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.

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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)

(1) REVISION OF THE EXISTING ANNUAL CAPS REGARDING THE CONTINUING CONNECTED TRANSACTIONS; (2) PROPOSED AMENDMENTS TO THE ARTICLES OF THE COMPANY; AND (3) 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 24 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 25 to 35 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 Monday, 19 November 2012 at 11:30 a.m. is set out on pages 42 to 43 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.

26 October 2012

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.

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

"Articles"	the articles of association of the Company as amended from time to time
"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 29.84% of the issued share capital of the Company 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 shares are listed on GEM
"connected persons"	has the meaning ascribed to it under the GEM Listing Rules
"Customers Service Hotline Rental Agreement"	the customers service hotline rental agreement entered into between Shentong Yijia and CCC on 11 January 2010 in relation to the provision of the designated national customers 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

"EGM"	an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, inter alia, the proposed amendments to the existing Articles, the Second CCT Agreements and the transactions respectively contemplated thereunder
"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. Cao Huifang and Ms. Liu Hong, all being the independent non-executive Directors, established to advise the Independent Shareholders in relation to the Second CCT Agreements and the Revised 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 appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Second CCT Agreements and the annual caps for the transactions contemplated thereunder
"Independent Shareholders"	Shareholder(s) other than CCC and Shentong Yijia and Shareholders who are connected to or otherwise associated with CCC and Shentong Yijia or interested in the Second 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 any director, chief executive or substantial shareholders or management shareholders of the Company or its subsidiaries or any of their respective associates
"Latest Practicable Date"	19 October 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"PICC Health"	PICC Health Insurance Company Limited

"PICC Life"	PICC Life Insurance Company Limited
"PICC Property"	PICC Property and Casualty Company Limited
"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
"Revised Annual Caps"	the revised annual caps for the Second CCT Agreements for the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 31 March 2015
"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 customers service hotline rental agreement entered into between Shentong Yijia and CCC on 9 October 2012 in relation to the provision of the designated national customers service hotline number 95130*** by CCC to Shentong Yijia, to renew the Second Customer Service Hotline Rental Agreement
"Second Server Hosting Agreement"	the server hosting agreement to be 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 to be 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 to be 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$0.01 each in the issued and unissued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s) from time to time
"Shentong Yijia"	北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited#), a company established under the laws of the PRC, a wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Web Advertising Agreement"	the web advertising agreement dated 11 January 2010 (as supplemented by a supplemental agreement dated 17 March 2010) entered into between Shentong Yijia and CCC in relation to the provision of advertising space by CCC to Shentong Yijia, details of which have been included in the circular of the Company dated 5 February 2010
"HK$" 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 RMB0.8203 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. Zhang Peng

Non-executive Director:
Mr. Xiao Haiping

Independent non-executive Directors:
Mr. Yip Tai Him
Ms. Cao Huifang
Ms. Liu Hong

Registered office:
P.O. Box 309 GT, Ugland House
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Grand Cayman
Cayman Islands

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

26 October 2012

To the Shareholders

Dear Sir or Madam,

**(1) REVISION OF THE EXISTING ANNUAL CAPS REGARDING CONTINUING CONNECTED TRANSACTIONS;
(2) AMENDMENTS TO THE ARTICLES OF THE COMPANY;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the circular of the Company dated 5 February 2010 in relation to each of the CCT Agreements, and the related caps were approved by the Independent Shareholders at the previous extraordinary general meeting of the Company held on 11 March 2010.

According to the recent review by the Board on its transactions under the CCT Agreements, the Directors found that the transactions between Shentong Yijia and CCC for the four months ended 31 July 2012 is approaching the relevant annual caps previously approved by the Independent Shareholders, and that the CCT Agreements will be expired on 31 March 2013. In particular, the hosting service provided by CCC under the Server Hosting Service Agreement during the first four months ended 31 July 2012, based on the Group's unaudited management accounts, have already reached RMB1,440,000 (equivalent to approximately HK$1,755,455), representing (i) approximately 53.3% of the existing annual caps; and (ii) an increase of approximately 60% when compared with the same period last year. The Board expects such strong demand of the usage of server hosting service under the Second Server Hosting Agreement will sustain throughout the terms of the Second Server Hosting Agreement.

In light of the above, the Second CCT Agreements have been entered into on 9 October 2012 and the Board would like to propose to seek the approval of the Independent Shareholders in relation to, among other matters, the revision of the existing annual caps set for the transactions contemplated under the CCT Agreements and the extension of the respective terms of the CCT Agreements.

Further, a special resolution will also be proposed to amend the existing Articles and the adopt a new set of Articles consolidating all the proposed amendments referred to in the notice convening EGM and all previous amendments made pursuant to the resolutions passed by the Shareholders at general meetings.

The purpose of this circular is to provide you with further information regarding the Second CCT Agreements as well as the Revised Annual Caps for the transactions respectively contemplated thereunder, and the proposed amendments to the existing Articles, and to seek approval from the Shareholders and the Independent Shareholders (as appropriate) for the Second CCT Agreements and the transactions respectively contemplated thereunder, the Revised Annual Caps and the proposed amendments to the existing Articles.

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the circular of the Company dated 5 February 2010 relating to, inter alia, the CCT Agreements.

Independent Shareholders' approvals for the continuing connected transactions and the annual caps assigned under each of the CCT Agreements had been obtained by the Company at the extraordinary general meetings of the Company held on 11 March 2010. In addition, as the terms of each of the CCT Agreements will expire on 31 March 2013, Shentong Yijia, a wholly owned subsidiary of the Company, and CCC had entered into the Second CCT Agreements on 9 October 2012 to renew the CCT Agreements for the period commencing on the date of the respective Second CCT Agreements and ending on 31 March 2015.

Except for the amount of annual caps, the contract period and the increase in annual rental fee payable by Shentong Yijia to CCC under the Second Server Hosting Agreement, there is no material difference between the CCT Agreements and the Second CCT Agreements. Details of each of the Second CCT Agreements are set out as follows:

Second Customers Service Hotline Rental Agreement

Date: 9 October 2012

Parties: CCC as supplier and Shentong Yijia as purchaser

Services: CCC shall provide a designated national customers 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$24,381) for each of the years ending 31 March 2014 and 31 March 2015 and a pro-rata annual fee for the period commencing on the Effective Date until 31 March 2013 on a 12-month year basis; (ii) a calling charge of RMB0.06 (equivalent to approximately HK$0.073) per 6 seconds for long distance incoming calls (subject to the scaled-discount rates); and (iii) a calling charge of RMB0.15 (equivalent to approximately HK$0.174) per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system, representing a discount of 50% to the nationwide standard rate in the PRC. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time.

