



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2010 was approximately HK\$9,571,000.
- Net loss attributable to the owners of the Company was approximately HK\$14,903,000 for the three months ended 30 June 2010.
- Loss per share for the three months ended 30 June 2010 was approximately HK1.25 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the three months ended 30 June 2010.

The Directors hereby present the unaudited consolidated results of the Company together with its subsidiaries (collectively the “Group”) for the three months ended 30 June 2010.

FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$9,571,000 for the three months ended 30 June 2010, representing an decrease of approximately 1.62% as compared to approximately HK\$9,729,000 for the three months ended 30 June 2009. The turnover for the three months ended 30 June 2010 was attributable to (i) the provision of promotion and management services for an electronic smart card “Shentong Card”, (ii) the operation of the e-Sports platform and online game and (iii) distribution of computer games in the PRC.

The Group made a net loss attributable to the owners of the Company of approximately HK\$14,903,000 for the three months ended 30 June 2010 as compared to a loss of approximately HK\$16,128,000 for the three months ended 30 June 2009. The improvement in results was mainly attributable to the revised business focus.

BUSINESS REVIEW

Apart from the continuous efforts to monitor the market development, restructure and streamline the business operations as and when necessary so as to improve the current financial status of the Group and enhance the business performance, the Board has been actively seeking other opportunities to broaden the revenue base of the Group.

In March 2010, the Group completed acquisition of 100% of the equity interest in 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Services Company Limited[#]) (“Yijia”). The Board considers that this acquisition will enable the Group to expose to the fast growing electronic smart card services business in the PRC.

To better reflect the core business of the Group and the well-developed partnership with 神州通信集團有限公司 (China Communication Group Co., Ltd.[#]) (“CCC”) and its group, as well as refresh the corporate identity and image of the Company, the Company has adopted the current name China Communication Telecom Services Company Limited since May 2010.

[#] English translation of the name for identification only

Provision of promotion and management services

For the three months ended 30 June 2010, the revenue derived from the provision of promotion and management services was approximately HK\$9,519,000. No revenue was derived from the provision of promotion and management services for the same period last year.

Operation of the e-Sports Platform

For the three months ended 30 June 2010, the revenue derived from the operation of the e-Sports Platform was approximately HK\$39,000 as compared to approximately HK\$4,097,000 for the three months ended 30 June 2009. The decrease was attributable to the downturn for the animation and game industry in the PRC during the period.

Distribution and selling of computer games in the PRC

For the three months ended 30 June 2010, the revenue derived from the distribution and selling of computer games in the PRC was approximately HK\$13,000 as compared to approximately HK\$4,000 for the three months ended 30 June 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2010

		For the three months ended 30 June	
	<i>Note</i>	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited) (Restated)
Continuing operations			
Turnover	3	9,571	4,101
Cost of sales		<u>(15,068)</u>	<u>(2,205)</u>
Gross (loss)/profit		(5,497)	1,896
Other revenue	4	34	15
Selling and distribution expenses		(4,084)	(2,404)
Administrative expenses		(7,048)	(3,610)
Other operating expenses		<u>—</u>	<u>—</u>
Loss from operations		(16,595)	(4,103)
Finance costs	5(a)	<u>(740)</u>	<u>(5,002)</u>
Loss before taxation		(17,335)	(9,105)
Income tax	6	<u>2,432</u>	<u>429</u>
Loss for the period from continuing operations		(14,903)	(8,676)
Discontinued operation			
Loss for the period from discontinued operation	7	<u>—</u>	<u>(10,127)</u>
Loss for the period	5	<u>(14,903)</u>	<u>(18,803)</u>
Attributable to:			
Owners of the Company		(14,903)	(16,128)
Minority interest		<u>—</u>	<u>(2,675)</u>
Loss for the period		<u>(14,903)</u>	<u>(18,803)</u>
Loss per share	9		
From continuing and discontinued operations			
– Basic		<u>(1.25 cents)</u>	<u>(2.01 cents)</u>
– Diluted		<u>(1.25 cents)</u>	<u>(2.01 cents)</u>

		For the three months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
From continuing operations			
– Basic		<u>(1.25 cents)</u>	<u>(1.06 cents)</u>
– Diluted		<u>(1.25 cents)</u>	<u>(1.06 cents)</u>
From discontinued operation			
– Basic		<u>N/A</u>	<u>(0.95 cents)</u>
– Diluted		<u>N/A</u>	<u>(0.95 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 30 JUNE 2010

