



神通電信服務有限公司

China Communication Telecom Services Company Limited

Corporate Presentation

May 2016

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Section 1

Company Overview



Company Overview

About China Communications Telecom Services

Stock Code	:	8206.HK
Number of issued shares	:	1,656 million shares
Share Price (at 23 May 2016)	:	HK\$0.495
Market Capitalisation (at 23 May 2016)	:	HK\$820 million

Acquisition of Heilongjiang CRC

- On 16 February 2016, shareholders of the Company approved the resolution at the EGM to purchase from major shareholder China Communication Group Co., Ltd. (“CCC Group”) its stake in Heilongjiang Shentong Cultural Club Co., Ltd. (“Heilongjiang CRC”), for the organisation of China Robot Competition¹ (“CRC”) and provision of CRC training courses in Heilongjiang Province
- The total cost of the acquisition was approx. HK\$380 million, which includes a consideration of HK\$30 million for the acquisition of Heilongjiang CRC, and a service fee of HK\$350 million for the irrevocable and exclusive right to organise and develop CRC competitions and provide training courses in Heilongjiang Province, and the long-term exclusive right to use the CRC Shentong Card payment system in the Province
- The acquisition was successfully completed on 16 May 2016, after which Heilongjiang CRC is now a wholly-owned subsidiary of the Company. Profit before tax of Heilongjiang CRC for the year ended 31 March 2015 was approx. HK\$24 million, with a P/E ratio of approx. 15.8x based on its net profit for FY2014/15 and total cost of acquisition

Three Business Pillars

CRC Business

Organising & hHosting of
China Robot Competition



CQE Business

Providing China school-
based robot training

Promoting Shentong Card,
Usage of CRC Shentong Card

Electronic smart card within
the PRC

Experienced & Professional Management Team with In-depth Industry Knowledge

Senior Management	Title/Qualifications	Biographies
 He Chenguang 54	<ul style="list-style-type: none"> Chairman Professional qualification in Business Administration 	<ul style="list-style-type: none"> Joined China Communication Telecom Services Company Limited and its affiliates in April 2006 as Chairman of the Group Has extensive experience in management of large enterprises, in particular, management, operation and strategic development of telecom Industry in the PRC Mr. He is the chairman of Professional Energy Committee of The Chinese People's Association for Friendship with Foreign Countries and the vice president of China-Cuba Friendship Association (a friendship association with foreign countries and a national people's organisation of the PRC which was founded in 1962) Part-time professor in Harbin Engineering University and University of Science and Technology Beijing
 Bao Yueqing 45	<ul style="list-style-type: none"> Chief Executive Officer Bachelor of Economics Management, Heilongjiang University 	<ul style="list-style-type: none"> Joined China Communication Telecom Services Company Limited and its affiliates in April 2010 as Executive Director until 30 June 2011 Subsequently became General Manager of China Communication Telecom Services Company Limited in May 2012, and was appointed as Executive Director and Group Chief Executive Officer in January 2014, responsible for daily operations of the Group as well as formulation and implementation of the Company's business strategies Mr. Bao holds a Bachelor degree of Economics Management from Heilongjiang University and has extensive experience in management of large enterprises, in particular, management, operation and strategic development of telecom Industry in the PRC
Other Senior Management	Dr. Wong Corey	<ul style="list-style-type: none"> Responsible for investor relations Doctor of Business Management Fellow member of the Association of Chartered Certified Accountants in the United Kingdom
	Yiu King Ming	<ul style="list-style-type: none"> Financial Controller and Company Secretary A member of the Hong Kong Institute of Certified Public Accountants
	Xiu Lili	<ul style="list-style-type: none"> General Manager of China Communications Heilongjiang branch Executive Director of the Competition Commission of CRC Working Committee
Independent Non-Executive Directors	Yip Tai Him	<ul style="list-style-type: none"> Practicing accountant in Hong Kong; member of the Hong Kong Institute of Certified Public Accountants; fellow member of the Association of Chartered Certified Accountants in the United Kingdom Has over 20 years of experience in accounting, auditing and financial management
	Dr. Han Liqun	<ul style="list-style-type: none"> Holds a Doctorate degree of Pattern Recognition and Intelligent Systems; used to be a visiting research fellow at City University London Taught in Beijing Light Industry School under the Ministry of Light Industry of the PRC and Beijing Technology and Business University as the Dean
	Dr. Zhang Li	<ul style="list-style-type: none"> Doctor of Engineering in Composite Materials Currently a professor at the School of Material and Mechanical Engineering of Beijing Technology and Business University, China, instructing the graduates and doctoral students