The annual fee shall be payable by Shentong Yijia on 1 April for each of the years ending 31 March 2014 and 31 March 2015 and the pro-rata annual fee shall be payable by Shentong Yijia on the Effective Date for the period commencing on the Effective Date until 31 March 2013, during the term of the Second Customers Service Hotline Rental Agreement, whereas the calling charges shall be settled by Shentong Yijia on a monthly basis 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 Customers Service Hotline Rental Agreement will be returned to Shentong Yijia on a pro-rata basis. 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.

Term: For the period commencing on the Effective Date until 31 March 2015, 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 Second Customers Service Hotline Rental Agreement for each of the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 31 March 2015 are proposed to revise to RMB0.60 million (equivalent to approximately HK$0.73 million), RMB1.30 million (equivalent to approximately HK$1.58 million) and RMB1.30 million (equivalent to approximately HK$1.58 million) respectively.

Second Server Hosting Agreement

Date: 9 October 2012

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 2200W (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$10.24 million) and payable in four equal instalments quarterly 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. 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.

The significant increase in annual rental fee was mainly due to (i) cost inflation in PRC (original server hosting fee was RMB45,000 per rack, the renewed price is RMB70,000 while the market price was RMB90,000 per rack; and (ii) the maximum number of racks of server for rent was increased from 5 to 10. Further, to cope with the significant growth of the demand in the serving hosting service, Shentong Yijia had rented 3 extra racks of server from independent third party for approximately RMB90,000 per rack of server in the first quarter of 2012. As such, the Board considers that the rental of a maximum number of 5 racks of server under the Server Hosting Agreement will not be sufficient to satisfy the increasing demand and therefore the Board has proposed to revise the existing annual caps for the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 2015.

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.

Term: For the period commencing from the Effective Date until 31 March 2015, 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 compliance of the GEM Listing Rules. Notwithstanding the above, the Second Server Hosting Agreement may be terminated by Shentong Yijia by 30 days prior written notice.

Annual cap: The annual caps for the Second Server Hosting Agreement for each of the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 31 March 2015 are proposed to revise to RMB4.20 million (equivalent to approximately HK$5.12 million), RMB8.40 million (equivalent to approximately HK$10.24 million) and RMB8.40 million (equivalent to approximately HK$10.24 million) respectively.

Second Service Contract

Date: 9 October 2012

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:

(i) issuance handling fees of RMB5 (equivalent to approximately HK$6.1) for each Designated Shentong Card issued by Shentong Yijia;

(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;

(iii) sale commission of RMB3 (equivalent to approximately HK$3.7) for the insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia; 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 above issuance handling fees and the commissions shall be settled by CCC on a monthly basis in arrears.

Term: For the period commencing from the Effective Date until 31 March 2015, 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 compliance of the GEM Listing Rules.

Annual cap: The annual caps for the Second Service Contract for each of the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 31 March 2015 are proposed to revise to RMB19.00 million (equivalent to approximately HK$23.16 million), RMB39.00 million (equivalent to approximately HK$47.54 million) and RMB40.00 million (equivalent to approximately HK$48.76 million) respectively.

Second Web Advertising Agreement

Date: 9 October 2012

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 Second Web Advertising Agreement shall not be more than RMB2.5 million (equivalent to approximately HK$3.05 million) for the period commencing on the Effective Date until 31 March 2013 and RMB5 million (equivalent to approximately HK$6.1 million) for the two years ending 31 March 2015. 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, size, position 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.

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.

Term: For the period commencing from the Effective Date until 31 March 2015, 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 of the GEM Listing Rules.

Annual cap: The annual caps for the Second Web Advertising Agreement for each of the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 31 March 2015 are proposed to revise to RMB2.50 million (equivalent to approximately HK$3.05 million), RMB5.00 million (equivalent to approximately HK$6.10 million) and RMB5.00 million (equivalent to approximately HK$6.10 million) respectively.

Common terms of the Second CCT Agreements

Each of the Second CCT Agreements contains the following terms:

1. The terms of the Second CCT Agreements shall become effective on the date (the "**Effective Date**") falling upon the passing of the relevant resolutions by the Independent Shareholders at the EGM and shall not extend beyond 31 March 2015. Shentong Yijia will be entitled to extend the Second CCT Agreements on or before 31 March 2015 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 Second CCT Agreements pursuant to their respective terms, the Second CCT Agreements shall automatically terminate on 31 March 2015 (or such later date as the parties to the Second CCT Agreements may agree) if:

   (i) CCC or Shentong Yijia consider 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 Second Service Agreements which are not acceptable to any of the parties.

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

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

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

Revised Annual Caps of the Second CCT Agreements

The historical figures of the fees paid by/received by Shentong Yijia to/from CCC under the CCT Agreements for the years ended 31 March 2011 and 2012 and for the four months period ended 31 July 2012 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 (especially for the Second Service Hosting Agreement as explained below), the Company has set the following annual caps for each of the period commencing on the Effective Date until 31 March 2013 and for the years ending 31 March 2014 and 2015:

The Second CCT Agreements	Terms of the Second CCT Agreements	Historical figures for the year ended 31 March 2011	Historical figures for the year ended 31 March 2012	Historical figures from 1 April 2012 to 31 July 2012	Proposed Revised Annual Caps: For the period commencing from the Effective Date until 31 March 2013	Proposed Revised Annual Caps: For the year ending 31 March 2014	Proposed Revised Annual Caps: For the year ending 31 March 2015
		RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
Second Customer Service Hotline Rental Agreement	Effective Date — 31/3/2015	499,371	638,400	281,631	600,000	1,300,000	1,300,000
Second Server Hosting Agreement	Effective Date — 31/3/2015	2,700,000	2,700,000	1,440,000	4,200,000	8,400,000	8,400,000
Second Service Contract	Effective Date — 31/3/2015	27,635,773	28,861,611	9,444,142	19,000,000	39,000,000	40,000,000
Second Web Advertising Agreement	Effective Date — 31/3/2015	—	1,200,000	1,600,000	2,500,000	5,000,000	5,000,000

The Revised Annual Caps set by the Directors above for the transactions contemplated under the Second CCT Agreements are due to, among other matters, (i) the recent inflation in service fees charged by internet service providers, including CCC, in the PRC; (ii) the recent increase in demand in the customer service hotline services and the web advertising industry in the PRC, while the charges of the Second Customers Service Hotline Rental Agreement is calculated based on the actual amount of usage of the relevant facilities; and (iii) the recent significant increase in demand for the server hosting service provided by CCC.