	For the three months ended 30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss for the period	(14,903)	(18,803)
Other comprehensive income for the period		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(64)</u>	<u>8</u>
Total comprehensive loss for the period (net of tax)	<u>(14,967)</u>	<u>(18,795)</u>
Attributable to:		
Owners of the Company	(14,967)	(16,122)
Minority interest	<u>–</u>	<u>(2,673)</u>
	<u>(14,967)</u>	<u>(18,795)</u>

NOTES TO FIRST QUARTERLY REPORT

FOR THE THREE MONTHS ENDED 30 JUNE 2010

1. GENERAL INFORMATION

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

The Company and its subsidiaries (the “Group”) are principally engaged in the operation of the e-Sports platform and online game, distribution of computer games and provision of promotion and management services for an electronic smart card “Shentong Card” in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated financial statements for the three months ended 30 June 2010 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). However, this first quarterly report does not contain sufficient information to constitute an interim financial report as defined in HKAS 34.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2010. The accounting policies adopted are consistent with those followed in the preparation of the annual financial statements for the year ended 31 March 2010 except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards as disclosed in first quarterly report.

The condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company’s functional and presentation currency.

This condensed consolidated financial statements have not been audited.

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 April 2010. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

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

This condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group to operate within budget as set out in its cash flow forecast for the upcoming twelve months. Should there be any unexpected major adverse incidents, such as non-recovery of trade debts, substantial decline of planned operating cash flow, failure to obtain additional funding as planned or any incidents that would adversely affect the Group’s financial position such that the Group is unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements to restate the values of the Group’s assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. TURNOVER

	For the three months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Operation of e-Sports platform	39	4,097
Selling of computer games	13	4
Promotion and management services income	9,519	–
	9,571	4,101
Discontinued operation (note 7)		
Operation of online game	–	5,628
	9,571	9,729

4. OTHER REVENUE

	For the three months ended 30 June					
	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Interest income	23	15	–	–	23	15
Sundry income	11	–	–	–	11	–
	34	15	–	–	34	15

5. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging the following:

	For the three months ended 30 June					
	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
(a) Finance costs						
Interest on promissory note	740	5,002	–	–	740	5,002
Total interest expenses on financial liabilities not at fair value through profit or loss	740	5,002	–	–	740	5,002

For the three months ended 30 June

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
(b) Staff costs (including directors' emoluments)						
Salaries, allowances and benefits in kind	2,608	1,821	–	301	2,608	2,122
Retirement scheme contributions	309	120	–	97	309	217
	2,917	1,941	–	398	2,917	2,339
(c) Other items						
Amortisation on intangible assets						
– included in cost of sales	11,373	580	–	1,307	11,373	1,887
– included in selling and distribution expenses	–	2,180	–	617	–	2,797
	11,373	2,760	–	1,924	11,373	4,684
Depreciation for property, plant and equipment	247	1,158	–	77	247	1,235
Operating lease charges for land and buildings: minimum lease payments	600	1,019	–	231	600	1,250
Cost of inventories*	–	4	–	–	–	4
Equity-settled share-based payment expenses	2,288	408	–	–	2,288	408
Reversal of write down of inventories	(13)	–	–	–	(13)	–
Other operating expenses						
– Impairment loss on property, plant and equipment	–	–	–	413	–	413
– Impairment loss on intangible assets	–	–	–	4,590	–	4,590
– Impairment loss on trade receivables	–	–	–	4,651	–	4,651
	–	–	–	9,654	–	9,654

* Cost of inventories include reversal of write down of inventories for the period which amount are also included in the respective total amount disclosed separately above.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

	For the three months ended 30 June					
	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)
Current tax						
– PRC Enterprise Income Tax	(411)	–	–	–	(411)	–
Deferred tax						
– Origination and reversal of temporary differences	2,843	429	–	588	2,843	1,017
	<u>2,432</u>	<u>429</u>	<u>–</u>	<u>588</u>	<u>2,432</u>	<u>1,017</u>

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2009: 25%).

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. No Hong Kong Profits Tax has been provided for in the condensed consolidated financial statements as the Group has no assessable profits for the three months ended 30 June 2010 (three months ended 30 June 2009: HK\$Nil).

