*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

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)

# VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION INVOLVING DISPOSAL OF 75% OF THE REGISTERED AND PAID-UP CAPITAL IN CHINA CYBER PORT CO. LIMITED

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

On 1 December 2010 (after trading hours), Oriental Glory, an indirect wholly-owned subsidiary of the Company, as vendor and CCI, a substantial Shareholder, as purchaser entered into the Disposal Agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the Sale Capital, representing 75% of the entire registered and paid-up capital of CCP for the Disposal Consideration of HK$140 million. The remaining 25% of the registered and paid-up capital of CCP is owned by CCC, the holding company of CCI.

As at the date of this announcement, CCP is an indirect non-wholly-owned subsidiary of the Company. CCP is principally engaged in the operation of the e-Sports platform and distribution of computer games in the PRC. Upon Completion, the Group will not hold any equity interest in CCP and CCP will cease to be a subsidiary of the Company.

## GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratio of the Disposal exceeds 75%, the Disposal would constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. In addition, as at the date of this announcement, CCI is a substantial Shareholder which is interested in 356,542,000 Shares, representing about 29.84% of the total issued capital of the Company. As such, CCI is considered to be an associate of a connected person of the Company and the Disposal would constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. Since each of the relevant percentage ratios as defined under the GEM Listing Rules is more than 25% and the Disposal Consideration is more than HK$10,000,000, the Disposal shall be subject to the reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules.

**GENERAL**

An EGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the Disposal Agreement and the transactions contemplated thereunder.

An Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Disposal and as to how to vote at the EGM regarding the relevant resolution(s) to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee in relation to the Disposal Agreement and the transactions contemplated thereunder.

The Circular containing, amongst other things, further information of the Disposal, 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 within 15 business days after the date of this announcement, i.e. on or before 22 December 2010, in compliance with the GEM Listing Rules.

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION

## THE DISPOSAL AGREEMENT

| | | | | |
|---|---|---|---|---|
| **Date:** | 1 December 2010 | | | |
| **Parties:** | (1) | Vendor | : | Oriental Glory (H.K.) Limited |
| | (2) | Purchaser | : | China Communication Investment Ltd. |

CCI is a substantial Shareholder interested in 356,542,000 Shares, representing approximately 29.84% of the total issued share capital of the Company as at the date hereof and is therefore a connected person of the Company. CCI is an investment holding company. CCC, being the holding company of CCI, 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.

**Assets to be disposed of**

The Sale Capital, representing 75% of the registered and paid-up capital of CCP.

**Consideration**

The Disposal Consideration is HK$140 million and shall be paid by CCI by setting off against the face value of the Promissory Note in the sum equivalent to the Disposal Consideration.

The Promissory Note was issued by Success Advantage to CCI for settling part of the consideration under the Sudden Attack Agreement. The Promissory Note had an initial principal amount of HK$425 million, out of which an amount of HK$80 million had been cancelled pursuant to the Previous Acquisition Agreement.

The Promissory Note currently has an outstanding principal amount of HK$238.69 million (the "**Principal Sum**"). It is unsecured and carries an interest rate of 2% per annum payable once every year in arrears. The original maturity date was 10 August 2009 which has been extended to 30 June 2011 (or such later date as Success Advantage may agree) and is nontransferable. Success Advantage has the right to repay the whole or part of the Principal Sum at any time at par value together with interest accrued on any Principal Sum outstanding before maturity.

For further details of the Promissory Note, please refer to the circulars of the Company dated 30 November 2006 in relation to the Sudden Attack Agreement and dated 28 December 2007 in relation to the acquisition of the Sale Capital by the Group respectively.

The Board is of the view that instead of settling the Disposal Consideration in cash, the proposed settlement method by offsetting the Disposal Consideration against the face value of the Promissory Note is more appropriate in view of the current financial position of the Group.