In particular, the proposed revised annual caps for the Second Customer Hotline Rental Agreement are determined with reference to (i) recent actual usage of calls, which is approximately 100,000 minutes for both incoming and outgoing calls per month; (ii) conservative growth rate of approximately 40% by reference to the actual growth rate of the usage of calls for the period from 1 April 2012 to 31 July 2012, which recorded a growth rate of approximately 75% when compared to the corresponding period in 2011.

For the Second Server Hosting Agreement, the proposed revised annual caps are determined with reference to (i) the average monthly unit server hosting fee at RMB70,000 per rack; and (ii) maximum number of 10 racks of server for rent. The significant increase in annual caps for the Second Server Hosting Agreement was mainly due to (i) increase in unit server hosting fee, which was due from the cost inflation in PRC during the past few years (original server hosting fee was RMB45,000 per rack, with a market price of RMB90,000 per rack at present); and (ii) increase in number of racks of server for rent (increased from 5 to 10) in order to cope with the significant growth of the demand in the server hosting service and stability of service provided.

For the Second Service Contract, the proposed revised annual caps are determined with reference to (i) the audited actual amounts of the promotion and management service income for the Group for the years ended 31 March 2011 and 2012; 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.

Further, the proposed revised annual caps for the Second Web Advertising Agreement are determined with reference to (i) actual recent usage, which is of RMB400,000 per month and (ii) a buffer of RMB200,000 per annum.

With the above factors in mind, the increase in demand of the usage of the relevant facilities under the Second CCT Agreements, the Directors consider it would be necessary to the Revised Annual Caps be adopted.

The Group has launched TV broadcast advertising to promote the Shentong Cards, instead of advertising on the CCC's website for the year ended 31 March 2011. However, considering the stability of the sales of Shentong Cards and with the view to save cost, the Group had suspended its advertising plan in year 2011. It is the intention of the Group to resume advertisings on the CCC's website from the beginning of year 2012 to boost the sales of Shentong Cards, as such, the Directors are of the view that it is prudent to set the revised annual caps under the Second Service Contract and the Second Web Advertising Agreement based on the aforesaid factors.

The Revised 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; (ii) the historical figures in the previously dealings between Shentong Yijia and CCC under the 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.

The Board (excluding the independent non-executive Directors who shall provide their views after considering the advice of the Independent Financial Adviser) is of the opinion that the terms of the Second CCT Agreements and the Revised 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.

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.

REASONS FOR THE REVISION OF THE EXISTING ANNUAL CAPS

CCC is a nationwide telecom operator and internet network operator in the PRC providing comprehensive 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.

The Company's Shentong Card business has steady growth, the turnover generated from Shentong Card business had been increased by approximately 9% in the year ended 31 March 2012 when compared to the year ended 31 March 2011. For the four months ended 31 July 2012, the unaudited turnover has been increased by approximately 25% when compared to the same period in year 2011.

The current numbers of staff for Shentong Card business is 56. There are around 1,023 distributors working with the Group, which covered major cities with relatively high population and high consumption per capita, such as Beijing, Shanghai, Tianjin, Guangzhou and Shenzhen etc. In geographical spread, it covered 10 Provinces, including Guangdong, Sichuan, Jilin, Jiangsu, Hebei, Shanxi, Hunan, Hubei, Liaoning and Heilongjiang.

Major revenue component represents the followings:

	Years ending 31 March			From 1 April 2012 to 31 July 2012
	2010	2011	2012	
(i) Issuance handling fees	—	23%	17%	13%
(ii) Technical service commission	—	64%	72%	79%
(iii) Sales commission	—	13%	11%	8%

Major costs elements represents the followings:

	Years ending 31 March 2010	2011	2012	From 1 April 2012 to 31 July 2012
(i) Customer service hotline rental	—	1%	6%	8%
(ii) Server hosting fee	—	7%	34%	40%
(iii) Amortisation on intangible assets	—	77%	52%	42%

In relation to the promotion of Shentong Card business, different sales promotion strategy will be used for different ultimate users group, namely group users and individual users. For group users, which is defined as purchasing a card with a total value for more than RMB100,000, the Group will first review the specific needs of the users, for example, whether the Shentong Card is used for entertainments or payments for telecommunication services, then the Group will prepare and enter into sales and purchase agreements for Shentong Cards. The Group will follow up with the group users, usually by random telephone to negotiate for the charge up value for the sold Shentong Cards. For individual users, the Group sell Shentong Cards through its well-developed distributors.

The major supplier of the Group is CCC in which credit terms are paid in arrears after service was received.

For future development for the Shentong Cards business, the Group will continue to strengthen the Group's distribution networks in order to broaden its income networks for the Shentong Cards business.

Shentong Yijia is principally engaged in the provision of the distribution and management services in relation to the Designated Shentong Cards. In view of the significant increase in demand in the electronic smart card services business in the PRC, the Group's demand for the service under the CCT Agreements, in particular the server hosting service provided by CCC, has well exceeded the Board's previous expectation. The Board had reviewed the existing annual cap of each of the CCT Agreements for the three years ending 31 March 2013 and found that for the four months period ended 31 July 2012, the transactions between Shentong Yijia and CCC had almost reached the relevant annual cap set for the financial year ending 31 March 2013. It is expected that the annual caps of each of the CCT Agreements as approved by the Independent Shareholders on 11 March 2010 may not be sufficient to cover the transactions between Shentong Yijia and CCC under the CCT Agreements. For the avoidance of doubt, as at the date of this circular, the transaction amounts of the CCT Agreements were still within the ambit of their respective approved annual caps.

In addition, the Directors also noted that the terms of each of the CCT Agreements will expire on 31 March 2013.