Key Milestones

In May 2016, the Company **completed acquisition of Heilongjiang CRC**, commencing the business of organising CRC competitions and relevant trainings

In May 2011, Beijing CRC, a subsidiary of the parent company CCC Group won the **national exclusive right to host China Robot Competition ("CRC")**, and Yijia Shentong Card business then extended to CRC events and training activities

In January 2013, **Heilongjiang Shentong** was established, and has become one of the provinces recording satisfactory progress in the development of CRC in the PRC

The Company was listed in Hong Kong in 2002. **Mr. He Chenguang** joined the Company in 2006 as **Chairman of the Board**

In March 2010, the Company acquired associated corporation, Beijing Yijia from the parent company CCC Group to commence **Yijia Shentong Card** business in the PRC

Three Business Pillars

New Growth Engine

**Promoting Shentong Card,
Usage of CRC Shentong Card**

Electronic smart card
within the PRC



Promote and provide management services of “Shentong Card” in the PRC, and possess the exclusive right to use the “CRC Shentong Card” payment system in Heilongjiang Province

CRC Business

Organising & hosting of
China Robot Competition



Organise exclusive CRC events, and provide CRC-related training courses and materials in Heilongjiang Province



CQE Business

Providing China school-based
robot teaching



Cooperate with the working committee of National School Sports Robot League (“NSSRL”) to plan and expand school-based robot teaching, and promote robot education at schools

CRC Business – China Robot Competition

Organisation & education of CRC events

Organise CRC events and provide relevant training courses in Heilongjiang Province through Heilongjiang CRC, the wholly-own subsidiary of the Company

- Granted exclusive rights to organise CRC competitions and trainings in Heilongjiang Province



Robotics Dance Competition



Robotics Polo Competition



“CRC General Competition Guideline”
《中國素質體育機器人運動通用競賽規則》 implemented in December 2012

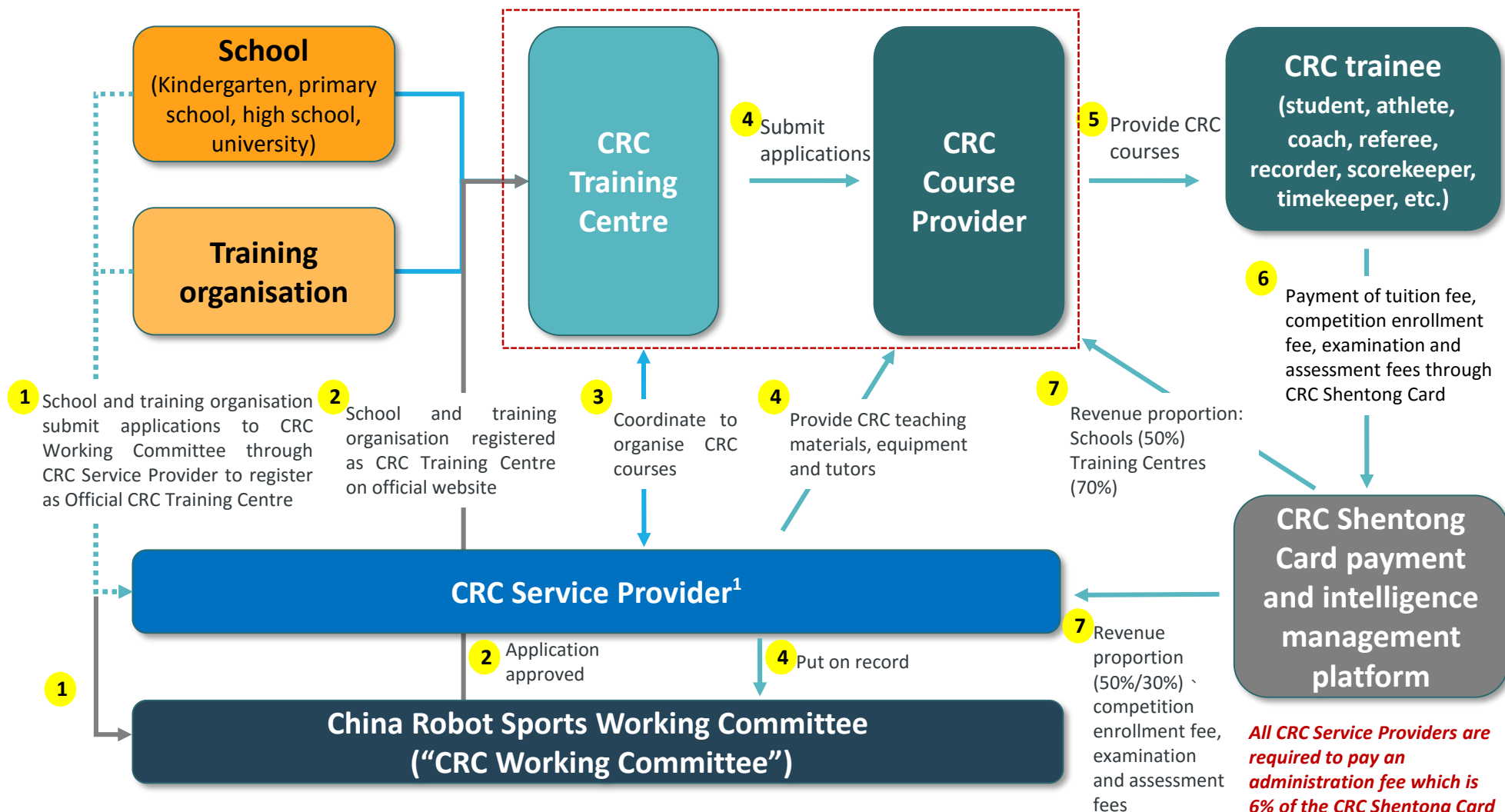
China Robot Competition (“CRC”)

