yijia for the operation of its website. CCC will also provide 90 IP addresses and not more than ten (10) racks of servers for the use of Shentong Yijia. CCC will also supply 2,200W (10A) electricity for each rack of servers rented to Shentong Yijia.

Pricing basis: CCC will charge Shentong Yijia an annual rental fee of not more than RMB8.4 million (equivalent to approximately HK$10.38 million) and payable monthly in advance. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. A daily default interest rate of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the outstanding amount payable within 5 days from the date of receipt of the relevant demand note.

There is no similar transaction conducted between the Group and other independent third parties as CCC is the single supplier of server hosting services and dedicated leased lines to Shentong Yijia. The annual server rental fee is in commercial terms determined after arm's length negotiation between CCC and the Group with reference to similar transactions carried out in the market and the number of server rented, the bandwidth of the server and the quality of the maintenance service. The Directors consider that the above pricing basis was made on an arm's length basis in the ordinary course of business and on normal commercial terms and that the pricing terms are fair and reasonable and in the interest of Shareholders as a whole.

Term: For the period commencing on the Effective Date until 31 March 2016, which may be renewed for a term of one (1) year by written notice from Shentong Yijia to CCC filed during the period of 30 days prior to the expiry of the term or renewed terms, subject to the compliance with the GEM Listing Rules. Notwithstanding the above, the Third Server Hosting Agreement may be terminated by Shentong Yijia by 30 days prior written notice.

Annual cap: The annual caps for the Third Server Hosting Agreement for each of the period commencing on the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB8.40 million (equivalent to approximately HK$10.38 million), RMB8.40 million (equivalent to approximately HK$10.38 million) and RMB8.40 million (equivalent to approximately HK$10.38 million) respectively.

Third Service Contract

Date: 9 March 2015

Parties: Shentong Yijia as supplier and CCC as purchaser

Services: The services to be provided by Shentong Yijia to CCC under the Second Service Contract include (i) management and sale of the Designated Shentong Cards; (ii) assisting CCC in the after-sale services for the Designated Shentong Card; (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.

Pricing basis:

(a) issuance handling fees of RMB5 (equivalent to approximately HK$6.18) for each Designated Shentong Card issued by Shentong Yijia, representing 20% of the selling price;

(b) sale commission of RMB3 (equivalent to approximately HK$3.71) for the insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia, representing 12% of the selling price;

(c) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Shentong Yijia;

(d) sale commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products.

The above issuance handling fees and the commissions shall be settled by CCC monthly in arrears.

Shentong Yijia is the exclusive agent of CCC in providing management and sale of the Designated Shentong Cards. There is no comparable service in the market. At present, the selling price for each Shentong Card is RMB25. Therefore, the insurance handling fee together with the commission represent 32% of the selling price of the Designated Shentong Card. The insurance handling fees and the relevant commission are in commercial terms determined after arm's length negotiation between CCC and the Group. The Directors considered that the pricing terms are fair and reasonable and in the interest of the Shareholders as whole.

For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Third Service Contract, CCC provides monthly summary of the income and the breakdown, including (a) a report of the number of Designated Shentong Card issued (with individual Designated Shentong Card Number), and (b) various reports of value of purchases made by each individual Designated Shentong Card and the time of usage. Shentong Yijia performs calculation check and reviews the charging rate to ensure that it is within the framework of the Third Service Contract. CCC and Shentong Yijia will then sign on a statement to confirm the agreed charge each month.

Term: For the period commencing on the Effective Date until 31 March 2018, which shall be automatically renewed unless terminated by any party by 15 day's written notice prior to the expiry of the term or the renewed terms, subject to the compliance with the GEM Listing Rules.

Annual cap: The annual caps for the Third Service Contract for each of the period commencing on the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB41.00 million (equivalent to approximately HK$50.68 million), RMB42.00 million (equivalent to approximately HK$51.92 million) and RMB43.00 million (equivalent to approximately HK$53.15 million) respectively.

Third Web Advertising Agreement

Date: 9 March 2015

Parties: CCC as supplier and Shentong Yijia as purchaser

Services: Shentong Yijia agreed to place and CCC agreed to arrange for the web advertisements of Shentong Yijia be published on the website of CCC "Shentong Net". 24-hour technical support services shall also be provided by CCC to Shentong Yijia to handle all technical issues arising out the publication of the advertisements.

Pricing basis: The amount of advertising fees to be incurred by Shentong Yijia during the term of the Third Web Advertising Agreement shall not be more than RMB5 million (equivalent to approximately HK$6.18 million) for the period commencing on the Effective Date and ending on 31 March 2016 and RMB5 million (equivalent to approximately HK$6.18 million) for each of the two years ending 31 March 2018. Details of the advertising arrangement and the payment methods shall be determined based on mutual agreement of Shentong Yijia and CCC to be reached at least three (3) days prior to the publication of the relevant advertisement.

Shentong Yijia confirms that the advertising fees to be charged by CCC for each advertisement to be placed by Shentong Yijia shall be determined according to the proposed publication timeslots, duration, channels etc. and shall be determined based on the prevailing charging rates and are no less favourable than terms available to independent third parties, and will be agreed upon by the parties according to the relevant advertising proposal to be provided by Shentong Yijia.

Shentong Yijia is engaged in the provision of the distribution and management services of the Designated Shentong Cards which include following up with enquiries and/or complaints raised by the users of the Designated Shentong Card, customer management services and promotion and marketing of the Designated Shentong Card. Shentong Yijia has full control in relation to the promotion and marketing activities of the Designated Shentong Cards. Since the Designated Shentong Card is solely used in the Shentong Net, placing advertisements on the Shentong Net is considered to be most effective. There is no similar transaction conducted between the Group and other independent third parties for the reasons stated above. CCC charges standard advertising fee for web advertisements. Shentong Yijia has performed comparison in other channels and found that the prices set by CCC is favorable to Shentong Yijia.

The Directors consider that the above pricing basis was made on an arm's length basis in the ordinary course of business and on normal commercial terms. The Directors considered that the pricing terms are fair and reasonable and in the interest of Shareholders as a whole.

Term: For the period commencing on the Effective Date until 31 March 2018, which shall be automatically renewed for successive periods of one (1) year unless terminated by either party by 90 days' written notice prior to the expiry of the term or renewed terms, subject to the compliance with the GEM Listing Rules.

Annual cap: The annual caps for the Third Web Advertising Agreement for each of the period commencing on the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 31 March 2018 are RMB5.00 million (equivalent to approximately HK$6.18 million), RMB5.00 million (equivalent to approximately HK$6.18 million) and RMB5.00 million (equivalent to approximately HK$6.18 million) respectively.

Common terms of the Third CCT Agreements

Each of the Third CCT Agreements contains the following terms:

1. The terms of the Third CCT Agreements shall become effective on the Effective Date and shall not extend beyond 31 March 2018. Shentong Yijia will be entitled to extend the Third CCT Agreements on or before 31 March 2018 and to take such action as may be appropriate to comply with the GEM Listing Rules. Without prejudice to the right of any party to terminate the Third CCT Agreements pursuant to their respective terms, the Third CCT Agreements shall automatically terminate before 31 March 2018 (or such later date as the parties to the Third CCT Agreements may agree) if:

   (i) CCC or Shentong Yijia considers that it is not feasible to comply with the GEM Listing Rules at the relevant time; or

   (ii) compliance with the GEM Listing Rules would require changes to the Third CCT Agreements which are not acceptable to any of the parties.