As disclosed in the latest audited consolidated financial results of the Company for the year ended 31 March 2010, the Company has a gearing ratio of about 1.1 and net liabilities of approximately HK$31.87 million as at 31 March 2010, which is primarily attributable to the Promissory Note (being a non-current liability of the Company). Further, substantial amounts of finance costs will be incurred by the Company during the subsistence of the Promissory Note. The substantial reduction in principal amount of the Promissory Note from HK$238.69 million to HK$98.69 million would bring a positive effect to the financial performance to the Group.

As also disclosed in the unaudited interim financial results of the Company for the six months ended 30 September 2010, the Company has cash and cash equivalent amount to approximately HK$62.52 million. The Directors are of the view that, in the absence of unforeseeable circumstance, the Group will have sufficient working capital for its present requirements. As such, the Directors are of the view that the Company chooses to settle the Disposal Consideration by offsetting the Promissory Note is in the interests of the Company and the Shareholders as a whole taking into account the reduction in gearing and interest burden.

**Basis of the Disposal Consideration**

The Disposal Consideration was arrived at after arm's length negotiations between the parties to the Disposal Agreement with reference to (i) the reasons for the disposal as discussed in the section headed "Reasons for and benefits of the Disposal" below; (ii) the valuation prepared by the independent valuer, Grant Sherman Appraisal Limited on the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) on asset-based approach as at 30 September 2010; (iii) the unaudited net asset value of CCP in the sum of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) prepared under the PRC accounting standards as at 30 September 2010; and (iv) the financial performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010.

As disclosed in the circular of the Company dated 28 December 2007 in relation to the acquisition of the Sale Capital by the Group, the consideration of approximately HK$800 million was arrived at mainly according to the valuation of the Sale Capital as at 30 September 2007 based on an income approach.

Due to the underperformance of the operation of the e-Sports platform and the distribution of computer games in the PRC business currently engaged by CCP as well as the absence of sign of improvement in the performance of such business activities, the fair value of the Sale Capital has almost been fully amortised as at 30 September 2010. The Directors and the independent valuer consider it would no longer be realistic and might not be appropriate to value the Sale Capital based on an income approach in the existing circumstances. As advised by the independent valuer, the asset-based approach is selected for the valuation of the Sale Capital taking into account CCP recorded negative net income in 2010 but had intensive assets mainly consisted of intangible assets.

Although it has been mentioned above in this section that the fair value of the Sale Capital has almost been fully amortised as at 30 September 2010, this assets-based approach derives an indication of the value of the business entity by developing a “fair value” balance sheet (as opposed to the “cost-based” balance sheet which is to be prepared in accordance with relevant accounting standards). As advised by the independent valuer, the asset-based approach places a fair value on all assets of the business on the assumption that no rational investor will pay more for the business assets than the cost of procuring assets of a similar economic utility. Therefore, all of the assets and the liabilities of the business, including the fully amortised accounting items and off balance sheet items in the financial statements of a business entity, would also be identified and listed on the fair value balance sheet for valuation purpose.

The Disposal Consideration of HK$140 million is also arrived at after arms’ length negotiation between the parties with reference to the valuation of the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) on an asset-based approach, and the unaudited net asset value of the CCP of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) prepared under the PRC accounting standards as at 30 September 2010, and represents premiums to the preliminary valuation and the book value of CCP.

As such, in spite of the difference between the original acquisition costs of the Sale Capital and the Disposal Consideration, given (i) the current financial condition of CCP and the deteriorated performance of business engaged by CCP; (ii) the Disposal Consideration represents premium to both the preliminary valuation and book value of CCP; (iii) the Disposal represents an opportunity for the Group to dispose of its loss-making business; and (iv) the Group is expected to record an unaudited gain on disposal as a result of the Disposal, the Directors (excluding independent non-executive Directors whose opinion on the matter would be set forth in the Circular after having been advised by the independent financial adviser to be appointed in this regard) consider that the terms and conditions of the Disposal Agreement and the transactions contemplated thereunder are entered into on normal commercial terms following arm’s length negotiations among the parties to the Disposal Agreement and the terms and conditions of the Disposal Agreement are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

