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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)

DISCLOSEABLE TRANSACTIONS SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

DISCLOSEABLE TRANSACTIONS

The Group has entered into three separate Wealth Management Agreements with ICBC in relation to the Subscriptions for Wealth Management Products for the period from April 2013 to July 2013, July 2013 to August 2013, and September 2013 to December 2013 respectively. While reviewing the Annual Report, it has come to the attention of the Directors that each of the Wealth Management Agreements would have constituted a discloseable transaction on the part of the Company under the GEM Listing Rules.

As the respective highest applicable percentage ratios of the Subscriptions exceed 5% but are less than 25%, the transactions contemplated under each of the Wealth Management Agreements constitute discloseable transactions on the part of the Company under Chapter 19 of the GEM Listing Rules and are subject to the announcement requirement but exempt from the Shareholders' approval requirements under the GEM Listing Rules.

DISCLOSEABLE TRANSACTIONS

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WEALTH MANAGEMENT AGREEMENTS

Salient terms of each of the Wealth Management Agreements are set out below:

(I) 1st Wealth Management Agreement

Date: 17 April 2013

Parties: (1) Shentong Yijia, being a wholly-owned subsidiary of the Company, as subscriber; and
(2) ICBC as custody bank

Principal terms of the 1st Wealth Management Agreement

Currency of investment and returns: RMB

Subscription amount: RMB10 million (equivalent to HK\$12.4 million). The investment is made based on the face value of the principal subscription amount

Term of investment period: From 24 April 2013 to 3 July 2013 (71 days)

Estimated rate of investment return: From 4.32% to 4.72% per annum

Principle for calculation of product returns and interest: $\text{Investment profit} = \text{principal subscription amount} \times \text{actual annualised rate of investment return} \times \text{days of investment} / 365$

Custody fee: Principal subscription amount x 0.02% per annum

Handling fee: Principal subscription amount x 0.4% per annum

Payment of principal and return upon maturity: The principal subscription amount and corresponding investment profit (if any), net of custody fee and handling fee were paid by ICBC to Shentong Yijia in a lump sum on the second business day after the maturity date.

(II) 2nd Wealth Management Agreement

Date: 8 July 2013

Parties: (1) Shentong Yijia, being a wholly-owned subsidiary of the Company, as subscriber; and
(2) ICBC as custody bank

Principal terms of the 2nd Wealth Management Agreement

Currency of investment and returns: RMB

Subscription amount: RMB10 million (equivalent to HK\$12.4 million). The investment is made based on the face value of the principal subscription amount

Term of investment period: From 10 July 2013 to 28 August 2013 (50 days)

Estimated rate of investment return: From 4.82% to 5.12% per annum

Principle for calculation of product returns and interest: $\text{Investment profit} = \text{principal subscription amount} \times \text{actual annualised rate of investment return} \times \text{days of investment} / 365$

Custody fee: Principal subscription amount x 0.02% per annum

Handling fee: Principal subscription amount x 0.4% per annum

Payment of principal and return upon maturity: The principal subscription amount and corresponding investment profit (if any), net of custody fee and handling fee were paid by ICBC to Shentong Yijia in a lump sum on the second business day after the maturity date.

(III) 3rd Wealth Management Agreement

Date: 3 September 2013

Parties: (1) Shentong Yijia, being a wholly-owned subsidiary of the Company, as subscriber; and
(2) ICBC as custody bank

Principal terms of the 3rd Wealth Management Agreement

Currency of investment and returns: RMB

Subscription amount: RMB10 million (equivalent to HK\$12.4 million). The investment is made based on the face value of the principal subscription amount

Term of investment period: From 6 September 2013 to 4 December 2013 (90 days)

Estimated rate of investment return: Up to 4.92% per annum

Principle for calculation of product returns and interest: $\text{Investment profit} = \text{principal subscription amount} \times \text{actual annualised rate of investment return} \times \text{days of investment} / 365$

Custody fee: Principal subscription amount x 0.02% per annum

Handling fee: Principal subscription amount x 0.4% per annum

Payment of principal and return upon maturity: The principal subscription amount and corresponding investment profit (if any), net of custody fee and handling fee were paid by ICBC to Shentong Yijia in a lump sum on the second business day after the maturity date.

REASONS FOR ENTERING INTO THE WEALTH MANAGEMENT AGREEMENTS

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

ICBC is a bank licensed and incorporated under the laws of the PRC. To the best of the Directors’ knowledge, information and belief having made all reasonable enquires, each of ICBC and its ultimate beneficial owners and their respective associates is an Independent Third Party. The principal business of ICBC is to provide corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services.