2. All changes made to the Third CCT Agreements shall be subject to compliance by the Company with the GEM Listing Rules.

3. The total annual consideration payable or receivable by Shentong Yijia under the Third CCT Agreements shall be subject to a yearly cap set by the parties.

4. All the existing terms as contemplated under the CCT Agreements and the Second CCT Agreements will be superseded and replaced by the terms set out in the respective Third CCT Agreements upon the Third CCT Agreements becoming effective on the Effective Date.

5. Parties agreed to allow, the auditors of the other parties sufficient access to their respectively records for the purpose of reporting on the transactions contemplated under the Third CCT Agreements.

The Board (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) is of the opinion that the terms of the Third CCT Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In the event that any of the Annual Caps is exceeded, the Company will re-comply with its obligations under the GEM Listing Rules.

Proposed Annual Caps of the Third CCT Agreements

The historical figures of the fees paid by/received by Shentong Yijia to/from CCC under the Second CCT Agreements for the years ended 31 March 2013 and 2014 and for the ten (10) months period ended 31 January 2015 were summarised in the table below. Taking into account (i) the business projections for Shentong Yijia to follow; (ii) the historical amounts paid by/received by Shentong Yijia to/from CCC; and (iii) the possible inflation in service fees in the coming years, the Company has set the following annual caps for each of the period commencing on the Effective Date until 31 March 2016 and for the years ending 31 March 2017 and 2018:

					Proposed Annual Caps		
The Third CCT Agreements	Terms of the Third CCT Agreements	Historical figures for year ended 31 March 2013	Historical figures for year ended 31 March 2014	Historical figures from 1 April 2014 to 31 January 2015	For the period commencing from the Effective Date until 31 March 2016	For the year ending 31 March 2017	2018
		RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Third Customer Service Hotline Rental Agreement	Effective Date — 31/3/2018	413,707	1,214,410	1,128,660	1,400,000	1,450,000	1,500,000
Third Server Hosting Agreement	Effective Date — 31/3/2018	2,464,000	6,720,000	5,600,000	8,400,000	8,400,000	8,400,000
Third Service Contract	Effective Date — 31/3/2018	10,708,278	30,965,718	26,376,690	41,000,000	42,000,000	43,000,000
Third Web Advertising Agreement	Effective Date — 31/3/2018	1,628,583	4,800,000	4,000,000	5,000,000	5,000,000	5,000,000

The Annual Caps set by the Directors above for the transactions contemplated under the Third CCT Agreements are due to, among other matters, the actual amount of usage of the relevant facilities, while the annual caps of the Third Server Hosting Agreement is with reference to the price of server hosting service provided by other nationwide telecom operators.

In particular, the proposed annual caps for the Third Customer Hotline Rental Agreement are determined with reference to (i) recent actual usage of calls, which is approximately 170,000 minutes for incoming and approximately 128,000 for outgoing calls per month; (ii) a conservative growth rate of less than 4% each year. As the Annual Caps are determined based on recent actual average usage of calls and the growth rate is conservative at less than 4% each year, the Directors are of the view that the Annual Caps are fair and reasonable.

For the Third Server Hosting Agreement, the proposed annual caps are determined with reference to the rental charge of server of several nationwide telecom operators. The charging rate of CCC is favourable to Shentong Yijia. The annual fee is made on normal commercial terms.

For the Third Service Contract, the proposed annual caps are determined with reference to (i) the historical utilized rate of the annual caps for the year ended 31 March 2014 of approximately 79.4% and the projected utilized rate of the annual caps for the year ended 31 March 2015 of approximately 78.9% and (ii) business projections of the Group with a 20% buffer was added to the projected purchase figure to allow room for any further unexpected increase in the sales quantity of Designated Shentong Cards. As the Annual Caps are determined based on the actual recent usage of the annual caps under the Second Service Contract and a 20% buffer for any unexpected increase in the future, the Directors are of the view that the Annual Caps are fair and reasonable.

Further, the proposed annual caps for the Third Web Advertising Agreement are determined with reference to (i) the actual recent usage under the Second Web Advertising Agreement, which is of average RMB400,000 per month and (ii) a buffer of RMB200,000 per annum. As the Annual Caps are determined based on the actual recent usage and with a buffer of RMB200,000 per annum only, the Directors are of the view that the Annual Caps are fair and reasonable.

With the above factors in mind and that the increase in demand of the usage of the relevant facilities under the Third CCT Agreements, the Directors consider the that the pricing terms are fair and reasonable and in the interest of Shareholders as a whole and it would be necessary to the Annual Caps be adopted.

The Annual Caps are made on an arm's length basis in the ordinary course of business and on normal commercial terms with reference to (i) similar transactions carried out in the market; and (ii) the historical figures in the previously dealings between Shentong Yijia and CCC under the CCT Agreements and the Second CCT Agreements; and (iii) the business projections for Shentong Yijia for the years to follow and are no less favourable than terms available from Independent Third Parties.

In view of the above, the Board (including the independent non-executive Directors) is of the opinion that the terms of the Third CCT Agreements and the Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. In the event that any of these caps is exceeded, the Company will re-comply with its obligations under the GEM Listing Rules.

REASONS AND BENEFITS FOR THE TRANSACTIONS CONTEMPLATED UNDER THE THIRD CCT AGREEMENTS

Shentong Yijia is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards. The total online payment market in the PRC has been maintaining at a rapid growth in recent years. Besides, according to China Internet Network Information Center, online payment customers in the PRC have reached approximately 304 million in December 2014, with an increase of approximately 17% compared to that at December 2013. The utilization rate has also increased from 42.1% to 46.9%. The Group considered that Shentong Card could enable the Group to expose to the fast growing online payment gateway services business in the PRC.

The Company's Designated Shentong Card business has steady growth, the turnover generated from Designated Shentong Card business had been increased by approximately 13% in the year ended 31 March 2014 when compared to the year ended 31 March 2013. For the ten months ended 31 January 2015, the unaudited turnover has been steadily increased by approximately 2% when compared to the same period in year 2014.

Major revenue component represents the followings:

	For the year ended 31 March 2013	2014	From 1 April 2014 to 31 January 2015
(i) Issuance handling fees	12%	10%	9%
(ii) Technical service commission	81%	84%	86%
(iii) Sales commission	7%	6%	5%

Major costs elements represents the followings:

	For the year ended 31 March 2013	2014	From 1 April 2014 to 31 January 2015
(i) Customer service hotline rental	9%	13%	14%
(ii) Server hosting fee	45%	71%	71%
(iii) Amortisation on intangible assets	40%	4%	—
(iv) Others	6%	12%	15%

As Shentong Yijia has been engaging CCC for more than 4 years for the provision of services and the Second CCT Agreements will be expired on 31 March 2015, in order to facilitate the business development of Shentong Yijia on its principal business, the Third CCT Agreements had been entered into on 9 March 2015 to, among other things, refresh the annual caps and the terms of each of the Second CCT Agreements to the period commencing on the Effective Date of the respective Third CCT Agreements until 31 March 2016 and for the two years ending on 31 March 2017 and 31 March 2018 respectively. The Board considered it to be appropriate and beneficial to Shentong Yijia to enter into the Third CCT Agreements with CCC, who can provide a comprehensive and full range of telecommunications, internet and payment supporting services to Shentong Yijia.