**Conditions**

The Disposal is conditional upon the following Conditions Precedent being satisfied on or before 30 June 2011 or such later date as Oriental Glory and CCI may agree in writing:

(1) the obtaining by CCI of all the registrations, filings, consents and authorisations required for the sale and purchase of the Sale Capital;

(2) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Disposal Agreement and the transactions contemplated thereunder;

(3) the passing at a meeting of the board of directors of CCI of the necessary resolution to approve the Disposal Agreement and the transactions contemplated thereunder;

(4) the obtaining by Oriental Glory of the PRC legal opinion (in form and substance satisfactory to Oriental Glory) from a firm of PRC legal advisers appointed by Oriental Glory in relation to the Disposal Agreement and the transactions contemplated thereunder; and

(5) the obtaining by Oriental Glory, CCI and CCP of the consents and authorisations required to be obtained on the part of Oriental Glory, CCI and CCP in respect of the Disposal Agreement and the transactions contemplated thereunder.

None of the Conditions Precedent is waivable. If the above Conditions Precedent have not been satisfied on or before 30 June 2011 or such later date as the parties to the Disposal Agreement may agree in writing, neither parties shall be bound to proceed with the sale and purchase of the Sale Capital and the outstanding obligations under the Disposal Agreement shall cease to be of any effect.

**Completion**

Completion shall take place on the third Business Day after the date of fulfillment of all the Conditions Precedent or such other date as the parties to the Disposal Agreement may mutually agree. Upon Completion, the Group will not hold any equity interest in CCP and CCP will cease to be a subsidiary of the Company, and the Group will no longer be engaged in the business of operation of the e-Sports platform and distribution of computer games in the PRC which is currently operated by CCP.

**INTENDED USE OF PROCEEDS**

As the Disposal Consideration shall be settled by CCI by setting off against the face value of the Promissory Note in the sum of HK$140 million, no proceeds will be received by the Group under the Disposal.

## INFORMATION ON THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of promotion and management services for an electronic smart card "Shentong Card", operation of the e-Sports platform and distribution of computer games in the PRC.

## INFORMATION OF CCP

As at the date of this announcement, CCP is an indirect non-wholly-owned subsidiary of the Company. CCP is principally engaged in operation of the e-Sports platform and distribution of computer games in the PRC.

The following table summarises the unaudited financial results of CCP prepared in accordance with the PRC accounting standards for each of the two financial years ended 31 March 2010:

| | **For the year ended 31 March 2010** *RMB'000* | **For the year ended 31 March 2009** *RMB'000* |
|---|---|---|
| **Loss before taxation** | (29,589) | (69,406) |
| **Loss after taxation** | (29,589) | (80,802) |

Based on the unaudited management accounts of CCP made up to 30 September 2010 prepared in accordance with the PRC accounting standards, the unaudited net assets value of CCP as at 30 September 2010 was approximately RMB91.97 million (equivalent to approximately HK$106.94 million).

## REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the circular of the Company dated 28 December 2007 in relation to, among other matters, the acquisition of the Sale Capital by the Group from CCI for the consideration of approximately HK$800 million based on the valuation on the Sale Capital as at 30 September 2007.

As disclosed in 2009 annual report of the Company, the acquisition of Sale Capital allowed the Group to step out from the then competitive and saturated financial information provision services industry and move forward to the then booming animation and game industry in the PRC. However, due to the dynamic and fast-paced business nature of the animation and game industry, the turnover rate of animations and online games is usually high and the business life span for individual animation and online game is generally short. As a result, despite a remarkable increase in consolidated turnover had been recorded by the Group for the year ended 31 March 2009, the financial performance of the operation of e-Sports platform has been deteriorating thereafter.

Also, as disclosed in 2010 annual report of the Company, for the year ended 31 March 2010, the revenue derived from the operation of the e-Sports platform was approximately HK$6.55 million as compared to approximately HK$145.47 million for the year ended 31 March 2009. As regards the operation of online game, the revenue derived therefrom had also decreased from approximately HK$221.27 million for the year ended 31 March 2009 to approximately HK$7.63 million for the year ended 31 March 2010. The performance of distribution of computer games business was also far from satisfactory that for the year ended 31 March 2010, the revenue derived from the distribution and selling computer games in the PRC was approximately HK$0.10 million as compared to approximately HK$22.73 million for the year ended 31 March 2009.