Therefore, in order to facilitate the business development of Shentong Yijia on its principal business and in light of the need to revise the original annual caps for the CCT Agreements as stated above, the Second CCT Agreements had been entered into on 9 October

2012 to, among other things, revise the annual caps and renew the terms of each of the CCT Agreements to the period commencing on the Effective Date of the respective Second CCT Agreements until 31 March 2013 and for the two years ending on 31 March 2015. The Board considered it to be appropriate and beneficial to Shentong Yijia to enter into the Second CCT Agreements with CCC, who can provide a comprehensive and full range of telecommunications, internet and payment supporting services to Shentong Yijia.

The Directors consider that the effect on the new regulation on the Third-Party Payment License to the Group is not material, for the reasons that since April 2011 up to the present, the major revenue components of the Group are generated from the issuance handling fee and sales commission from the sales of new Shentong Cards and also the technical service commission from the purchases made by the users through Shentong Card, having said that, more than 99% of the purchases are for the payments of services operated by CCC, such as value-added telecom services and online games, instead of payments for third parties.

CCC is required to apply for such license, if necessary. CCC was incorporated in 2003 and is a nationwide telecom operator in the PRC. CCC is a member of the IP address distributor alliance (IP地址分配聯盟). It has a nationwide-covered network (CCCNET) and has a comprehensive payment settlement system which can provide accurate and safe payment service. CCC has fulfilled all the basic requirements for applying such license by way of its capital strength and nationwide operation scale. However, since CCC only operated self build-up services, it considered not to apply for such license at present.

The agreements between CCC and the three insurance companies, namely PICC Life, PICC Property and PICC Health will be expired in April 2013. CCC has commenced negotiations with the said insurance companies to strive for the continuation of co-operation or to explore new modes of co-operation. If negotiations are successful, it is expected that new agreements will be entered into in February 2013. In the event CCC cannot reach consensus with the insurance companies by February 2013, it would only affects the income generated from the sales commission of Shentong Cards (represented approximately one-tenth of the Group's total revenue) and it will not have any impact for the income generated from the technical service commission from purchases made by users through Shentong Cards. Through implementation of enriching the consumption contents of Shentong Cards and launching stimulating consumption promotions strategy, for example spending programme, lucky draw for card numbers, the Group can ensure the sustainability of income. Besides, CCC can enter into services contracts with the Group for providing the same services for Shentong Card without preloading with insurance products.

In order to alleviate the current heavy reliance on the single largest customer of the Group, i.e. CCC, the Group has started to explore new income stream from other customers by:

(a) according to CCC, they have been developing a mobile online payment platform adaptable for the designated Shentong Cards in order to capture more users. The Group is considering the feasibility of becoming a sole agent for such mobile platform, and hence to look after new income stream from other customers, e.g. receive advertisement fees from advertiser; and

(b) the Board of the Group is endeavoured to explore new business opportunities with other potential customers in order to expand its customer base.

The Directors also considered that during the term of the CCT Agreements, the services provided by CCC were considered to be reliable and of good quality and therefore determined to renew the CCT Agreements by entering into the Second CCT Agreements. Further, the Revised 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 (excluding the independent non-executive Directors who shall provide their views after considering the advice from the Independent Financial Adviser) consider that the entering into of the Second CCT Agreements are in the ordinary course of business of the Group and that the terms of the Second CCT Agreements are determined on an arm's length basis with CCC.

Accordingly, the Directors (excluding the independent non-executive Directors who shall provide their views after considering the advice from the Independent Financial Adviser) are of the view that the terms and conditions of the Second CCT Agreements (including but not limited to the Revised 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.

PROPOSED AMENDMENTS TO THE ARTICLES

The Stock Exchange has amended the GEM Listing Rules relating to, among other things, the memorandum and articles of association or equivalent constitutional documents of listed issuers. The amendments to the Listing Rules would come into effect on 1 January 2012 and 1 April 2012. Accordingly, the Directors propose to seek the approval of the Shareholders by way of special resolution for the amendments to the existing Articles and the adoption of new Articles at the EGM, so as to bring the constitution of the Company in line with current amendments made to the GEM Listing Rules. Details of the amendments to the existing Articles are set out in the notice convening the EGM.

The major effects of the proposed amendments to the existing Articles are summarised as follows:

1. all resolutions at general meetings of the Company shall be decided by poll other than a resolution which relates purely to a procedural or administrative matter as may be permitted under the GEM Listing Rules to be voted on by a show of hands;

2. written resolutions shall not be passed in lieu of a physical board meeting where a Director or a substantial shareholder has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material;

3. to no longer permit a Director to disregard 5% interests when considering whether the Director has a material interest which would prevent him from forming part of the quorum or voting at a board meeting;

4. an annual general meeting shall be called by written notice of not less than 21 clear days and not less than 20 clear business days, any extraordinary general meeting called for the passing of a special resolution shall be called by written notice of not less than 21 clear days and not less than 10 clear business days, all other meetings may be called by written notice of not less than 14 clear days and not less than 10 clear business days;

5. to empower the Company to issue summary financial reports;

6. the instruments of proxy shall not preclude the use of the two-way form, i.e. the proxy form that provides both for and against voting options for the Shareholder(s) to vote at a general meeting;

7. to allow notices or documents to be served by the Company to its Shareholders by electronic means;

8. to streamline and consolidate certain articles regarding the voting restrictions in board meetings and general meetings; and

9. to re-elect an independent non-executive Director who has served the Company for more than nine years by a separate resolution to be approved by the Shareholders in general meeting for any further appointment of such independent non-executive Director.

Details of the amendments to the existing Articles are set out in the notice convening the EGM.

The legal advisers to the Company as to Hong Kong laws and the laws of the Cayman Islands have respectively confirmed that the proposed amendments comply with the requirements of the GEM Listing Rules and do not violate the applicable laws of the Cayman Islands. The Company confirms that there is nothing unusual about the proposed amendments for a Cayman Islands company listed on the Stock Exchange.

Shareholders are advised that the Articles are available only in English and the Chinese translation of the amendments to the Articles provided in the Notice in Chinese is for reference only. In case of any inconsistency, the English version shall prevail.

IMPLICATIONS UNDER THE GEM LISTING RULES

CCC is a connected person to the Company by virtue of its interest in approximately 29.84% 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 Province 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.

In addition, based on the Revised Annual Caps, the annual consideration will be payable by and/or received from Shentong Yijia to/from CCC under the Second CCT Agreements will exceed HK$10,000,000 and 25% of the applicable ratios under the GEM Listing Rules. Accordingly, the transactions contemplated under the Second 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 Second CCT Agreements, CCC and its ultimate beneficial owners and their respective associates, who in aggregate hold 356,542,000 Shares, representing 29.84% interest in the Company, are required to abstain from voting the EGM in respect of the resolutions relating to the Second 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 Second 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 Revised Annual Caps.