The Directors also considered that during the term of the Second CCT Agreements, the services provided by CCC were considered to be reliable and of good quality and therefore determined to renew the Second CCT Agreements by entering into the Third CCT Agreements. Further, the Annual Caps would allow the Group to increase its supply to long term and reliable customers, thereby expanding its overall revenue. Based on the above, the Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the entering into of the Third CCT Agreements are in the ordinary course of business of the Group and that the terms of the Third CCT Agreements are determined on an arm's length basis with CCC.

Accordingly, the Directors (including the independent non executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms and conditions of the Third CCT Agreements (including but not limited to the Annual Caps respectively contemplated thereunder) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP AND CCC

The Group is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC.

CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued-added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" (神通卡) platform.

IMPLICATIONS UNDER THE GEM LISTING RULES

CCC is a connected person to the Company by virtue of its interest in approximately 27.54% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is 中國海外貿易哈爾濱王子葡萄酒有限公司 (China Overseas Trade Harbin Prince Wine Co. Limited), a company incorporated in the PRC with limited liability) and its ultimate beneficial owner is 中國海外貿易總公司 (China National Overseas Trading Corporation#), a stated owned company. Mr. He Chenguang, the chairman and an executive Director of the Company, is also the legal representative of CCC.

In addition, based on the Annual Caps, the annual consideration will be payable by and/or received from Shentong Yijia to/from CCC under the Third CCT Agreements exceeds HK$10,000,000 and certain of the applicable ratios exceed 25% under the GEM Listing Rules. Accordingly, the transactions contemplated under the Third CCT Agreements are subject to the reporting, announcements and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In addition, as CCC is a party to the Third CCT Agreements, CCC and its ultimate beneficial owners and their respective associates, who in aggregate hold 356,542,000 Shares, representing 27.54% interest in the Company, are required to abstain from voting the EGM in respect of the resolutions relating to the Third CCT Agreements. 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 respectively contemplated under each of the Third CCT Agreements and had abstained from voting on the board resolutions approving the said transactions. Save as aforesaid, the Board confirms that no other Director has any material interests in the said transactions that is required to abstain from voting on the board resolution for approving the Annual Caps.

Save as disclosed above, no Shareholder has a material interest in the Third CCT Agreements.

Details of the Third CCT Agreements will be included in the Company's next published annual reports and accounts for so long as the Third CCT Agreements continue to be effective.

EGM

Set out on pages 44 to 45 is a notice convening the EGM to be held at Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 14 April 2015 at 11:00 a.m., at which relevant resolution(s) will be proposed to the Independent Shareholders and the Shareholders (as appropriate) to consider and, if thought fit, approve the Third CCT Agreements, and the Annual Caps for the transactions contemplated thereunder.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby its has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder.

Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of the Independent Financial Adviser, consider that the Third CCT Agreements were entered into on normal commercial terms and that the terms of the Third CCT Agreements (including the Annual Caps for the transactions respectively contemplated thereunder) are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM for approving the Third CCT Agreements and the annual caps for the transaction respectively contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on page 21 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 22 to 37 of this circular.

RECOMMENDATION

The Board and the Independent Board Committee (having taken into account the advice of the Independent Financial Adviser) considers that the terms of the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) as set out in the notice of the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular which contains its views in relation to the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder; and (ii) the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 22 to 37 of this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
China Communication Telecom Services Company Limited
He Chenguang
Chairman

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)

24 March 2015

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE THIRD CCT AGREEMENTS

We refer to the circular of the Company dated 24 March 2015 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you as to whether the terms of the Third CCT Agreements and the Annual Caps for the transactions respectively contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Nuada Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 22 to 37 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 20 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Third CCT Agreements (including the Annual Caps for the transactions respectively contemplated thereunder), the principal reasons and factors considered by, and the advice of Nuada Limited, we are of the opinion that the Third CCT Agreements and the Annual Caps for the transactions respectively contemplated thereunder is on normal commercial terms or better and in the ordinary and usual course of business of the Group and the terms of the Third CCT Agreements (including the Annual Caps for the transactions respectively contemplated thereunder) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Third CCT Agreements and the Annual Caps for the transactions respectively contemplated thereunder.

Yours faithfully,
Independent Board Committee of
China Communication Telecom Services Company Limited

Yip Tai Him	**Han Liqun**	**Zhang Li**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 24 March 2015 in relation to the Third CCT Agreements for the purpose of inclusion in this circular.

Nuada Limited
Corporate Finance Advisory

Unit 1805-08, 18/F
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93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街93-103號
協成行上環中心18樓1805-08室

24 March 2015

To the Independent Board Committee
and the Independent Shareholders of
China Communication Telecom Services Company Limited

Dear Sirs,

REFRESHMENT OF THE EXISTING ANNUAL CAPS REGARDING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Third CCT Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter**") in the circular to the Shareholders dated 24 March 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is also made to the circulars of the Company dated 5 February 2010 and 26 October 2012 respectively relating to, inter alia, the CCT Agreements and the Second CCT Agreements.

As the Second CCT Agreements will be expired on 31 March 2015, the Third CCT Agreements have been entered into on 9 March 2015 and the Board would like to propose to seek the approval of the Independent Shareholders in relation to, among other matters, the refreshment of annual caps for the transactions contemplated under the Third CCT Agreements. The Third CCT Agreements shall become effective (i) on the date falling upon the passing of the relevant resolutions by the Independent Shareholders at the EGM or (ii) on 1 April 2015, whichever is later.

CCC is a connected person to the Company by virtue of its interest in approximately 27.54% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. The controlling shareholder of CCC is 中國海外貿易哈爾濱王子葡萄酒有限公司 (China Overseas Trade Harbin Prince Wine Co. Limited#), a company incorporated in the PRC with limited liability) and its ultimate beneficial owner is 中國海外貿易總公司 (China National Overseas Trading Corporation#), a state owned company. Mr. He Chenguang, the chairman and an executive Director of the Company, is also the legal representative of CCC.

Based on the Annual Caps, the annual consideration which will be payable by and/or received from Shentong Yijia to/from CCC under the Third CCT Agreements exceeds HK$10,000,000 and certain of applicable ratios exceed 25% under the GEM Listing Rules. Accordingly, the transactions contemplated under the Third CCT Agreements are subject to the reporting, announcements and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee which comprises Mr. Yip Tai Him, Ms. Han Liqun and Ms. Zhang Li, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Third CCT Agreements and the Annual Caps for the transaction respectively contemplated thereunder. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we are independent from, and are not associated with the Company or any other party to the Third CCT Agreements, or their respective substantial shareholder(s) or connected person(s), as defined under the GEM Listing Rules and accordingly, are considered eligible to give independent advice on the transactions contemplated under the Third CCT Agreements. We will receive a fee from the Company for our appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the transactions contemplated under the Third CCT Agreements. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Third CCT Agreements or their respective substantial shareholder(s) or connected person(s), as defined under the GEM Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular and provided to us by the Company, the Directors and the management of the Group. We have assumed that all information, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete at the date of the EGM. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiries and considerations. We have no reason to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading.

