



# CHINA COMMUNICATION TELECOM SERVICES

FIRST QUARTERLY REPORT

2011/12



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)

# 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 report, 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 report 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 report misleading.*



## Highlights

- Turnover of the Group for the three months ended 30 June 2011 was approximately HK\$6,084,000.
- Net loss attributable to the owners of the Company was approximately HK\$11,241,000 for the three months ended 30 June 2011.
- Loss per share for the three months ended 30 June 2011 was approximately HK0.94 cents.
- The board of the Directors (the “Board”) does not recommend the payment of a dividend for the three months ended 30 June 2011.

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 2011.

### FINANCIAL PERFORMANCE

The Group recorded consolidated turnover of approximately HK\$6,084,000 for the three months ended 30 June 2011, representing an decrease of approximately 36.4% as compared to approximately HK\$9,571,000 for the three months ended 30 June 2010. The turnover for the three months ended 30 June 2011 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\$11,241,000 for the three months ended 30 June 2011 as compared to a loss of approximately HK\$14,903,000 for the three months ended 30 June 2010. The improvement in results was mainly attributable to the decrease in selling and distribution expenses.



## **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<sup>#</sup>) (“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.<sup>#</sup>) (“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.

Furthermore, the Group entered into a disposal agreement in December 2010 in respect of a conditional very substantial disposal transaction involving the disposal of 75% of the equity interest in 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.<sup>#</sup>) (“CCP”). For details of the transaction, please refer to the section “Material Disposal” below.

### **Provision of promotion and management services**

For the three months ended 30 June 2011, the revenue derived from the provision of promotion and management services was approximately HK\$6,084,000 as compared to approximately HK\$9,519,000 for the three months ended 30 June 2010.

### **Operation of the e-Sports Platform**

For the three months ended 30 June 2011, no revenue was derived from the operation of the e-Sports Platform as compared to approximately HK\$39,000 for the three months ended 30 June 2010. The decrease was mainly attribution to the cessation of business.

<sup>#</sup> *English translation of the name for identification only*



### **Distribution and selling of computer games in the PRC**

For the three months ended 30 June 2011, no revenue was derived from the distribution and selling of computer games in the PRC as compared to approximately HK\$13,000 for the three months ended 30 June 2010. The decrease was mainly attribution to the cessation of business.

### **MATERIAL DISPOSAL**

On 1 December 2010, Oriental Glory (H.K.) Limited (“Oriental Glory”), an indirect wholly-owned subsidiary of the Company, as vendor and China Communication Investment Limited (“CCI”), a substantial shareholder of the Company, as purchaser entered into a disposal agreement, pursuant to which Oriental Glory has conditionally agreed to sell, and CCI has conditionally agreed to purchase, the 75% equity interest in CCP for a consideration of HK\$140,000,000 which shall be paid by CCI by setting off against the face value of the promissory note, which is in the principal amount of HK\$238,690,000 issued by the Group in favour of CCI, in the sum equivalent to the consideration of HK\$140,000,000. CCP is principally engaged in the operation of the e-Sports platform and online game and distribution of computer games in the PRC. The disposal has been approved by the independent shareholders of the Company in an extraordinary general meeting of the Company held on 20 January 2011. Details of the disposal have been set out in the circular dated 22 December 2010.

# Condensed Consolidated Income Statement

FOR THE THREE MONTHS ENDED 30 JUNE 2011

		Three months ended	
		30 June	
	Note	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
<b>Continuing operation</b>			
<b>Turnover</b>	3	6,084	9,519
Cost of sales		(10,149)	(12,473)
<b>Gross loss</b>		(4,065)	(2,954)
Other income	4	2	11
Selling and distribution expenses		(4,530)	(8,462)
Administrative expenses		(3,707)	(4,210)
<b>Loss from operation</b>		(12,300)	(15,615)
Finance costs	5	(1,329)	(740)
<b>Loss before tax</b>		(13,629)	(16,355)
Income tax credit	6	2,427	2,432
<b>Loss for the period from continuing operation</b>		(11,202)	(13,923)
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	8	(52)	(980)
<b>Loss for the period</b>	7	(11,254)	(14,903)