Save as disclosed above, no Shareholder has a material interest in the Second CCT Agreements, and for the avoidance of doubt, no Shareholder is required to abstain from voting on the resolutions approving the proposed amendments to the existing Articles.

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

EGM

Set out on pages 42 to 43 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 Monday, 19 November 2012 at 11:30 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 Second CCT Agreements, the Revised Annual Caps for the transactions contemplated thereunder and the amendments to the existing Articles.

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. Cao Huifang and Ms. Liu Hong, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Second CCT Agreements and the Revised 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 Second CCT Agreements and the Revised 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 Second CCT Agreements were entered into on normal commercial terms and that the terms of the Second CCT Agreements (including the Revised 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 Second CCT Agreements and the annual caps for the transaction respectively contemplated thereunder.

A circular containing, amongst other things, further information of the proposed amendments to the existing Articles, the Second CCT Agreements, the recommendations of the Independent Board Committee, the letter of advice from the independent financial adviser to the Independent Board Committee and the notice of the EGM will be despatched to the Shareholders as soon as possible in compliance with the GEM Listing Rules.

The text of the letter from the Independent Board Committee is set out on page 24 of this circular and the text of the letter from the Independent Financial Adviser containing its advice is set out on pages 25 to 35 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 Second CCT Agreements and the Revised 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.

Further, the Board consider that the proposed amendments to the existing Articles are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders to vote in favour of the resolution numbered 2 as set out in the notice convening the EGM to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 24 of this circular which contains its views in relation to the Second CCT Agreements and the Revised 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 Second CCT Agreements and the Revised 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 25 to 35 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)

26 October 2012

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SECOND CCT AGREEMENTS

We refer to the circular of the Company dated 26 October 2012 (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 Second CCT Agreements and the Revised 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 25 to 26 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 23 of the Circular and the additional information set out in the appendices of the Circular.

Having considered the terms of the Second CCT Agreements (including the Revised 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 Second CCT Agreements and the Revised Annual Caps for the transactions respectively contemplated thereunder is on normal commercial terms and the terms of the Second CCT Agreements (including the Revised 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 Second CCT Agreements and the Revised Annual Caps for the transactions respectively contemplated thereunder.

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

Yip Tai Him	**Cao Huifang**	**Liu Hong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited setting out its opinion regarding the Second CCT Agreements, including the relevant Revised Annual Caps and the transactions contemplated thereunder prepared for the purpose of incorporation in this circular.

Nuada Limited
Corporate Finance Advisory

19th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街111號 BLINK 19字樓

26 October 2012

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Second CCT Agreements and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter**") contained in the circular of the Company dated 26 October 2012 to the Shareholders (the "**Circular**"), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the circular of the Company dated 5 February 2010 in relation to each of the CCT Agreements and the related caps were approved by the Independent Shareholders at the previous extraordinary general meeting of the Company dated 11 March 2010.

According to the recent review by the Board on its transactions under the CCT Agreements, the Directors found that the transactions between Shentong Yijia and CCC for the four months ended 31 July 2012 is approaching the relevant annual caps previously approved by the Independent Shareholders, and that the CCT Agreements will be expired on 31 March 2013. In particular, the hosting service provided by CCC under the Server Hosting Service Agreement during the first four months ended 31 July 2012, based on the Group's unaudited management accounts, have already reached RMB1,440,000 (equivalent to approximately HK$1,755,455), representing (i) approximately 53.3% of the existing annual caps; and (ii) an increase of approximately 60% when compared with the same period last year. The Board expects such strong demand of the usage of server hosting service under the Second Server Hosting Agreement will sustain throughout the terms of the Second Server Hosting Agreement.

In light of the above, the Second CCT Agreements have been entered into on 9 October 2012 and the Board would like to propose to seek the approval of the Independent Shareholders in relation to, among other matters, the revision of the existing annual caps set for the transactions contemplated under the CCT Agreements and the extension of the respective terms of the CCT Agreements.

As stated in the Letter, CCC is a connected person to the Company by virtue of its interest in approximately 29.84% of the issued share capital of the Company through CCI, its wholly-owned subsidiary. 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 set by the Company, the annual consideration will be payable by and/or received from Shentong Yijia to/from CCC under the Second CCT Agreements will exceed HK$10,000,000 and 25% of the applicable ratios under the GEM Listing Rules. Accordingly, the transactions contemplated under the Second CCT Agreements are subject to the reporting, announcements and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Second CCT Agreements, including the relevant Revised Annual Caps, and the transactions contemplated thereunder are on normal commercial terms, in the ordinary course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

BASES AND ASSUMPTIONS

In formulating our opinion, we have relied on the accuracy of the information and facts supplied, and the opinions and representations expressed to us by the Directors, the Company and its management. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and are based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations referred to in the Circular and provided to us by the Company and the Directors, and have been advised by the Directors that no material facts have been omitted from the information provided to us and referred to in the Circular. We have also assumed that all statements of intention of the Company or its Directors as set out in the Circular will be implemented.

In formulating our opinion, we have obtained and reviewed relevant information and documents provided by the Directors, the Company and its management in connection with the Second CCT Agreements and discussed with the management of the Group so as to assess the fairness and reasonableness of the terms of the Second CCT Agreements. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Second CCT Agreements. We have assumed that all information and representations made or referred to in the Circular and provided to us by the Company and the Directors, for which they were solely and wholly responsible, were true, complete and accurate at the time they were made and continue to be true, complete and accurate at the date of the EGM. We have not, however, carried out any independent verification of the information and representations provided to and reviewed by us nor have we conducted any form of independent investigation into the businesses and affairs, financial position or the future prospects of the Company, Shentong Yijia, CCC and/or their respective subsidiaries or associates and/or any of their partners. We have not studied, investigated nor verified the validity of all legal aspects of, and procedural aspects for, the Second CCT Agreements.

We have further assumed that all material governmental, regulatory or other consents, rights, waivers, authorisations, clearances and approvals necessary for the effectiveness and implementation of the Second CCT Agreements have been or will be obtained and will not be withdrawn without any adverse effect on the Group, the assets and liabilities of the Group or the contemplated benefits to the Group as derived from the Second CCT Agreements.