In formulating our opinion and recommendation, we have obtained and reviewed relevant information and documents provided by the Company, the Directors and the management of the Group, in connection with the Third CCT Agreements and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Third CCT

Agreements. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We have assumed that the information and documents reviewed and relied on by us in formulating our opinions are true, accurate and complete at the time when they were made and continued to be true, accurate and complete up to the date hereof. Having made all reasonable enquiries, the Board has confirmed that, to the best of its knowledge, there are no other facts or representations and the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Group, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or CCC or the markets in which they respectively operate.

In formulating our advices, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations and opinions made available to us as of the Latest Practicable Date. Our opinion does not in any manner address the Company's own decision to proceed with the transactions contemplated under the Third CCT Agreements. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein, which may come or be brought to our attention.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Third CCT Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

Background

The Group is principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card" in the PRC. Shentong Yijia, being a wholly-owned subsidiary of the Company, is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards pursuant to the Second Service Contract.

CCC is a nationwide telecom operator and internet network operator in the PRC covering a wide range of value-added telecom services, including telecommunication services, valued added telecommunication platform, payment and billing system. The electronic billing and payment system is operated through "Shentong Card" platform.

"Shentong Card" is an electronic wallet launched by CCC, which has passed the testing by Bank Card Test Center (銀行卡檢測中心), whereby money can be transferred between an individual's bank account and his designated "Shentong Card". As an electronic wallet, "Shentong Card" can be used to pay transportation fees, bank charges, IP phone fees, online trading fees and home utilities fees etc.

The followings summarize the financial information of the Group for the financial years ended 31 March 2013 and 2014, and the six-month period ended 30 September 2013 and 2014 as extracted from the Company's annual report 2013/14 (the "**Annual Report**") and the Company's interim report 2014/15 (the "**Interim Report**"):

Financial performance of the Group

	For the year ended 31 March		**For the six-month period ended 30 September**	
	2013	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	34,495	38,865	19,134	20,232
Gross profit	20,208	26,850	13,032	14,351
(Loss) for the year/period	(14,270)	(9,113)	(5,184)	(4,310)

Financial position of the Group

	As at 31 March		**As at 30 September**
	2013	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Net Liabilities	35,339	44,062	48,400

According to the Annual Report, the Group recorded a turnover of approximately HK$38.9 million for the year ended 31 March 2014, representing an increase of approximately 12.7% as compared with that of approximately HK$34.5 million for year ended 31 March 2013. The Group's audited loss for the year ended 31 March 2014 reduced to approximately HK$9.1 million, as compared with a loss of approximately HK$14.3 million for the year ended 31 March 2013, representing a decrease of approximately 36.1%. According to the Interim Report, for the six-month period ended 30 September 2014, the Group had a turnover of approximately HK$20.2 million (as compared with that of approximately HK$19.1 million for the previous corresponding period) and unaudited loss of approximately HK$4.3 million (as compared with a loss of approximately HK$5.2 million for the previous corresponding period). As at 30 September 2014, the Group had unaudited net liabilities of approximately HK$48.4 million, representing an increase of approximately 9.8% as compared with that as at 31 March 2014.

Principal Terms of the Third CCT Agreements

(i) Third Customer Service Hotline Rental Agreement

The Third Customer Service Hotline Rental Agreement was entered into between CCC and Shentong Yijia on 9 March 2015 to renew the Second Customer Service Hotline Rental Agreement in relation to the provision of a designated national customer service hotline number 95130*** by CCC to Shentong Yijia.

Under the Third Customer Service Hotline Rental Agreement, CCC will charge Shentong Yijia (i) an annual fee of RMB20,000 (equivalent to approximately HK$24,722) for each of the years ending 31 March 2017 and 31 March 2018, and a pro-rata annual fee for the period commencing on the Effective Date until 31 March 2016 on a 12-month year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK$0.074) per 6 seconds, which is the nationwide standard rate in the PRC, for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK$0.19) 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 of RMB0.3 (equivalent to approximately HK$0.37) per minute for outgoing calls via "VoIP". Such nationwide standard rates are the rates adopted by all the three licensed telecommunication operators in PRC for the hotline rental.

The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time. In such cases, the new standard rate will be adopted by CCC upon it becoming effective. However, CCC will still charge Shentong Yijia in accordance with the scaled-discount rates as stated in the agreement for incoming calls and a discount of 50% for outgoing calls to the nationwide standard rate. The scaled-discount rates for long distance incoming calls and the 50% discount rate for outgoing calls will not be changed. The fixed annual fee and the discounts on the calling charges are commercial terms determined after arm's length negotiation between CCC and the Group. As advised by the Company, Shentong Yijia has compared each of the prices to several nationwide telecommunication operators and found that the pricing basis (including the fixed annual fee, the separate charges on long distance incoming calls and outgoing calls and the corresponding scaled-discount rates/discount rate) under the Third Customer Service Hotline Rental Agreement are more favourable than those offered by other nationwide telecommunication operators.

The annual fee and the pro-rata annual fee shall be payable by Shentong Yijia on 31 March for the period commencing on Effective Date until 31 March 2016 and each of the years ending 31 March 2017 and 31 March 2018 during the term of the Third Customer Service Hotline Rental Agreement, whereas the calling charges shall be settled by Shentong Yijia monthly in arrears. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. For the avoidance of doubt, the annual fee paid by Shentong Yijia under the Third Customer Service Hotline Rental Agreement will be returned to Shentong Yijia on a pro-rata basis in case of early termination of the agreement. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the service fee payable on time.

Save for the relevant Annual Caps, the terms of the Third Customer Service Hotline Rental Agreement as set out above are the same as those of the Second Customer Service Hotline Rental Agreement.

We understand from the Company that when customers of Shentong Card have queries in respect of the Shentong Card, they will seek help through the customer service hotline provided by Shentong Yijia. Given that such service is essential for maintaining customer relationship, we consider that the provision of customer service hotline is necessary for the existing business of the Group.

As advised by the Company, there is no similar transaction conducted between the Group and other independent third parties as CCC is the single supplier of customer service hotline rental services to Shentong Yijia. Therefore, in assessing the terms of the Third Customer Service Hotline Rental Agreement (including the relevant Annual Caps), we have reviewed ten sample evidences of customer service hotline rental agreement (with similar payment terms) conducted by CCC with other independent third parties. These sample evidences have similar annual rental fees to the historical annual fee under the Second Customer Service Hotline Rental Agreement and accordingly we consider that the ten sample evidences are representative. Based on the above sample evidences, we found that (i) the discount rates for calling charges offered by CCC to Shentong Yijia under the Third Customer Service Hotline Rental Agreement are higher or equal to those offered by CCC to independent third parties; (ii) the annual fee of RMB20,000 charged by CCC to Shentong Yijia under the Third Customer Service Hotline Rental Agreement is lower than those charged by CCC to independent third parties; and (iii) other payment terms under the Third Customer Service Hotline Rental Agreement are the same as those under the other ten sample evidences. Taken into consideration that (i) each of the net prices offered by several nationwide telecommunication operators are less favourable than those offered by CCC; and (ii) the prices offered by CCC to Shentong Yijia are more favourable than those offered by CCC to independent third parties, we are of the view that the each of the prices and other payment terms under the Third Customer Service Hotline Rental Agreement are fair and reasonable.