In addition, as disclosed in 2010 interim report of the Company, for the six months ended 30 September 2010, the revenue derived from the operation of the e-Sports platform was approximately HK$0.20 million, which represents a significant drop as compared with the revenue record for the corresponding period in 2009 of HK$5.35 million.

The Directors are of the view that such decreases were attributable to (i) the downturn for the animation and game industry in the PRC during the period; and (ii) the termination of the online game operation upon the expiration of the license rights of the online computer game in the PRC on 10 February 2010. As such, the Directors are not optimistic about the prospect of the animation and game industry in the PRC in the future.

Furthermore, the Disposal Consideration of HK$140 million represents (i) a premium of approximately 30.91% over the unaudited net asset value of CCP in the sum of approximately RMB91.97 million (equivalent to approximately HK$106.94 million) as at 30 September 2010 prepared under the PRC accounting standards; and (ii) a premium of approximately 20.54% over the fair value on the Sale Capital of approximately RMB99.88 million (equivalent to approximately HK$116.14 million) based on the asset-based approach as at 30 September 2010.

Besides, notwithstanding the Disposal Consideration shall be settled by CCI by setting off against the face value of the Promissory Note and therefore no real cash flow will be involved on Completion, the reduction in outstanding principal amount of the Promissory Note will bring an improvement of the Group's gearing ratio from approximately 110% as at 31 March 2010 to approximately 56% should the Disposal proceed to Completion with reference to the unaudited net assets value of the Remaining Group as at 31 March 2010.

In light of the recent performance of CCP for the two financial years ended 31 March 2010 and the six months ended 30 September 2010, the executive Directors are of the view that the Disposal will allow the Group to focus on the new businesses in the provision of promotion and management services for an electronic smart card "Shentong Card" which are of higher potential as to be discussed in the section headed "Business of the Remaining Group" below, so as to optimise the resources of the Group with a view to generating more return to the Shareholders. Moreover, the Disposal allows the Group to dispose of a loss-making business at premium and thus improving the financial position of the Group.

As such, the Directors (excluding independent non-executive Directors whose opinion on the matter would be set forth in the Circular after having been advised by the independent financial adviser to be appointed in this regard) consider that the terms of the Disposal are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

**Business of the Remaining Group**

After Completion, the Remaining Group shall be principally engaged in the business of provision of promotion and management services for an electronic smart card "Shentong Card".

"Shentong Card" is an electronic wallet launched by CCC, whereby money can be transferred between an individual's bank account and his designated "Shentong Card". As an electronic wallet, "Shentong Card" can be used to pay mobile and fixed line phone recharge fees, transportation fees, online trading fees and utilities fees etc.

Pursuant to the service agreement entered into between Shentong Yijia, an indirect wholly-owned subsidiary of the Company, and CCC dated 30 November 2009, Shentong Yijia shall provide various services to CCC, including the management and sale of the designated "Shentong Card" which, in addition to the existing features of the "Shentong Card", are also preloaded with a passenger insurance provided by PICC Life and a fire and explosion insurance provided by PICC Property.

According to China Insurance Regulatory Commission (CIRC), the total revenue of the PRC's insurance industry in 1999 was only RMB139.3 billion. However, the total insurance revenue at the end of 2008 has already reached RMB978.4 billion, which was increased by approximately 600% as compared with the figures recorded in year 1999. It was indicated by CIRC that the total revenue of the insurance industry in the PRC for the nine months ended 30 September 2009 was approximately RMB858 billion, comprising approximately RMB572.3 billion of life insurance, approximately RMB43.8 billion of health insurance and approximately RMB18.5 billion of casualty insurance. Such remarkable growth of revenue of the insurance market indicates a vast room of development of the insurance business in the PRC.