- Divided into the following levels: national competition, provincial competition and municipal competition
- The CRC national competition is expected to be held once every two years
- In September 2015, the first CRC organised by the General Administration of Sports of China (“GASC”), Jiangsu Sports Association and CCC Group. was held in Wujin District of Changzhou City in Jiangsu Province, comprising land robotics polo competition, land robotics obstacle race, land robotics dance competition, underwater robot competition, unmanned aerial vehicles mission completion competition, unmanned aerial vehicles aerobatics marching competition, etc.

CRC Business – Application Procedures to Become CRC Course Provider

By the end of 2015, the number of official CRC Training Centres in Heilongjiang Province exceeded 1,000

The number of self-operated CRC Course Providers and CRC Course Providers reached approx. 50



¹CRC Service Provider includes the Company's wholly owned subsidiary, Heilongjiang CRC, and National Shentong Cultural Club (wholly owned subsidiary of CCC Group)

CQE Business

School-based robot education in the PRC

Proactively cooperate with members of the NSSRL to promote robot teaching at schools

- ❑ Authorised to provide education and training course related to China Quality Robot Education (“CQE”)
- ❑ Provide unified teaching, training and competition standards, centralised publication of teaching materials, lessons and the hosting of competitions in different levels in the PRC
- ❑ Authorised by GASC for the appointment and management of judges, coaches, teachers and athletes
- ❑ Setting education and training standards, including standards for teaching and training services, certification, tuition fees, management and services



CQE aims at improving the quality of the whole civilisation

Focus on exploiting the potential of the educated,

boosting the development of various aspects of morality, intelligence and physique of the educated

CQE Business – Talent Development Direction



Talent Development Direction of Quality Robot Education

Visionary education philosophy

- Develop innovative thinking at an early stage

Life-long education

- Bodily development
- Logical thinking
- Creativity

Competition achievements

- Register as professional athletes
- Participate in provincial competitions
- Team spirit
- Competition bonus incentives

Employment for professionals

- Referees
- Coaches
- Timekeepers
- Scorekeepers
- Teachers

Outstanding figures in different industries

- Scientists
- Engineers
- Entrepreneurs
- Professors
- Writers



Shentong Card

Promotion and management service of Shentong Card

An electronic smart card managing insurance payments, mobile and landline telephone charges pre-payments and online transactions in the PRC

- ❑ Shentong Card – an electronic smart card and online payment platforms service provider in the PRC
- ❑ Shentong Card is set up with an insurance policy which allows user to settle payment for various insurance companies. Shentong Card can also be used for the pre-payment of mobile and landline telephone charges, online transactions and other telecommunications pre-payment services
- ❑ The Company's subsidiary Beijing Shentong Yijia Technology Service Company Limited provides services to CCC Group, including: management and sales of Shentong Cards, after-sales service, follow-up on users' enquiries or complaints, customer management service, marketing and promotion