Notwithstanding the heavy reliance on CCC as the single supplier of customer service hotline rental services to Shentong Yijia, as Shentong Yijia has been engaging CCC for more than 4 years for the provision of customer service hotline, which is necessary for the existing business of the Group, we consider that the Third Customer Service Hotline Rental Agreement would enable smooth operations of the Group, and is thus in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the Annual Caps for the transactions under the Third Customer Service Hotline Rental Agreement, we consider, among others, the historical rental fees and the relevant caps under the Second Customer Service Hotline Rental Agreement as set out below:

	Historical rental fees	**Caps for the period**
For the period from 19 November 2012 to 31 March 2013	RMB413,707	RMB600,000
For the year ended 31 March 2014	RMB1,214,410	RMB1,300,000
For the period from 1 April 2014 to 31 January 2015	RMB1,128,660	RMB1,300,000 *(Note)*

Note: This is the annual cap for the year ended 31 March 2015.

We note that the historical rental fees under the Second Customer Service Hotline Rental Agreement represented approximately 69.0%, 93.4% and 86.8% of the caps for the respective periods.

As stated in the Letter, the Annual Caps for the consideration payable by Shentong Yijia to CCC under the Third Customer Service Hotline Rental Agreement are RMB1.4 million (equivalent to approximately HK$1.73 million) for the period from the Effective Date to 31 March 2016, RMB1.45 million (equivalent to approximately HK$1.79 million) for the year ending 31 March 2017 and RMB1.5 million (equivalent to approximately HK$1.85 million) for the year ending 31 March 2018. As advised by the Company, such Annual Caps, representing a conservative increase of less than 4% each year from the Effective Date to the year ending 31 March 2018 are determined mainly based on (i) an approximately 9.35% growth of the actual usage of calls for the period from 1 April 2014 to 31 January 2015 as compared to the corresponding period in 2013; and (ii) the existing unutilized caps under the Second Customer Service Hotline Rental Agreement.

Taking into account (i) the historical rental fees under the Second Customer Service Hotline Rental Agreement, indicating an increasing demand for customer hotline services by Shentong Yijia; and (ii) the possible increase in demand for customer hotline services as the business of Shentong Yijia continue to develop, we consider that the relevant Annual Caps for the transactions contemplated under the Third Customer Service Hotline Rental Agreement are fair and reasonable. Also taking into account the subscription of the customer service hotline under the Third Customer Service Hotline Rental Agreement is essential for the operation of Shentong Yijia, we consider that the Third Customer Service Hotline Rental Agreement is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Third Server Hosting Agreement

The Third Server Hosting Agreement was entered into between CCC and Shentong Yija on 9 March 2015 to renew the Second Server Hosting Agreement in relation to the provision of server hosting service and dedicated leased lines by CCC to Shentong Yijia.

Under the Third Server Hosting Agreement, (i) in respect of the server hosting service, Shentong Yijia will place its servers in CCC's server rooms and CCC will provide monitoring, management and technical support services to Shentong Yijia; and (ii) for the dedicated leased lines, CCC will provide designated 300M-bandwidth share of broadband leased lines to Shentong Yijia for operation of its website. CCC will also provide 90 IP addresses and not more than ten (10) racks of servers for the use of Shentong Yijia. CCC will also supply 2200W (10A) electricity for each rack of servers rented to Shentong Yijia.

Pursuant to the Third Server Hosting Agreement, CCC will charge Shentong Yijia an annual fee of not more than RMB8.4 million (equivalent to approximately HK$10.38 million) and payable monthly in advance. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fail to pay the outstanding amount payable within 5 days from the date of receipt of the relevant demand note. In the event the period of service provided by CCC is shorter than one year, the annual fee will be charged on a pro-rata basis. Save for the relevant Annual Caps, the terms of the Third Server Hosting Agreement as set out above are substantially the same as those of the Second Server Hosting Agreement.

The annual server rental fee is in commercial term determined after arm's length negotiation between CCC and the Group with reference to similar transactions carried out in the market and the number of server rented, the bandwidth of the server and the quality of the maintenance service. At present, eight (8) racks of servers were rented by Shentong Yijia. We have reviewed the price lists of similar server rental services as provided by other nationwide telecommunication operator and note that the annual server rental fee charged by CCC is more favorable than other server rental fee as offered by other nationwide telecommunication operator.

We understand from the Company that when customers of Shentong Card have payments through Shentong Card, relevant data are sent to the servers of Shentong Yijia for processing and record. Given that such service is essential to operation of the Shentong Card, we consider that the provision of server hosting services and dedicated leased lines by CCC is necessary for the existing business of the Group.

As advised by the Company, there is no similar transaction conducted between the Group and other independent third parties as CCC is the single supplier of server hosting services and dedicated leased lines to Shentong Yijia. In assessing the terms of the Third Server Hosting Agreement, we have reviewed four sample evidences of server rental agreement (including similar contract indicating payment terms) conducted by CCC with other independent third parties. Under each of these sample evidences, servers located in Beijing and dedicated leased lines are provided by CCC to independent third parties. Taking into consideration that (i) the servers and dedicated leased lines rented under the Third Server Hosting Agreement are also located in Beijing; (ii) the server rental fee charged by CCC differs across cities; and (iii) four samples out of seven server rental contracts with services provided in Beijing are reviewed, we consider the four sample evidences are representatives. Based on the above sample evidences, we found that (i) the fees charged by CCC to Shentong Yijia under the Third Server Hosting Agreement represent a discount to the average fees charged by CCC to independent third parties; and (ii) other payment terms under the Third Server Hosting Agreement are the same as those terms available to independent third parties. Given that (i) the server rental fee charged by CCC is more favourable than those fees offered by other nationwide telecommunication operator; and (ii) the server rental fee charged by CCC to Shentong Yijia is lower than the fees charged by CCC to independent third parties, we are of the view that the fees charged by CCC and other payment terms are fair and reasonable.

Notwithstanding the heavy reliance on CCC as the single supplier of server hosting services and dedicated leased lines to Shentong Yijia, Shentong Yijia has been engaging CCC for more than 4 years for the provision of server hosting services and dedicated leased lines with stability and relevant technical support if necessary, which is necessary for the existing business of the Group. Accordingly, we consider that the Third Server Hosting Agreement would enable smooth operations of the Group, and is thus in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the Annual Caps for the transactions under the Third Server Hosting Agreement, we consider, among others, the historical rental fees and the relevant caps under the Second Server Hosting Agreement as set out below:

	Historical rental fees	**Caps for the period**
For the period from 19 November 2012 to 31 March 2013	RMB2,464,000	RMB4,200,000
For the year ended 31 March 2014	RMB6,720,000	RMB8,400,000
For the period from 1 April 2014 to 31 January 2015	RMB5,600,000	RMB8,400,000 *(Note)*

Note: This is the annual cap for the year ended 31 March 2015.