Currently, most of the insurance companies sell their insurance products through con-current business insurance agencies, including banks, post offices, railways, airlines, motor vehicles etc. The Directors believe that the designated Shentong Card, as a new means of distribution of the insurance products, can provide a convenient and safe distribution network of insurance products in the PRC.

The acquisition of the entire registered and paid-up capital of Shentong Yijia by the Group was completed on 31 March 2010. As disclosed in the 2010 interim report, the Group has recorded a turnover of approximately HK$19.29 million for the six months ended 30 September 2010, out of which approximately HK$19.08 million, representing approximately 98.9% of the entire turnover of the Group for the period, was attributed to the provision of promotion and management services for an electronic smart card "Shentong Card". The Directors find the financial results of the provision of promotion and management services for an electronic smart card "Shentong Card" to be encouraging, and are confident about that the remaining business of the Group will present the Group with favourable long term prospects.

By reference to the monthly management accounts of Shentong Yijia for the six months ended 30 September 2010, the turnover recorded by Shentong Yijia was on increasing trend during the said six months period. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there has been no circumstance which could render the Directors reasonably believe to have a material and adverse effect on the operation of the business of the Remaining Group.

In addition, based on the unaudited management accounts of CCP made up to 30 September 2010 prepared in accordance with the PRC accounting standards, the unaudited net assets value of CCP of approximately RMB91.97 million (equivalent to approximately HK$106.94 million). However, for the purpose of the financial results of the Company which was prepared in accordance with the Hong Kong Financial Reporting Standard, such net assets value of CCP had largely been impaired. As at 30 September 2010, the unimpaired total assets value of CCP was approximately HK$15.20 million and net liabilities of CCP was approximately HK$20.83 million. As such, approximately HK$268.96 million out of the total assets of the Company of approximately HK$284.16 million as at 30 September 2010 as shown in the 2010 interim report of the Company was made up of the total assets of the Remaining Group.

In light of the above, the Directors are of the view that the Remaining Group would have sufficient level of operations and assets of sufficient value to warrant the listing status of the Company.

**Future Plan**

In the coming future, the Group will continue to conduct various research and promotion projects to increase its market share in the current business in the PRC. The Group will focus on the business of provision of promotion and management services for an electronic smart card "Shentong Card" which is considered to be of great potential and likely to prosper in view of its current development in the PRC.

The provision of promotion and management services for "Shentong Card" is principally operated by Shentong Yijia. For the six months ended 30 September 2010, the segment of promotion and management services has recorded an unaudited turnover of approximately HK$19.08 million and unaudited profits of approximately HK$1.93 million. As at 30 September 2010, the total assets of Shentong Yijia was approximately HK$222.40 million.

In addition to the promotion activities launched on the sale platforms established by CCC throughout the PRC as in the circular of the Company dated 5 February 2010 in relation to the acquisition of Shentong Yijia, for the period commencing from March 2010 until November 2010, various promotion activities have also been launched and the details are as follows:

(1) Broadcasting TV commercial: In order to promote the corporate image and to enhance the promotion coverage of "Shentong Card", a TV commercial for the "Shentong Yijia" brandname has been broadcasted on the CCTV (China Central Television) channel since May 2010;

(2) Launching lucky draw event for holders of "Shentong Card": Every Shentong card holders who spends money on the sales platform through his Shentong Cards will automatically enrolled in the lucky draw organized by Shentong Yijia. The winners of the lucky draw will be informed through the sales platform or through the customer service officers by phone; and

(3) Organising bonus point redemption scheme: Every spending on the sales platform by Shentong Card will earn bonus points to be credited in the Shentong Card holders' account and the accumulated bonus points can be used to redeem specified products.

As informed by CCC, the geographical coverage of the promotion activities of "Shentong Card" has been expanded to cover 9 regions in the PRC, including Beijing, Shanghai, Chongqing, Guangzhou and Harbin etc. CCC believes that the promotion activities, together with other publication and publicity, will be able to simulate the sale of the "Shentong Card" throughout the PRC, and thus enhancing the revenue of CCC and the Group.