Our opinion is necessarily based upon the financial, economic (including exchange rates and interest rates), market, regulatory and other conditions as they exist 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 Second 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 after the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have taken into account in assessing the Second CCT Agreements and in giving our advice to the Independent Board Committee and the Independent Shareholders are set out below:

Background

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" platform.

"Shentong Card" is an electronic wallet launched by CCC, which is approved by the Industrial and Commercial Bank of China, whereby money can be transferred between an individual's bank account and his designated "Shengtong 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.

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 Service Contract.

The Second Customers Service Hotline Rental Agreement

The Second Customers Service Hotline Rental Agreement dated 9 October 2012 was entered into between CCC and Shentong Yijia to renew the Customers 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 Second Customers Service Hotline Rental Agreement, CCC will charge Shentong Yijia (i) an annual fee of RMB20,000 for each of the years ending 31 March 2014 and 31 March 2015 and a pro-rata annual fee for the period commencing from the Effective Date until 31 March 2013 on a 12-month year basis; (ii) a calling charge of RMB0.06 per 6 seconds for long distance incoming calls (subject to scaled-discount rates); and (iii) a calling charge of RMB0.15 per minute for outgoing calls via internet through the "VoIP" (Voice-Over Internet Protocol) telephone system, representing a discount of 50% to the nationwide standard rate in the PRC. The calling charges are subject to adjustment in accordance with any new charging standard to be announced by the PRC government from time to time. The annual fee shall be payable by Shentong Yijia on 1 April of each of the years ending 31 March 2014 and 31 March 2015 and the pro-rata annual fee shall be payable by Shentong Yijia on the Effective Date for the period commencing on the Effective Date until 31 March 2013, during the term of the Second Customers Service Hotline Rental Agreement, whereas the calling charges shall be settled by Shentong Yijia on a monthly basis in arrears. A daily default interest of 0.3% on the outstanding amount payable will be accrued should Shentong Yijia fails to pay to the service fee payable on time. The terms of the Second Customers Service Hotline Rental Agreement as set out above are the same as that of the Customers Service Hotline Rental Agreement. We consider that it is fair and reasonable to charge the annual fee on a pro-rata basis for the period commencing from the Effective Date until 31 March 2013 on a 12-month year basis as the period of services is less than one year.

As stated in the Letter, the Revised Annual Caps for the consideration payable by Shentong Yijia to CCC under the Second Customers Service Hotline Rental Agreement are RMB600,000 for the period from the Effective Date to 31 March 2013, RMB1,300,000 for the year ending 31 March 2014 and RMB1,300,000 for the year ending 31 March 2015. As advised by the Company, such annual caps are determined mainly based on (i) recent actual usage of calls; and (ii) growth rate of approximately 40% by reference to the actual growth rate of the usage of calls for the period from 1 April 2012 to 31 July 2012, which recorded a growth rate of approximately 75% when compared to the corresponding period in 2011.

In assessing the terms of the Second Customers Service Hotline Rental Agreement (including the relevant Revised Annual Caps), we have reviewed sample evidence of similar transactions (including similar contract indicating payment terms and related invoice) conducted by CCC with independent third party and found that the fees charged by CCC to Shentong Yijia under the Second Customers Service Hotline Rental Agreement are comparable to and no less favourable to the Group than terms available to independent third party. As advised by the Company, there is no similar transaction conducted between the Group and independent third party as CCC is the single supplier of customer service hotline rental services to Shentong Yijia. Notwithstanding the heavy reliance on CCC as the single supplier of customer service hotline rental services to the Shentong Yijia, as Shentong Yijia has been engaging CCC for the provision of customers service hotline, which is incident to the existing business of the Group, for more than 2 years, we consider that the Second Customers Service Hotline Rental Agreement would enable smooth operations of the Group, and thus in the interests of the Company and the Shareholders as a whole. For reference purpose, we have reviewed the historical sales of the transactions under the Customers Service Hotline Rental Agreement as set out below:

For the year ended 31 March 2011	RMB499,371
For the year ended 31 March 2012	RMB638,400
For the period from 1 April 2012 to 31 July 2012	RMB281,631

It is also noted from the monthly breakdown of the historical sales of the transactions under the Customers Service Hotline Rental Agreement provided by the Company that the relevant historical sales for the four months ended 31 July 2012 represents increase of approximately 67.2% as compared with the previous corresponding period, while the relevant Revised Annual Caps are determined with a conservative growth rate of 40% for the relevant services. Taking into account (i) the historical sales of the transactions under the Customers 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 Revised Annual Caps for the transactions contemplated under the Second Customers Service Hotline Rental Agreement are fair and reasonable. Also taking into account the subscription of the customers service hotline under the Second Customers Service Hotline Rental Agreement is instrumental to the operation of Shentong Yijia, we consider that the Second Customers 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.

The Second Server Hosting Agreement

The Second Server Hosting Agreement dated 9 October 2012 was entered into between CCC and Shentong Yija to renew the Server Hosting Agreement in relation to the provision of server hosting service and dedicated leased lines by CCC to Shentong Yijia.

Under the Second 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 Second Server Hosting Agreement, CCC will charge Shentong Yijia an annual fee of not more than RMB8.4 million and payable in four equal instalments quarterly in arrears. 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. We consider that it is fair and reasonable to charge the annual fee on a pro-rata basis given the service provided is less than one year.

The terms of the Second Server Hosting Agreement as set out above are the same as that of the Server Hosting Agreement, save for (i) the annual rental fee under the Second Server Hosting Agreement of not more than RMB8.4 million, as opposed to RMB2.7 million under the Server Hosting Agreement; and (ii) the increase in the number of racks of servers for the use of Shentong Yijia from five (5) racks of servers under the Server Hosting Agreement to up to ten (10) racks of servers under the Second Server Hosting Agreement. As advised by the Company, such increase in the annual rental fee is mainly due to the increase in the number of racks demanded by Shentong Yijia from five racks (under the Server Hosting Agreement) to ten racks (under the Second Server Hosting Agreement) as well as the increase in monthly server hosting fee per rack charged by CCC. As advised by the Company, due to recent increase in demand for servers, Shentong Yijia has rented extra three racks from independent third parties for the first quarter of 2012 at monthly fee higher than that offered by CCC under the Second Server Hosting Agreement, accordingly rental of additional racks of servers may be required under the Second Server Hosting Agreement.