We note that the historical rental fees under the Second Server Hosting Agreement represented approximately 58.7%, 80.0% and 66.7% of the caps for the respective periods. We understand from the Company that Shentong Yijia used eight racks of servers (instead of a maximum of ten racks of server which could be provided by CCC) for the period from 19 November 2012 to 31 January 2015. In the event that there is higher demand for the online services provided by Shentong Yijia, additional number of racks of servers has to be employed to ensure the smoothness of the online services, i.e. the monthly server rental fee for an additional server will be RMB70,000 under the Third Server Hosting Agreement and therefore two racks of servers can be added. In such case, we consider that the buffer for the annual server rental fee is necessary.

As stated in the Letter, the Annual Caps for the transactions contemplated under the Third Server Hosting Agreement are the same as RMB8.4 million (equivalent to approximately HK$10.38 million) for the period from the Effective Date to 31 March 2016, the year ending 31 March 2017 and the year ending 31 March 2018. Given the relevant Annual Caps are equivalent to the annual fee of not more than RMB8.4 million (equivalent to approximately HK$10.38 million) payable by Shentong Yijia to CCC under the Third Server Hosting Agreement, we consider that the relevant Annual Caps are fair and reasonable. Also taking into account the server hosting service and dedicated leased lines are necessary for the business operation of Shentong Yijia, we consider that the transactions contemplated under the Third Server Hosting Agreement is in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(iii) Third Service Contract

The Third Service Contract was entered into between CCC and Shentong Yijia on 9 March 2015 for the provision of services by Shentong Yijia to CCC, including (i) management and sale of the Designated Shentong Card; (ii) assisting CCC in the after-sale services for the Designated Shentong Card; (iii) following up with the enquires and/or complaints raised by users of the Designated Shentong Card; and (iv) customer management service, and promotion and marketing of the Designated Shentong Card.

Pursuant to the Third Service Contract, CCC shall pay (i) issuance handling fees of RMB5 (equivalent to approximately HK$6.18) for each Designated Shentong Card issued by Shentong Yijia (the "**Issuance Handling Fee**"); (ii) technical service commission of 20% of the total value of purchases made by the users through the Designated Shentong Card issued by Shentong Yijia (the "**Purchase Commission**"); (iii) sale commission of RMB3 (equivalent to approximately HK$3.71) for insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia (the "**Insurance Preload Commission**"); and (iv) sale commission of 20% of the total value of purchases made by the users through the Designated Shentong Card for the property and life insurance products and 10% for the purchases of health insurance products (the "**Insurance Purchase Commission**"). The above issuance handling fees and the commissions shall be settled by CCC on a monthly basis in arrears. Save for the relevant Annual Caps, the terms of the Third Service Contract as set out above are the same as those of the Second Service Contract. At present, the selling price for each Designated Shentong Card is RMB25. Therefore, the Issuance Handling Fee together with the Insurance Preload commission represent 32% of the selling price of Designated Shentong Card. The above issuance handling fees and the relevant commissions are in commercial terms determined after arm's length negotiation between CCC and the Group.

In assessing the fairness and reasonableness of the pricing basis of the Third Service Contract, we consider the profit margins of the Group in the recent years as set out below:

	For the year ended 31 March		From 1 April 2014 to 31 January
	2013	**2014**	**2015**
Revenue generated from the distribution of Designated Shentong Card (RMB'000)	28,728	30,966	26,377
Costs directly related to the distribution of Designated Shentong Card (RMB'000)	11,313	13,945	11,863
Profit Margin (%)	60.6	55.0	55.0

We note from the above table that the profit margins related to the distribution of Designated Shentong Card, which were generated from the issuance handling fees and the relevant commissions under the Second Service Contract in the relevant periods, had fluctuated from approximately 55.0% to 60.6%. Such variation was mainly due to the fluctuation of the purchase amount made by the Designated Shentong Card users and the purchase commission represented the highest profit margin ratio among the issuance handling fees and other commissions. As shown in the above table, the profit margins for the distribution of Designated Shentong Card remained high, we therefore consider that the distribution of the Designated Shentong Card is a lucrative business in view of the historical profit margins and that the pricing basis of the Third Service Contract, which is the same as those of the Second Service Contract, is fair and reasonable.

For the purpose of monitoring and ensuring the proper calculation of the fees chargeable under the Third Service Contract, CCC provides monthly summary of the income and the breakdown, including (a) a report of the number of Designated Shentong Card issued (with individual Designated Shentong Card Number), and (b) various reports of value of purchases made by each individual Designated Shentong Card and the time of usage. Shentong Yijia performs calculation check and reviews the charging rate to ensure that it is within the framework of the Third Service Contract. CCC and Shentong Yijia will then sign on a statement to confirm the agreed charge each month. As Shentong Yijia has adopted procedures in calculation checking and reviewing the charging rate before signing on a statement to confirm the agreed charge each month, we are of the view that the above internal procedure can ensure the pricing basis charged to CCC accords to the Third Service Contract.

In assessing the fairness and reasonableness of the Annual Caps for the transactions under the Third Service Contract, we consider, among others, the historical sales of the transactions and the relevant caps under the Second Service Contract as set out below:

	Historical sales of transactions	Caps for the period
For the period from 19 November 2012 to 31 March 2013	RMB10,708,278	RMB19,000,000
For the year ended 31 March 2014	RMB30,965,718	RMB39,000,000
For the period from 1 April 2014 to 31 January 2015	RMB26,303,070	RMB40,000,000 *(Note)*

Note: This is the annual cap for the year ended 31 March 2015.

We note that the historical sales of the transactions under the Second Service Contract represented approximately 56.4%, 79.4% and 65.8% of the caps for the respective period, while the annualized sales for the period from 1 April 2014 to 31 January 2015 represented approximately 78.9% of the relevant cap. Based on the above, we note that the historical sales amount were close to 80% of the respective caps for the latest two periods.

As advised by the Company, the major source of income of Shentong Yijia has been generated from the provision of the distribution and management services in relation to the Designated Shentong Cards pursuant to the Second Service Contract, and the business of Shentong Yijia contributes the major source of income of the Group. Accordingly, we have reviewed the details regarding the sales of the Designated Shentong Cards, as well as the breakdown of income generated from the Designated Shentong Cards by the total amounts of the Issuance Handling Fee, the Purchase Commission and Insurance Preload Commission on a monthly basis for the period from 1 April 2013 to 31 January 2015. According to the data provided by the Company, the historical sales under the Second Service Contract represent increases in both the sales of Designated Shentong Cards and the value of purchases made by the users through the Designated Shentong Cards. In particular:

(i) the monthly average number of Designated Shentong Cards sold for the period from 1 April 2014 to 31 October 2014 experienced a growth of approximately 7.3% as compared with the corresponding period in the previous year. Based on such growth rate, we consider the number of Designated Shentong Card owners has apparently increased more in recent period. Accordingly, the sum of the Issuance Handling Fee and the Insurance Preload Commission, which is proportional to the number of Designated Shentong Cards sold, increased by approximately 7.3% for the period. (We attempt to compare the average for the period from 1 April 2014 to 31 January 2015 to the corresponding period in the previous year. However, as advised by the Company, due to an upgrade of the activate cards system, the number of cards sold in November 2014, December 2014 and January 2015 were not comparable to the corresponding period in November 2013, December 2013 and January 2014. In order to reflect the growth more accurately, the sales numbers of cards for November 2014, December 2014 and January 2015 are omitted for comparison.)