Under the present condition of the investment environment, the Board will pay more attention to projects which can generate stable income to the Group. The Board currently considers that it will focus on the business of provision of promotion and management services for an electronic smart card "Shentong Card", as the prospect is the most promising among all business segments. The Board will continue to look for investment opportunities to diversify and broaden the revenue base of the Group. As at the date of this announcement, the Company has not identified any acquisition opportunities and accordingly has not developed any acquisition plans.

In view of the above, the Directors (excluding independent non-executive Directors whose opinion on the matter would be set forth in the Circular after having been advised by the independent financial adviser to be appointed in this regard) consider that the terms of the Disposal are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

## FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Group is expected to record an unaudited gain of approximately HK$172.55 million from disposal and partial cancellation of promissory note with reference to (i) the Disposal Consideration of HK$140 million; (ii) the unaudited net liabilities value of CCP of approximately HK$20.83 million prepared under Hong Kong Accounting Standards as at 30 September 2010; (iii) exchange reserve of approximately HK$8.87 million to be realised of as at 30 September 2010; (iv) an estimated professional fee of approximately HK$1.5 million; and (v) the excess of carrying amount of approximately HK$144.35 million allocated to the part derecognised of the promissory note over the Disposal Consideration of HK$140 million.

Notwithstanding the gain, the Board expects that there will be an overall improvement of the Group's financial position, including an improvement of its gearing ratio from approximately 110% as at 31 March 2010 to approximately 56% should the Disposal proceed to Completion with reference to the unaudited net assets value of the Remaining Group as at 31 March 2010.

After Completion, CCP will no longer be an indirect non-wholly-owned subsidiary of the Group. Accordingly, the assets, liabilities and the financial results of CCP will no longer be consolidated into the financial statements of the Group.

## GEM LISTING RULES IMPLICATIONS

As the relevant percentage ratio of the Disposal exceeds 75%, the Disposal would constitute a very substantial disposal on the part of the Company under Chapter 19 of the GEM Listing Rules. In addition, as at the date of this announcement, CCI is a substantial Shareholder which is interested in 356,542,000 Shares, representing about 29.84% of the total issued capital of the Company. As such, CCI is considered to be an associate of a connected person of the Company and the Disposal would constitute a connected transaction on the part of the Company under Chapter 20 of the GEM Listing Rules. Since each of the relevant percentage ratios as defined under the GEM Listing Rules is more than 25% and the Disposal Consideration is more than HK$10,000,000, the Disposal shall be subject to the reporting, announcements and independent shareholders' approval requirements in accordance with the GEM Listing Rules.

## GENERAL

An EGM will be convened at which the Independent Shareholders will consider and, where appropriate, approve the Disposal Agreement and the transactions contemplated thereunder.

An Independent Board Committee will be formed to advise the Independent Shareholders in relation to the Disposal and as to how to vote at the EGM regarding the relevant resolution(s) ( to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder. The Company will appoint an independent financial adviser to advise the Independent Board Committee in relation to the Disposal Agreement and the transactions contemplated thereunder.

The Circular containing, amongst other things, further information of the Disposal, 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 within 15 business days after the date of this announcement, i.e. on or before 22 December 2010, in compliance with the GEM Listing Rules.

## DEFINITIONS

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

| | |
|---|---|
| "associate(s)" | has the meaning ascribed thereto in the GEM Listing Rules |
| "Board" | the board of Directors from time to time |