		<b>Three months ended</b>	
		<b>30 June</b>	
	<i>Note</i>	<b>2011</b>	<b>2010</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
<b>Attributable to:</b>			
Owners of the Company			
Loss from continuing operation		<b>(11,202)</b>	(13,923)
Loss from discontinued operations		<b>(39)</b>	(980)
Loss attributable to owners of the Company		<b>(11,241)</b>	(14,903)
Non-controlling interests			
Loss from continuing operation		–	–
Loss from discontinued operations		<b>(13)</b>	–
Loss attributable to non-controlling interests		<b>(13)</b>	–
		<b>(11,254)</b>	(14,903)
		<b>HK cents</b>	<b>HK cents</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
			<b>(Restated)</b>
<b>Loss per share</b>	<b>10</b>		
From continuing and discontinued operations			
– basic		<b>(0.94)</b>	(1.25)
– diluted		<b>N/A</b>	N/A
From continuing operation			
– basic		<b>(0.94)</b>	(1.17)
– diluted		<b>N/A</b>	N/A

# Condensed Consolidated Statement of Comprehensive Income

FOR THE THREE MONTHS ENDED 30 JUNE 2011

	Three months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Loss for the period</b>	<b>(11,254)</b>	(14,903)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign operations	<b>1,194</b>	(64)
<b>Total comprehensive loss for the period, net of tax</b>	<b>(10,060)</b>	(14,967)
<b>Attributable to:</b>		
Owners of the Company	<b>(9,979)</b>	(14,967)
Non-controlling interests	<b>(81)</b>	–
	<b>(10,060)</b>	(14,967)





# Notes to the Interim Financial Information

FOR THE THREE MONTHS ENDED 30 JUNE 2011

## 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, Uglund 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 provision of promotion and management services for an electronic smart card “Shentong Card” in the People’s Republic of China (the “PRC”). The Group’s e-Sports platform, online game and computer games distribution and licensing operations in the PRC were discontinued during the year ended 31 March 2011.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The amounts included in this interim financial information have been computed in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial report as defined in HKFRSs.

The interim financial information should be read in conjunction with the Group’s annual financial statements (“Latest Annual Financial Statements”) for the year ended 31 March 2011. The accounting policies adopted are consistent with those followed in the preparation of the Latest Annual Financial Statements, together with the adoption of new and revised HKFRSs.



In the current period, the Group has adopted all new and revised HKFRSs that are relevant to its operations and effective for its accounting period beginning on 1 April 2011. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 period and prior periods.

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.

Despite the fact that the Group had incurred loss attributable to owners of the Company for the current period and the Group's financial position showing net liabilities as at 30 June 2011, this interim financial information has been prepared on a going concern basis, the validity of which depends upon the financial support of 神州通信集團有限公司 (China Communication Group Co., Ltd.\*) and China Communication Investment Limited, the substantial shareholders of the Company, at a level sufficient to finance the working capital requirements of the Group. The directors are therefore of the opinion that it is appropriate to prepare the interim financial information on a going concern basis. Should the Group be unable to continue as a going concern, adjustment would have to be made to the interim financial information to adjust the value of the Group's assets to their 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.

The interim financial information is 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 interim financial information has not been audited.

\* For identification purpose

### 3. TURNOVER

	Three months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Continuing operation		
– Promotion and management services	6,084	9,519
Discontinued operations (note 8)		
– e-Sports platform	–	39
– Computer games distribution and licensing	–	13
	–	52
	6,084	9,571

### 4. OTHER INCOME

	Three months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Interest income	7	23
Sundry income	–	11
	7	34
Representing:		
Continuing operation	2	11
Discontinued operations (note 8)	5	23
	7	34

### 5. FINANCE COSTS

	Three months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Interest on promissory note	1,329	740

## 6. INCOME TAX CREDIT

	Three months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited) (Restated)
Current tax	(493)	(411)
Deferred tax	2,920	2,843
	<b>2,427</b>	<b>2,432</b>

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the periods ended 30 June 2011 and 2010.

Tax charge on estimated assessable profits in the PRC has been calculated at prevailing tax rate of 25% (2010: 25%).

## 7. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	For the three months ended 30 June					
	Continuing operation		Discontinued operations		Total	
	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000
Amortisation of intangible assets						
– included in cost of sales	9,212	8,968	–	–	9,212	8,968
– included in selling and distribution expenses	2,470	2,405	–	–	2,470	2,405
	11,682	11,373	–	–	11,682	11,373
Depreciation	267	247	–	–	267	247
Operating lease charges for land and buildings	676	518	–	82	676	600
Equity-settled share-based payments	1,096	2,288	–	–	1,096	2,288
Staff costs including directors' emoluments						
– Salaries, bonus and allowances	2,453	2,288	38	320	2,491	2,608
– Retirement benefits scheme contributions	226	185	10	124	236	309
	2,679	2,473	48	444	2,727	2,917

## 8. DISCONTINUED OPERATIONS

During the year ended 31 March 2011, the Group ceased its online game, e-Sports platform and computer games distribution and licensing operations upon the extraordinary general meeting held on 20 January 2011, approving the agreement dated 1 December 2010 for the disposal of 75% interest in a subsidiary, 神州奧美網絡有限公司 (China Cyber Port Co., Ltd.) at a consideration of HK\$140 million.