(ii) the Purchase Commission for the period from 1 April 2014 to 31 January 2015, which represented approximately 85.8% of the total revenue generate from the Designated Shentong Cards, increased approximately 4.3% as compared with the corresponding period for the previous year.

(iii) there was no Insurance Purchase Commission generated for the period from 19 November 2012 to 31 January 2015.

As stated in the Letter, the Annual Caps for the transactions contemplated under the Third Service Contract are RMB41,000,000 for the period from the Effective Date to 31 March 2016, RMB42,000,000 for the year ending 31 March 2017 and RMB43,000,000 for the year ending 31 March 2018. Such Annual Caps represent an incremental increase of RMB1 million per year.

Taking into account that (i) the Third Service Contract represents major source of revenue for the Group; (ii) the historical sales amount represented approximately 80% of the relevant caps for the latest two periods; (iii) the number of Designated Shentong Card owners increased faster in recent period which would lead to a larger customer base and in turn a higher potential Purchase Commission; and (iv) buffers added to the Annual Caps can ensure that revenue generated under the Third Service Contract would not be limited, we consider that the relevant Annual Caps are fair and reasonable.

Taking into account (i) the distribution of the Designated Shentong Card is a lucrative business in view of the historical profit margins; (ii) the Group's heavy reliance on the Third Service Contract which represents the main source of revenue for the existing principal business of Shentong Yijia, which enable Shentong Yijia to receive issuance handling fees and/or commission not only from the sale of Designated Shentong Card but also from the purchases made by users through the Designated Shentong Card issued by Shentong Yijia; and (iii) save for the relevant annual caps, the terms of the Third Service Contract are substantially the same as those of the Second Service Contract, we consider that the Third Service Contract is in the ordinary course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(iv) Third Web Advertising Agreement

The Third Web Advertising Agreement was entered into between CCC and Shentong Yijia on 9 March 2015 to renew the Second Web Advertising Agreement, pursuant to which Shentong Yijia agreed to place and CCC agreed to arrange for the web advertisements of Shentong Yijia be published on the website of CCC "Shentong Net". 24-hour technical support services shall also be provided by CCC to Shentong Yijia to handle all technical issues arising out of the publication of the advertisements. The pricing basis are commercial terms determined after arm's length negotiation between CCC and the Group.

At present, the Designated Shentong Card is solely used in "Shentong Net", Shentong Yijia considers that the web advertisement on "Shentong Net" is the most effective way to promote the usage of Designated Shentong Card, e.g. value-adding service, and there is no similar transaction conducted between the Group and other independent third parties as CCC is the single supplier of web advertisements to Shentong Yijia. In assessing the terms of the Third Web Advertising Agreement, we have reviewed three sample evidences of similar transactions (including similar contract indicating payment terms) conducted by CCC with other independent third parties. As there are different types of web advertisement and thus different payment terms, we use the sample evidences with similar type of web advertisement, contract period and payment terms to those under the Third Web Advertising Agreement and accordingly we consider that those three sample evidences are representative. Based on the above sample evidences, we found that advertising fees for different publication timeslots charged by CCC to Shentong Yijia under the Third Web Advertising Agreement represented discounts respectively to those advertising fees charged by CCC to independent third parties. Therefore, we are of the view that the fees charged by CCC and other payment terms are fair and reasonable.

Notwithstanding the heavy reliance on CCC as the single supplier of web advertisements, as Shentong Yijia has been engaging CCC for web advertisements for more than 4 years, we consider that the Third Web Advertising Agreement would represent one of the feasible marketing means for promoting the Designated Shentong Cards which is beneficial to the sales of the Shentong Cards, and thus in the interests of the Company and the Shareholders as a whole.

In assessing the fairness and reasonableness of the Annual Caps for the transactions under the Third Web Advertising Agreement, we consider, among others, the historical advertising fees and the relevant caps of the transactions under the Second Web Advertising Agreement as set out below:

	Historical advertising fees	**Caps for the period**
For the period from 19 November 2012 to 31 March 2013	RMB1,628,583	RMB2,500,000
For the year ended 31 March 2014	RMB4,800,000	RMB5,000,000
For the period from 1 April 2014 to 31 January 2015	RMB4,000,000	RMB5,000,000 *(Note)*

Note: This is the annual cap for the year ended 31 March 2015.

We note that the historical advertising fee under the Second Web Advertising Agreement represented approximately 65.1%, 96% and 80% of the caps for the respective periods.

Pursuant to the Third Web Advertising Agreement, the amount of advertising fees to be incurred by Shentong Yijia during the term of the Third Web Advertising Agreement shall not be more than RMB5 million (equivalent to approximately HK$6.18 million) for the period from the Effective Date to 31 March 2016, the year ending 31 March 2017 and the year ending 31 March 2018 respectively. Details of the advertising arrangement and the payment methods shall be determined based on mutual agreement of Shentong Yijia and CCC to be reached at least three (3) days prior to the publication of the relevant advertisements.

According to the recent transactions under the Second Web Advertising Agreement, the amount of advertising fee incurred by Shentong Yijia averaged RMB400,000 (equivalent to approximately HK$494,000) per month. As advised by the Company, the Annual Caps for the transactions contemplated under the Third Web Advertising Agreement was determined by reference to the estimated amount of advertisements to be placed by Shentong Yijia. It is also advised by the Company that the advertising fees to be charged by CCC for each advertisement to be placed by Shentong Yijia shall be determined according to the proposed publication timeslots, size, position etc. and shall be determined based on the prevailing charging rates.

Taking into account (i) the historical advertising fees under the Second Web Advertising Agreement; (ii) the Annual Caps for the transactions contemplated under the Third Web Advertising Agreement which was determined with reference to the estimated advertising fees to be charged by CCC to Shentong Yijia based on the estimated amount of advertisements to be placed by Shentong Yijia and the prevailing charging rates; (iii) the principal business of Shentong Yijia in the management and distribution of the Designated Shentong Cards; and (iv) that the advertising on the website of CCC "Shentong Net" is important to the business operation of Shentong Yijia, we consider that the Third Web Advertising Agreement is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and the terms of the Third Web Advertising Agreement, including the relevant Annual Caps, are on commercial terms and fair and reasonable.

RECOMMENDATION

Taking into consideration the above principal factors and reasons, we are of the opinion that the Third CCT Agreements are in the ordinary course of business and in the interests of the Company and the Shareholders as a whole, and their respective terms (including their respective Annual Caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Third CCT Agreements, including the relevant Annual Caps, and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nuada Limited
Po Chan
Executive Director

Ms. Po Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO and regarded as a responsible officer of Nuada Limited and has over 14 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. SHARE CAPITAL

Authorised		*HK$*
10,000,000,000	Shares	100,000,000.00
Issued and to be issued, fully paid or credited as fully paid		
1,294,697,017	Shares in issue as at the Latest Practicable Date	12,946,970.17
1,294,697,017	Total number of Shares	12,946,970.17

All the Shares currently in issue rank pari passu in all respects with each other, including in particular, as to dividends, voting rights and capital. No part of the share capital of the Company is listed or dealt in on any stock exchange other than the Stock Exchange.