| | |
|---|---|
| "Business Day(s)" | a day on which licensed banks in Hong Kong are open for normal banking business throughout their normal business hours (excluding Saturdays, Sundays and public holidays) |
| "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 25% in CCP as well as its interest as to 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 British Virgin Islands with limited liability and a wholly-owned subsidiary of CCC |
| "CCP" | 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.#), a company established under the laws of the PRC, a non-wholly owned subsidiary of the Company, with its entire equity interests beneficially owned by the Company and CCC as to 75% and 25% respectively |
| "Circular" | the circular containing, amongst other things, further information of the Disposal, 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 to be despatched to the Shareholders |
| "Company" | China Communication Telecom Services Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM (stock code: 8206) |
| "Completion" | completion of the sale and purchase of the Sale Capital in accordance with the terms and conditions of the Disposal Agreement |
| "Completion Date" | the third (3rd) Business Day after all the Conditions Precedent have been fulfilled (or such later date as the parties to the Disposal Agreement may agree in writing) |
| "Conditions Precedent" | the conditions precedent to Completion as set out in the section headed "Conditions" above |
| "connected person(s)" | has the meaning ascribed thereto in the GEM Listing Rules |

| | |
|---|---|
| "Directors" | the directors of the Company (including the independent non-executive directors) from time to time |
| "Disposal Agreement" | the conditional disposal agreement dated 1 December 2010 and entered into between Oriental Glory as vendor and CCI as purchaser in relation to the sale and purchase of the Sale Capital |
| "Disposal" | the proposed disposal of 75% of the equity interests in CCP under the Disposal Agreement |
| "Disposal Consideration" | the aggregate consideration of HK$140 million for the sale and purchase of the Sale Capital pursuant to the Disposal Agreement |
| "EGM" | the extraordinary general meeting of the Company to be convened and held by the Company to consider and if thought fit, to approve the Disposal Agreement and the transactions 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 (which shall exclude, where the context requires, CCP immediately after Completion) from time to time |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | a committee comprising Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong, all being the independent non-executive Directors, to be established to advise the Independent Shareholders in relation to the Disposal Agreement and the transactions contemplated thereunder |
| "Independent Shareholders" | Shareholders other than CCC, CCI and their respective associates |
| "Oriental Glory" | Oriental Glory (H.K.) Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company and the vendor in the Disposal Agreement |
| "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 announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| "Previous Acquisition Agreement" | the sale and purchase agreement dated 1 November 2007 in relation to the acquisition by the Group of the Sale Capital from CCI |
| "Promissory Note" | the promissory note in the principal amount of HK$238,690,000 issued by Success Advantage Investments Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company, in favour of CCI |
| "Remaining Group" | the Group excluding CCP |
| "Sale Capital" | registered and paid-up capital of CCP in a sum of USD9 million (equivalent to approximately HK$70.2 million), being 75% of the entire registered capital of CCP as at the date of the Disposal Agreement |
| "Shareholders" | holders of the issued Shares from time to time |
| "Share(s)" | share(s) of HK$0.01 each in the capital of the Company |
| "Shentong Yijia" | 北京神通益家科技服務有限公司 (Beijing Shentong Yijia Technology Service Company Limited#), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Success Advantage" | Success Advantage Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Sudden Attack Agreement" | an agreement entered into between Success Advantage, CCI and CCC on 20 October 2006 pursuant to which Success Advantage has acquired, at a consideration of HK$620 million, the right to receive 40% of the net sales revenue derived from operating "Sudden Attack" in the PRC by CCP as disclosed in the Company's announcement dated 26 October 2006 (as amended by a supplemental agreement dated 30 June 2007 as disclosed in the Company's announcement dated 4 July 2007) |

| | |
|---|---|
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "USD" | United States dollars, the lawful currency of the United States of America |
| "%" | per cent. |

# *English translation of the name for identification purpose only*

*For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK$ and USD into HK$ are calculated at the approximate exchange rates of RMB0.86 to HK$1.00 and US$1.00 to HK$7.80 respectively. These exchange rates are adopted for the purpose of illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at any of these rates or any other rate at all.*

By Order of the Board
**CHINA COMMUNICATION TELECOM SERVICES COMPANY LIMITED**
**He Chenguang**
*Chairman*

Hong Kong, 1 December 2010

*As at the date of this announcement, the executive Director are Mr. He Chenguang, Mr. Xiao Haiping, Mr. Zhang Peng and Mr. Bao Yueqing and the independent non-executive Directors are Mr. Yip Tai Him, Ms. Cao Huifang and Ms. Liu Hong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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