As stated in the Letter, the Revised Annual Caps for the transactions contemplated under the Second Server Hosting Agreement are RMB4.2 million for the period from the Effective Date to 31 March 2013, RMB8.4 million for the year ending 31 March 2014 and RMB8.4 million for the year ending 31 March 2015.

In assessing the terms of the Second Server Hosting Agreement, we have reviewed evidence of similar transactions (including similar contract indicating payment terms and related invoice) conducted by CCC with independent third party and found that the fees charged by CCC to Shentong Yijia and the payment terms under the Second Server Hosting Agreement are comparable to and no less favourable to the Group than terms available to independent third party. In addition, we have reviewed agreements between Shentong Yijia with independent third parties, and found that the payment terms under the Second Server Hosting Agreement are comparable and no less favourable to Group than terms available from independent third party.

Notwithstanding the heavy reliance on CCC as the single supplier of server hosting services and dedicated leased lines to the Shentong Yijia, as Shentong Yijia has been engaging CCC for the provision of server hosting services and dedicated leased lines, which is incident to the existing business of the Group, for more than 2 years, we consider that the Second Server Hosting Agreement would enable smooth operations of the Group, and thus in the interests of the Company and the Shareholders as a whole. Given the relevant Revised Annual Caps are calculated on pro rata basis of or are equivalent to (where appropriate) the annual fee of not more than RMB8.4 million payable by Shentong Yijia to CCC under the Second 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 instrumental to the business operation of Shentong Yijia, we consider that the transactions contemplated under the

Second 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.

The Second Service Contract

The Second Service Contract dated 9 October 2012 was entered into between CCC and Shentong Yijia 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 Second Service Contract, CCC shall pay (i) issuance handling fees of RMB5 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 for insurance products preloaded in the Designated Shentong Card issued by Shentong Yijia (the "**Insurance 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 above issuance handling fees and the commission shall be settled by CCC on a monthly basis in arrears. The terms of the Second Service Contract as set out above are the same as that of the Service Contract.

As stated in the Letter, the Revised Annual Caps for the transactions contemplated under the Service Contract are RMB19,000,000 for the period from the Effective Date to 31 March 2013, RMB39,000,000 for the year ending 31 March 2014 and RMB40,000,000 for the year ending 31 March 2015. For reference purpose, we have reviewed the historical sales of the transactions under the Service Contract as set out below:

For the year ended 31 March 2011	RMB27,635,773
For the year ended 31 March 2012	RMB28,861,611
For the period from 1 April 2012 to 31 July 2012	RMB9,444,142

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 Service Contract, and the business of Shentong Yijia contributes the major source of income of the Group. As advised by the Company, the historical sales under the Service Contract represent under-performance of the sales of Designated Shentong Cards and the value of purchases made by the users through the Designated Shentong Cards. In view of the historical under-performance of the sales of the Designated Shentong Cards, the Group adjusted its sales target downwards for the coming years and accordingly the Revised Annual Caps are lower than the previous annual caps for the Service Contract. Nevertheless, Shentong Yijia would continue strive for improving its performance and attaining its sales target through expanding distribution network, implementing marketing plans including not but limited to advertisings on the CCC's website to boost the sales of the Designated Shentong Cards and exploring new applications of the Designated Shentong Cards.

In assessing the fairness and reasonableness of the sales target of the Designated Shentong Cards, 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 the Insurance Commission on a monthly basis for the two years ended 31 March 2012 and the four months ended 30 July 2012, it is found that total number of the Designated Shentong Cards has been increasing, and the total amounts of the Purchase Commission constitutes a substantial portion of the total income generated from the Designated Shentong Cards, representing approximately 63.9% for the year ended 31 March 2011, 72.0% for the year ended 31 March 2012 and 79.3% for the four months ended 31 July 2012. It is also found that for the four months ended 30 July 2012, the amounts of the Purchase Commission increased approximately 40.8% as compared to the previous corresponding period. Having considered (i) the historical increase in the total number of the Designated Shentong Cards; (ii) the prominent recent increase in the amount of the Purchase Commission, which represent a substantial portion of the total income generated from the Designated Shentong Cards; and (iii) Shentong Yijia would continue to strive for improving its performance by boosting sales of the Designated Shentong Cards and exploring new applications of the Designated Shentong Cards, we consider that the sales targets of the Designated Shentong Cards are commercially justified.

However, as advised by the Company, the agreements between CCC and three insurance companies in relation to insurance products linked with the Designated Shentong Cards will be expired during to term of the Second Service Contract. It is further advised by the Company that CCC has commenced negotiations with such insurance companies to strive for the continuation of cooperation or to explore new modes of cooperation, and in the event CCC cannot reach consensus with such insurance companies, it would only affects the amount of the Insurance Commission, which represents approximately 13.5%, 10.5% and 7.8% to the total income generated from the Designated Shentong Cards for the year ended 31 March 2011, the year ended 31 March 2012 and the four months ended 31 July 2012 respectively, and any sales commission relating to insurance products linked with the Designated Shentong Cards. As the renewal of aforesaid agreements between CCC and three insurance companies is uncertain, we consider that in view of the revenue nature of the Second Service Contract, it would be more prudent to assume continuity of such agreements in arriving at the sales targets and the relevant Revised Annual Caps so as to allow buffer for generating income from the sales commission relating to insurance products linked with the Designated Shentong Cards for the Group.

Taking into account the Second Service Contract represents major source of revenue for the Group and the sales target of Shentong Yijia under the Second Service Contract and based on the targeted number of the Designated Shentong Card to be issued by Shentong Yijia for each of the years and the targeted accumulated number thereof and the estimated possible increase in the amount of purchases to be made through such Designated Shentong Cards on accumulated basis provided by the Company, we consider that the relevant Revised Annual Caps are fair and reasonable. We, however, would like to state clearly that our opinion contained herein does not in any manner implies that the above-mentioned sales target of Shentong Yijia will be actually achieved in the future and we disclaim any liabilities in relation to any discrepancy between the sales target of Shentong Yijia and the actual financial performance of Shentong Yijia in the future.

Given the unique nature of the Designated Shentong Card and no open market information regarding similar transactions is available to us, we consider that we are not in the position to opine on the fairness and reasonableness of the issuance handling fees and the commission payable by CCC to Shentong Yijia under the Second Service Contract. However, taking into account the Group's heavy reliance on the Second 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, we consider that the Second Service Contract is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole.