As at the Latest Practicable Date, 2,000,000 Options had been granted by the Company to the full-time employees of the Group and other eligible participants entitling them to the right to subscribe for a total of 2,000,000 Shares under the share option scheme adopted by the Company on 7 August 2013.

Save as disclosed above, the Company has no other options, warrants and conversion or exchange rights convertible or exchangeable into Shares. No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules., were as follows:

Name of Director	Number of the Shares held	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
Bao Yueqing	2,844,000 (L)	Beneficial	0.22

(L) denotes long position

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Number or attributable number of Shares held or short positions	Nature of interests	Approximate percentage or attributable percentage of shareholding *(%)*
CCC *(Note 1)*	356,542,000 (L)	Interests in controlled corporation	27.54
CCI	356,542,000 (L)	Beneficial	27.54
Jin Xian Gen *(Note 2)*	128,205,128 (L)	Interests in controlled corporation	9.90
Full Ocean Development Limited *(Note 2)*	128,205,128 (L)	Beneficial	9.90
Jin Lin Jun *(Note 3)*	128,205,128 (L)	Interested in controlled corporation	9.90
Amazing International Holdings Limited *(Note 3)*	128,205,128 (L)	Beneficial	9.90
Yang Shaoxiao *(Note 4)*	128,205,128 (L)	Security interest	9.90
Jin Yan *(Note 5)*	107,169,128 (L)	Security interest	8.28
Friendly Capital Limited	109,000,000 (L)	Beneficial	8.42

(L) denotes long position

Notes:

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

(2) Mr. Jin Xian Gen is interested in 90% of the entire issued share capital of Full Ocean Development Limited and is therefore deemed to be interested in 128,205,128 Shares held by Full Ocean Development Limited by virtue of the SFO.

(3) Mr. Jin Lin Jun is interested in 97% of the entire issued share capital of Amazing International Holdings Limited and is therefore deemed to be interested in 128,205,128 Shares held by Amazing International Holdings Limited by virtue of the SFO.

(4) Mr. Jin Lin Jun has pledged his equity interest in Amazing International Holdings Limited to Mr. Yang Shaoxiao, and Mr. Yang Shaoxiao is therefore considered to have a security interest in 128,205,128 shares held by Amazing International Holdings Limited by virtue of the SFO.

(5) Mr. Jin Xian Gen has pledged his equity interest in Full Ocean Development Limited to Ms. Jin Yan, and Ms. Jin Yan is therefore considered to have security interest in 107,169,128 shares held by Full Ocean Development Limited by virtue of the SFO.

(c) Substantial shareholders of other members of the Group

As at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was 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.

As at the Latest Practicable Date, save for Mr. He Chenguang is the legal representative of CCC, none of the Directors was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

1. a wealth management agreement dated 17 April 2013 entered into between Shentong Yijia, being a wholly owned subsidiary of the Company, as subscriber and ICBC as custody bank in relation to the subscription for wealth management product, which are of principal-preservation with low income risk in nature, denominated in RMB with a subscription amount of RMB10 million;

2. a wealth management agreement dated 8 July 2013 entered into between Shentong Yijia, being a wholly owned subsidiary of the Company, as subscriber and ICBC as custody bank in relation to the subscription for wealth management product, which are of principal-preservation with low income risk in nature, denominated in RMB with a subscription amount of RMB10 million;

3. a wealth management agreement dated 3 September 2013 entered into between Shentong Yijia, being a wholly owned subsidiary of the Company, as subscriber and ICBC as custody bank in relation to the subscription for wealth management product, which are of principal-preservation with low income risk in nature, denominated in RMB with a subscription amount of RMB10 million;

4. a wealth management agreement dated 30 July 2014 entered into between Shentong Yijia, being a wholly owned subsidiary of the Company, as subscriber and ICBC as custody bank in relation to the subscription for wealth management product, which are of principal-preservation with low income risk in nature, denominated in RMB with a subscription amount of RMB10 million;

5. 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 contracts 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 serving of such notice.

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	**Qualifications**
Nuada Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activities pursuant to the SFO

Nuada Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Nuada Limited does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, as at the Latest Practicable Date, Nuada Limited does not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, any member of the Group since 31 March 2014.

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 March 2014, being the date to which the latest published audited financial statements of the Group was made up.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors (including Mr. He Chenguang) or substantial Shareholder or any of their respective associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

9. MISCELLANEOUS

(a) There is no contract or arrangement entered into by any member of the Group subsisting at the date of this circular in which any Director is materially interested and which is significant to the business of the Group.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.

(c) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the office of the Company at Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong, during 10:00 a.m. to 4:00 p.m. on any Business Day on any Business Day from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the two financial years ended 31 March 2013 and 31 March 2014;

(c) each of the CCT Agreements as referred to in this circular;

(d) each of the Second CCT Agreements as referred to in this circular;

(e) each of the Third CCT Agreements as referred to in this circular;

(f) the written consent of the expert referred to in the paragraph headed "Expert" in this Appendix;

(g) the letter from the Independent Board Committee, the text of which is set out on page 21 in this circular;

(h) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 22 to 37 in this circular; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of China Communication Telecom Services Company Limited (the "**Company**") will be held at the Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Tuesday, 14 April 2015 at 11:00 a.m. for the following purposes:

ORDINARY RESOLUTION:

1. As special business, to consider and if thought fit, to pass the following resolution as an ordinary resolution:

"**THAT**

(a) the Third CCT Agreements (all as defined in the circular of the Company dated 24 March 2015, a copy of each of the Third CCT Agreements have been produced to this meeting marked "A", "B", "C" and "D" respectively and signed by the chairman of this meeting for the purpose of identification) and the transactions contemplated respectively thereunder be and are hereby approved, confirmed and ratified;

(b) the annual caps in relation to the Third CCT Agreements as stated in the circular of the Company dated 24 March 2015, for each of the period commencing on the passing of this resolutions or on 1 April 2015 (whichever is later) until 31 March 2016, and for each of the years ending 31 March 2017 and 2018 respectively, be and are hereby approved; and

(c) any one director of the Company be and is hereby authorised to do all other acts and things and execute all documents which he/she considers necessary or expedient for the implementation of and giving effect to the Third CCT Agreements and the transactions contemplated thereunder."

Yours faithfully
For and on behalf of the Board of
China Communication Telecom Services Company Limited
He Chenguang
Chairman

Hong Kong, 24 March 2015

Head Office and Principal Place of Business:
Units 2115–2116
21/F China Merchants Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Registered Office:
P.O. Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes:

(1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his/her/its behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

(2) A form of proxy for use at the EGM is enclosed with the circular of the Company dated 24 March 2015. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he/she/it so wish.

(3) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

(4) In the case of joint holders of shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

(5) Any voting at the EGM shall be taken by poll.