7. DISCONTINUED OPERATION

During the year ended 31 March 2010, the Group ceased its online game operation upon the expiration of the license rights of the online computer game “Sudden Attack” in the PRC on 10 February 2010.

The results of the online game operation for the period from 1 April 2009 to 30 June 2009, which have been included in the condensed consolidated income statement, are as follows:

	For the three months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
		(Restated)
Turnover (note 3)	–	5,628
Cost of sales	–	(5,026)
Gross profit	–	602
Other revenue (note 4)	–	–
Selling and distribution expenses	–	(893)
Administrative expenses	–	(770)
Other operating expenses (note 5(c))	–	(9,654)
Loss from operations	–	(10,715)
Finance costs (note 5(a))	–	–
Loss before taxation	–	(10,715)
Income tax (note 6)	–	588
Loss for the period from discontinued operation	–	(10,127)

8. DIVIDENDS

No dividends was paid or proposed during the three months ended 30 June 2010, nor has any dividend been proposed since the end of the reporting period (three months ended 30 June 2009: HK\$Nil).

9. LOSS PER SHARE

(a) Basic loss per share

(i) From continuing and discontinued operations

The calculation of the basic loss per share for the three months ended 30 June 2010 is based on the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$14,903,000 (three months ended 30 June 2009: HK\$16,128,000) and the weighted average number of 1,194,697,017 ordinary shares (As at 30 June 2009: 802,286,761 ordinary shares) in issue during the period.

(ii) From continuing operations

The calculation of the basic loss per share from continuing operations for the three months ended 30 June 2010 is based on the unaudited consolidated loss attributable to the owners of the Company of approximately HK\$14,903,000 (three months ended 30 June 2009: HK\$8,533,000 (restated)) and the weighted average number of 1,194,697,017 ordinary shares (As at 30 June 2009: 802,286,761 ordinary shares) in issue during the period. The unaudited consolidated loss attributable to the owners of the Company are calculated as follows:

	For the three months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	14,903	16,128
Loss for the period from discontinued operation	–	10,127
Add: Loss for the period attributable to minority interest from discontinued operation	–	(2,532)
Loss for the period attributable to the owners of the Company from discontinued operation	–	(7,595)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share from continuing operations	14,903	8,533

(iii) From discontinued operation

The calculation of the basic loss per share from discontinued operation for the three months ended 30 June 2010 is based on the loss attributable to the owners of the Company of approximately HK\$Nil (three months ended 30 June 2009: HK\$7,595,000 (restated)) and the weighted average number of 1,194,697,017 ordinary shares (As at 30 June 2009: 802,286,761 ordinary shares) in issue during the period.

(b) Diluted loss per share

Diluted loss per share equals to basic loss per share as the potential ordinary shares outstanding during the periods ended 30 June 2010 and 2009 have an anti-dilutive effect on the basic loss per share for both periods.

10. MOVEMENT OF RESERVES

	Attributable to owners of the Company						Minority interest (Unaudited) HK\$'000	Total reserves (Unaudited) HK\$'000
	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Exchange reserve (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000		
At 1 April 2009	679,423	8,320	9,135	3,246	(888,900)	(188,776)	12,482	(176,294)
Total comprehensive income/ (loss) for the period	–	–	6	–	(16,128)	(16,122)	(2,673)	(18,795)
Share option scheme								
– equity-settled share-based payment expenses	–	–	–	408	–	408	–	408
– forfeiture of share options granted	–	–	–	(1,914)	1,914	–	–	–
At 30 June 2009	<u>679,423</u>	<u>8,320</u>	<u>9,141</u>	<u>1,740</u>	<u>(903,114)</u>	<u>(204,490)</u>	<u>9,809</u>	<u>(194,681)</u>
At 1 April 2010	1,042,779	8,320	9,218	1,830	(1,105,963)	(43,816)	–	(43,816)
Total comprehensive loss for the period	–	–	(64)	–	(14,903)	(14,967)	–	(14,967)
Share option scheme								
– equity-settled share-based payment expenses	–	–	–	2,288	–	2,288	–	2,288
At 30 June 2010	<u>1,042,779</u>	<u>8,320</u>	<u>9,154</u>	<u>4,118</u>	<u>(1,120,866)</u>	<u>(56,495)</u>	<u>–</u>	<u>(56,495)</u>

11. COMPARATIVE FIGURES

(a) As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to the current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010.