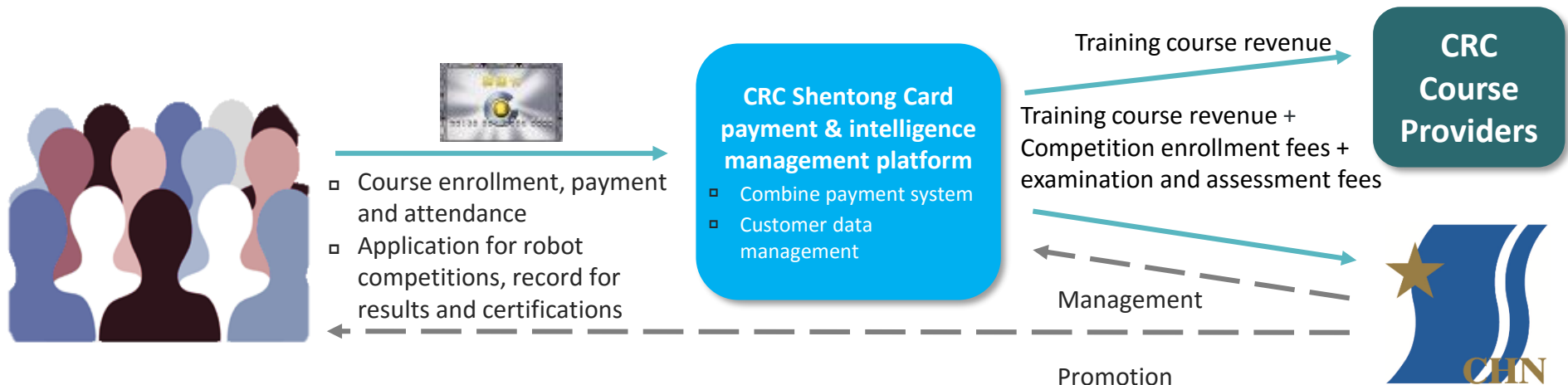


CRC Shentong Card

Usage of CRC Shentong Card

The exclusive right to use CRC Shentong Card payment and intelligence management system in Heilongjiang Province

- According to the guidance of Social Sports Direction Centre of GASC, all management and payment of CRC education, training courses and CRC competition should be conducted through the CRC Shentong Card System
- The CRC Shentong Card combines payment system with customer data management, and saves all data of students' participation in robot sports, offering valuable reference for the development of robot sports
- All payments for courses and competition enrollment fees will be settled by CRC Shentong Card, the CCC Group will take 6% of training course fees and competition enrollment fees as the system charge of CRC Shentong Card



Section 2

Growth Driver – Heilongjiang CRC

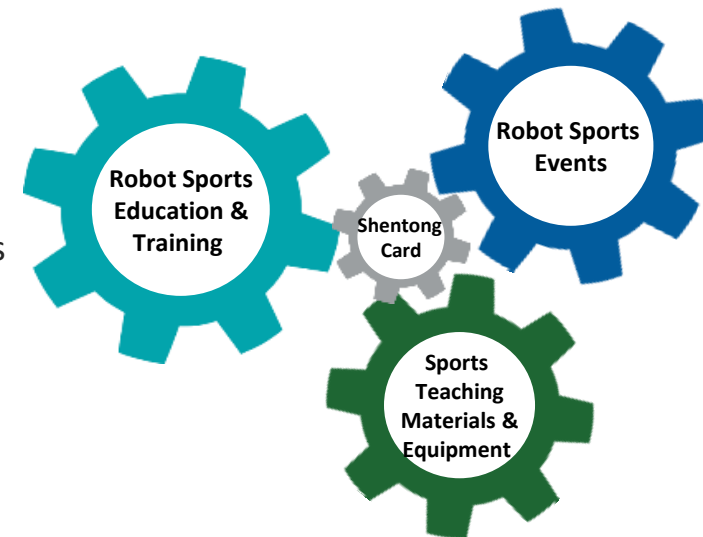


Growth Driver

Completed full acquisition of Heilongjiang CRC on 16 May 2016
Owning exclusive right to organise CRC competition & relevant training course
in Heilongjiang Province, addition of a new revenue source

Competitive edges include:

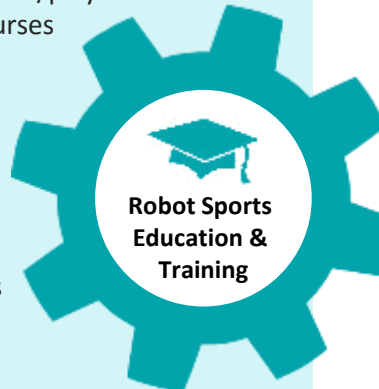
- The only authorised entity to host CRC competitions and provide training course in Heilongjiang Province
- High growth prospects benefiting from the rapidly growing robot sports industry and well-established network
- Integrated payment and customer data management system to enhance customer services and business planning
- Diversified customer base capturing different sub-markets and income streams
- Experienced, professional and dedicated management team with in-depth industry knowledge