The results of the discontinued operations for the period from 1 April 2011 to 30 June 2011, which have been included in the condensed consolidated income statement, are as follows:

	Three months ended	
	30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Turnover ( <i>note 3</i> )	–	52
Cost of sales	–	(190)
Gross loss	–	(138)
Other income ( <i>note 4</i> )	5	23
Selling and distribution expenses	(12)	(314)
Administrative expenses	(45)	(551)
Loss for the period from discontinued operations	(52)	(980)

## 9. DIVIDENDS

No dividends have been paid or proposed during the three months ended 30 June 2011, nor has any dividend been proposed since the end of the reporting period (three months ended 30 June 2010: HK\$Nil).



## 10. LOSS PER SHARE

### (a) Basic loss per share

#### (i) *From continuing and discontinued operations*

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$11,241,000 (2010: HK\$14,903,000) and the weighted average number of ordinary shares of 1,194,697,017 (2010: 1,194,697,017) in issue during the period.

#### (ii) *From continuing operation*

The calculation of basic loss per share from continuing operation attributable to owners of the Company is based on the loss for the period from continuing operation attributable to owners of the Company of approximately HK\$11,202,000 (2010 (Restated): HK\$13,923,000) and the denominator used is the same as that detailed above.

#### (iii) *From discontinued operations*

Basic loss per share from the discontinued operations attributable to owners of the Company is HK cents 0.00 per share (2010 (Restated): HK cents 0.08 per share), based on the loss for the period from discontinued operations attributable to the owners of the Company of approximately HK\$39,000 (2010 (Restated): HK\$980,000) and the denominator used is the same as that detailed above.

### (b) Diluted loss per share

No dilutive loss per share are presented as the potential ordinary shares outstanding during the three months periods ended 30 June 2011 and 2010 have anti-dilutive effect on the basic loss per share for both periods.

## 11. MOVEMENT OF RESERVES

	Share premium (Unaudited) HK\$'000	Merger reserve (Unaudited) HK\$'000	Foreign currency translation reserve (Unaudited) HK\$'000	Share-based payment reserve (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Sub-total (Unaudited) HK\$'000	Non-Controlling interests (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 April 2010	1,042,779	8,320	9,218	1,830	(1,105,963)	(43,816)	-	(43,816)
Total comprehensive income 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	1,042,779	8,320	9,154	4,118	(1,120,866)	(56,495)	-	(56,495)
At 1 April 2011	1,042,779	8,320	12,280	15,288	(1,298,687)	(220,020)	(620)	(220,640)
Total comprehensive income for the period	-	-	1,262	-	(11,241)	(9,979)	(81)	(10,060)
Share option scheme - equity-settled share-based payment expenses	-	-	-	1,096	-	1,096	-	1,096
At 30 June 2011	1,042,779	8,320	13,542	16,384	1,309,928	(228,903)	(701)	(229,604)

## 12. COMPARATIVE FIGURES

Certain comparative figures have been restated or reclassified as a result of presentation of discontinued operations and conformation with 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 2011, 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				Total interests in shares	Number of underlying shares		
	Personal interests	Corporate interests	Family interests	Other interests		Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
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 2011.



## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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		
	Personal interests	Corporate interests	Family interests	Other interests	Total interests in shares	Share Option Scheme	Aggregate interests	Approximate percentage of the issued share capital of the Company
CCC (Note 1)	-	356,542,000	-	-	356,542,000	-	356,542,000	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.

# English translation of the name for identification only

Save as disclosed above, as at 30 June 2011, 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.

## 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 2010/11.

Particulars of the outstanding options which have been granted under the Share Option Scheme as at 30 June 2011 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 2011
				As at 1 April 2011	Options granted during the period	Options exercised during the period <sup>(a)</sup>	Options lapsed during the period <sup>(b)</sup>	Options cancelled during the period	
<i>Eligible Participants</i>									
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
				42,170,000	-	-	-	-	42,170,000



*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 2011.



## **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 2011.

## **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 2011.

## **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 2011.

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



As at the date of this report, 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. Yip Tai Him (*Independent Non-Executive Director*)
- Ms. Cao Huifang (*Independent Non-Executive Director*)
- Ms. Liu Hong (*Independent Non-Executive Director*)

Hong Kong, 8 August 2011