(b) Certain comparative figures have been restated or reclassified as a result of the presentation of discontinued operation and conformation with the current period's presentation.

OTHER INFORMATION

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

As at 30 June 2010, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”) (Chapter 571 of the Laws of Hong Kong)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Name of Director	Number of shares held					Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme		
Xiao Haiping	1,000,000	–	–	–	1,000,000	–	1,000,000	0.08%

Save as disclosed above, none of the Directors or the chief executives has any interests or short positions in the shares and underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred therein; or (c) were required to be notified to the Company and the Stock Exchange, pursuant to the rules 5.46 to 5.67 of the GEM Listing Rules as at 30 June 2010.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2010, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the following persons (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Number of shares held					Number of underlying shares	Aggregate interests	Approximate percentage of the issued share capital of the Company
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme		
CCC (Note 1)	–	356,542,000	–	–	356,542,000	–	356,542,692	29.84%
CCI	356,542,000	–	–	–	356,542,000	–	356,542,000	29.84%
Jin Xian Gen (Note 2)	–	128,205,128	–	–	128,205,128	–	128,205,128	10.73%
Full Ocean Development Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	10.73%
Jin Lin Jun (Note 3)	–	128,205,128	–	–	128,205,128	–	128,205,128	10.73%
Amazing International Holdings Limited	128,205,128	–	–	–	128,205,128	–	128,205,128	10.73%

Notes:

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

Save as disclosed above, as at 30 June 2010, so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no other person (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which requires to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO or, who were or were expected, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

[#] English translation of the name for identification only

SHARE OPTION SCHEMES

Share options were granted to certain directors, employees and consultants of the Company under the share option scheme (the “Share Option Scheme”) conditionally adopted on 28 October 2002. The Share Option Scheme became unconditional upon the listing of the Company’s shares on GEM on 15 November 2002. The Share Option Scheme was amended by an ordinary resolution duly passed at an annual general meeting by the Company’s shareholders on 28 July 2006. Details of the Share Option Scheme have been set out in the Company’s annual report of year 2010.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 June 2010 were as follows:

Name or category of participant	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options					As at 30 June 2010
				As at 1 April 2010	Options granted during the period	Options exercised during the period ⁽²⁾	Options lapsed during the period ⁽¹⁾	Options cancelled during the period	
<i>Other Eligible Participants</i>									
In aggregate	30 July 2007	30 January 2008 to 29 July 2010	2.80	800,000	–	–	–	–	800,000
In aggregate	14 August 2008	14 August 2009 to 13 August 2010	0.97	1,000,000	–	–	–	–	1,000,000
In aggregate	15 August 2008	15 August 2009 to 14 August 2010	1.30	1,500,000	–	–	–	–	1,500,000
In aggregate	14 January 2009	14 July 2009 to 13 July 2010	0.82	1,200,000	–	–	–	–	1,200,000
In aggregate	19 March 2010	19 March 2011 to 18 March 2012	1.12	1,000,000	–	–	–	–	1,000,000
In aggregate	22 March 2010	22 March 2011 to 21 March 2012	1.15	2,000,000	–	–	–	–	2,000,000
In aggregate	24 March 2010	24 March 2011 to 23 March 2012	1.17	7,000,000	–	–	–	–	7,000,000
In aggregate	29 March 2010	29 March 2011 to 28 March 2012	1.23	1,000,000	–	–	–	–	1,000,000
In aggregate	7 April 2010	7 April 2011 to 6 April 2012	1.25	–	31,170,000	–	–	–	31,170,000
				15,500,000	31,170,000	–	–	–	46,670,000

Notes:

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

DIRECTORS’ RIGHT TO ACQUIRE SHARES

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

PRE-EMPTIVE RIGHTS

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

COMPETING INTERESTS

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiary companies had purchased, sold or redeemed any of the Company's shares on the GEM during the three months ended 30 June 2010.

AUDIT COMMITTEE

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

The audit committee has reviewed the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters including a review of the unaudited first quarterly report for the three months ended 30 June 2010.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the three months ended 30 June 2010.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct regarding Securities Transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code of Conduct”). Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Code of Conduct during the three months ended 30 June 2010.

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

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

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

Hong Kong, 9 August 2010

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the website of the Group at www.ccpi.com.hk.