As also mentioned in the annual reports of the Company since 2008, the Group has been constantly looking for opportunities to enhance the Shareholders’ value. The Wealth Management Agreements were invested with those surplus cash beyond operation needs and were adhered with the internal investment policy of the Group. The Wealth Management Agreements would not affect the sufficiency working capital of the Group or the operation of the Group’s principal businesses. Prior to the entering into of the relevant Wealth Management Agreements, the management had conducted risk assessment on the relevant Wealth Management Products and investment decisions were made after the management being satisfied that the principal injected would be well protected. According to the record of Shentong Yijia, the actual rate of investment return, net of relevant fees for the First Subscription, the Second Subscription and the Third Subscription were approximately 3.9%, 4.4% and 4.5% respectively. As the management team of Shentong Yijia was of the view that the Wealth Management Agreements would bring the Group with stable return at an estimated range of interest rate and were, in substance, similar to fixed deposit with banks, the management did not realise that the entering into of the Wealth Management Agreements would fall within the definition of “transactions” under the GEM Listing Rules. It was only during the recent review of the Annual Report it has come to the attention of the Directors that each of the Wealth Management Agreements would have constituted a discloseable transaction on the part of the Company under the GEM Listing Rules. Although there has been a series of subscriptions of the Wealth Management Products with ICBC (three subscriptions in total), each subscription was made separately one-by-one after the maturity date of the previous Wealth Management Agreement, and the rate of investment return and the length of investment period were different. In the circumstances, the Company has immediately taken all initiatives to re-comply with the GEM Listing Rules as soon as it can. The Directors deeply apologise for any inconvenience that may have been caused by such incident.

The Directors are of the view that the Subscriptions provided a good short-term investment opportunity to the Group without causing any adverse effects on its liquidity as well as to expand its investment portfolio with satisfactory investment return. As such, the Directors consider that the Subscriptions were fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As the respective highest applicable percentage ratios of the Subscriptions exceed 5% but are less than 25%, the transactions contemplated under each of the Wealth Management Agreements constitute discloseable transactions on the part of the Company under Chapter 19 of the GEM Listing Rules and are subject to the announcement requirement but exempt from the Shareholders' approval requirements under the GEM Listing Rules.

RISK CONTROL MEASURES

To prevent the occurrence of similar inadvertent omission in the future, the Directors will adopt a stringent investment policy of the Company with a particular focus on the subscription of investment products and considered to include the following factors before making such subscription:

1. Investment aim and purpose

The investment purpose of the Group to subscribe for investment products is to maximise the use of its funds with an aim of obtaining satisfactory return. As such, the Group puts the highest emphasis on the importance of safe investment with reasonable returns and for that reason, it shall mainly invests in products which are principal-guaranteed or with low risk exposures.

2. Scope of investment products

Generally, the Group will only subscribe for investment products from reputable and sizeable banks in the PRC, such as stated-owned banks and other joint-stock commercial banks, in order to minimise the exposure of investment risk. In addition, the Group will only subscribe for investment products, preferably of principal-guaranteed, with expected interest returns higher than that of ordinary bank deposits. The investment period is normally restricted to not more than one year in order to keep the Group with adequate cash flow for flexibility. Such selection criteria of investment products are in line with the Group's overall investment aim and purpose of emphasising on the investment safety.

3. Risk assessment

The Group assesses investment products for subscription in all material aspects, including but not limited to the credibility of the issuing bank, its previous issuing records, the anticipated return etc.

The Directors consider that the above risk control measures are adequate to cover the risks involved in subscribing for investment products.

The Group will continue to subscribe for new investment products if such investment products can provide a fair and reasonable return to the Group and in line with the Group's investment policy and in compliance with the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Annual Report”	the annual report of the Company for the year ended 31 March 2014
“Board”	the board of Directors
“Company”	China Communication Telecom Services Company Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the GEM
“Directors”	directors of the Company
“First Subscription”	the subscription by Shentong Yijia for Wealth Management Products in accordance with the 1st Wealth Management Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company together with its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC”	Industrial & Commercial Bank of China, a bank licensed and incorporated under the laws of the PRC
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made reasonable enquiries, are third parties independent of the Company and its connected persons
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Second Subscription”	the subscription by Shentong Yijia for Wealth Management Products in accordance with the 2nd Wealth Management Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company

“Shareholder(s)”	holder(s) of issued Share(s)
“Shentong Yijia”	北京神通益家科技服务有限公司 (Beijing Shentong Yijia Technology Services Company Limited [#]), established in the PRC as a foreign-owned enterprise, an indirect wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	collectively, the First Subscription, the Second Subscription and the Third Subscription
“Third Subscription”	the subscription by Shentong Yijia for Wealth Management Products in accordance with the 3rd Wealth Management Agreement
“Wealth Management Agreements”	collectively, the 1st Wealth Management Agreement, the 2nd Wealth Management Agreement and the 3rd Wealth Management Agreement
“Wealth Management Products”	the wealth management products, which are of principal-preservation with low income risk in nature, denominated in RMB subscribed for by Shentong Yijia under the Wealth Management Agreements
“1st Wealth Management Agreement”	the wealth management agreement entered into between Shentong Yijia and ICBC on 17 April 2013 in relation to the subscription of Wealth Management Products with a subscription amount of RMB10 million
“2nd Wealth Management Agreement”	the wealth management agreement entered into between Shentong Yijia and ICBC on 8 July 2013 in relation to the subscription of Wealth Management Products with a subscription amount of RMB10 million
“3rd Wealth Management Agreement”	the wealth management agreement entered into between Shentong Yijia and ICBC on 3 September 2013 in relation to the subscription of Wealth Management Products with a subscription amount of RMB10 million
“HK\$”	Hong Kong dollars, 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 announcement, unless otherwise indicated, conversion of RMB into HKD is calculated at the approximate exchange rate of RMB0.8035 to HKD1.00. 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.

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

Hong Kong, 20 June 2014

As at the date of this announcement, the executive Directors are Mr. He Chenguang and Mr. Bao Yueqing, and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Han Liquan and Ms. Zhang Li.

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

This announcement 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.