The Second Web Advertising Agreement

The Second Web Advertising Agreement dated 9 October 2012 was entered into between CCC and Shentong Yijia, 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", to renew the Web Advertising Agreement. 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.

Pursuant to the Second Web Advertising Agreement, the amount of advertising fees to be incurred by Shentong Yijia during the term of the Second Web Advertising Agreement shall not be more than RMB2.5 million for the period from the Effective Date to 31 March 2013 and RMB5 million for the two years ending 31 March 2015. 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.

In assessing the terms of the Second Web Advertising Agreement, we have reviewed evidence of similar transactions (including similar contract indicating payment terms and the related invoice) conducted by CCC with independent third party and found that the fees charged by CCC to Shentong Yijia and the payment terms under the Second Second Web Advertising Agreement are comparable to and no less favourable to the Group than terms available to independent third party. As advised by the Company, there is no similar transaction conducted between the Group and independent third party as CCC is the single supplier of web advertisements to Shentong Yijia. Notwithstanding the heavy reliance on CCC as the single supplier of web advertisements, the Group has also promoted the Designated Shentong Cards through other marketing channels such as TV broadcast advertising. As Shentong Yijia has been engaging CCC for web advertisements for more than 2 years, we consider that the Second Web Advertising Agreement would represent one of the feasible marketing means for promoting the Designated Shentong Cards, and thus in the interests of the Company and the Shareholders as a whole.

As stated in the Letter, the Revised Annual Caps for the transactions contemplated under the Second Web Advertising Agreement are RMB2.5 million for the period from the Effective to 31 March 2013, RMB5 million for the year ending 31 March 2014 and RMB5 million for the year ending 2015.

For reference purpose, we have reviewed the historical sales of the transactions under the Web Advertising Agreement as set out below:

For the year ended 31 March 2011	Nil
For the year ended 31 March 2012	RMB1,200,000
For the period from 1 April 2012 to 31 July 2012	RMB1,600,000

According to the recent transactions under the Web Advertising Agreement, the amount of advertising fee incurred by Shentong Yijia averaged RMB400,000 per month. As advised by the Company, the Revised Annual Caps for the transactions contemplated under the Second 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 amount of the transactions under the Web Advertising Agreement; and (ii) the Revised Annual Caps for the transactions contemplated under the Web Advertising Agreement 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; and (iii) the principal business of Shentong Yijia in the management and distribution the Designated Shentong Cards and the advertising on the website of CCC "Shentong Net" is instrumental to the business operation of Shentong Yijia, we consider that the Second 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 Second Web Advertising Agreement, including the relevant Revised Annual Caps, are on commercial terms and fair and reasonable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we consider that (i) the Second Customers Service Hotline Rental Agreement, the Second Server Hosting Agreement and the Second Web Advertising Agreement 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 Revised Annual Caps) are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) we are not in the position to opine on the fairness and reasonable of the issuance handling fees and the commission payable by CCC to Shentong Yijia under the Service Contract given the unique nature of the Designated Shentong Card as detailed above, but the Revised Annual Caps for the transactions contemplated under the Second Service Contract are fair and reasonable, and the Second Service Contract is in the ordinary course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM in respect of the Second CCT Agreements, including the relevant Revised Annual Caps, and the transactions contemplated thereunder.

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

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

		HK$
Authorised		
10,000,000,000	Shares	100,000,000.00
Issued and to be issued, fully paid or credited as fully paid		
1,194,697,017	Shares in issue as at the Latest Practicable Date	11,946,970.17
1,194,697,017	Total number of Shares	11,946,970.17

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, 8,000,000 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 8,000,000 Shares under the share option scheme adopted by the Company on 28 October 2002.

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
			(%)
Xiao Haiping	1,000,000 (L)	Beneficial	0.08

(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	29.84
CCI	356,542,000 (L)	Beneficial	29.84
Jin Xian Gen *(Note 2)*	128,205,128 (L)	Interests in controlled corporation	10.73
Full Ocean Development Limited *(Note 2)*	128,205,128 (L)	Beneficial	10.73
Jin Lin Jun *(Note 3)*	128,205,128 (L)	Interested in controlled corporation	10.73
Amazing International Holdings Limited *(Note 3)*	128,205,128 (L)	Beneficial	10.73
Yang Shaoxiao *(Note 4)*	128,205,128 (L)	Security interest	10.73
Jin Yan *(Note 5)*	128,205,128 (L)	Security interest	10.73

(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 128,205,128 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. the disposal agreement dated 1 December 2010 and entered into between Oriental Glory (H.K.) Limited as vendor and China Communication Investment Limited as purchaser in relation to the sale and purchase of 75% of the entire registered capital of China Cyber Port Co., Ltd.

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 2012.

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 2012, 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 2012, 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 2011 and 31 March 2012;

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

(f) the letter from the Independent Board Committee, the text of which is set out on page 24 in this circular;

(g) 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 25 to 35 in this circular; and

(h) 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 Meeting Room, Units 2115–2116, 21/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong on Monday, 19 November 2012 at 11:30 a.m., for the purposes of considering and, if thought fit, passing the following resolutions with or without amendments as special resolutions of the Company:

ORDINARY RESOLUTION:

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

   "**THAT**

   (a) the Second CCT Agreements (all as defined in the circular of the Company dated 26 October 2012, a copy of each of the Second 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 confirmed and approved;

   (b) the annual caps in relation to the Second CCT Agreements as stated in the circular of the Company dated 26 October 2012, for each of the period commencing from the date falling upon the passing of this resolutions until 31 March 2013 and for the years ending 31 March 2014 and 2015, 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 Second CCT Agreements and the transactions contemplated thereunder."

SPECIAL RESOLUTION:

2. As special business, to consider and if thought fit, to pass the following resolution as a special resolution:

   "**THAT** the amended and restated memorandum and articles of association of the Company in the form of the document marked "E" and produced to this meeting and for the purpose of identification signed by the chairman of this meeting, which consolidates all the proposed amendments referred to in the circular of the Company dated 26 October 2012 and all previous amendments made pursuant to resolutions passed by the members of the Company at general meetings be approved and adopted as the amended and restated memorandum and articles of association of the Company in substitution for and to the exclusion of the existing memorandum and articles of association of the Company with immediate effect."

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

Hong Kong, 26 October 2012

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 GT, Ugland House
South Church Street
Grand Cayman
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 26 October 2012. 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.