Three Business Pillars of Heilongjiang CRC

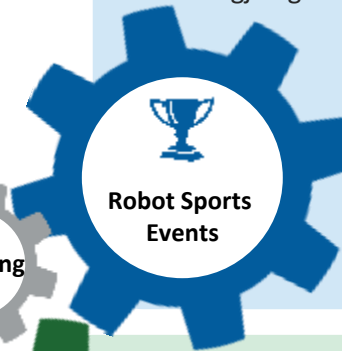
Providing CRC education & training courses

- The only CRC robot education organiser in Heilongjiang Province
- The training includes sportsmen/players courses and professional courses (including teachers, coaches, referees, etc.)
- Provide CRC courses in collaboration with franchised centres (non-educational institutions) or training bases (educational institutions) and self-operated stores
- As of 2015, it operated 23 CRC Course Providers
- FY2014/15, approx. 15,000 people participated in CRC training



Organising & hosting of CRC competition events

- The only CRC competitions organiser in Heilongjiang Province
- Organise different types of CRC regional competitions throughout four different groups (adult, youth, teenagers, children) on provincial/ municipal/county level in Heilongjiang
- Held 20 robot events in 2013, and 28 in 2014
- In 2014, the robot events had approx. 5,000 participants
- Many well-known enterprises provided competition sponsorship for the sports events and placed advertisements



Teaching materials & equipment (Free to offer from late 2015)

- SBV (self-balanced vehicles), UAV (unmanned aerial vehicle)
- Instructional books



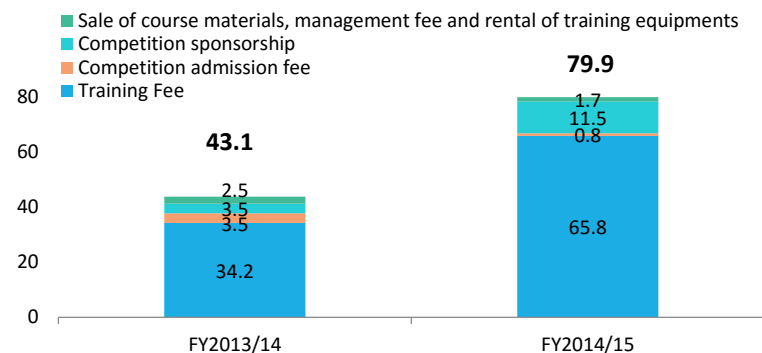
Students enroll for robot training, make payments and sign attendance via Shentong Card, as well as to enroll for robot competitions, record their results and obtain certification. All course fees and competition admission fees are paid and settled through Shentong Card

Income Statement of Heilongjiang CRC

Fiscal Year ended 31 March 2014 & 2015

Total Income¹

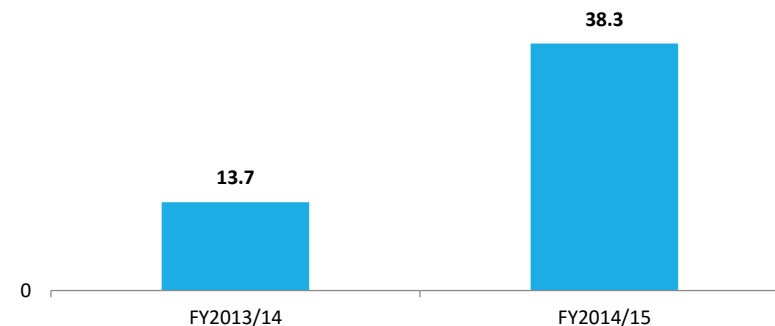
HK\$ mn



Gross Profit

HK\$ mn

50

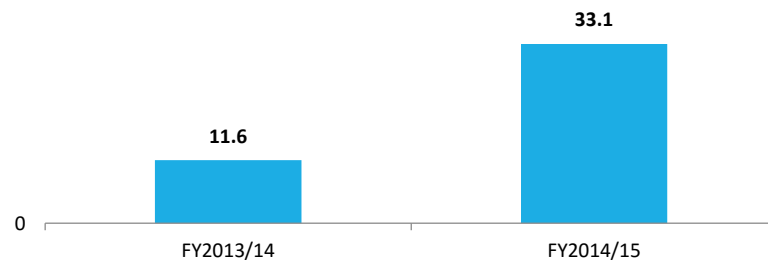


¹Before deducting sales tax; payment of training fee and competition admission fee is settled with Shentong Card

Profit Before Tax

HK\$ mn

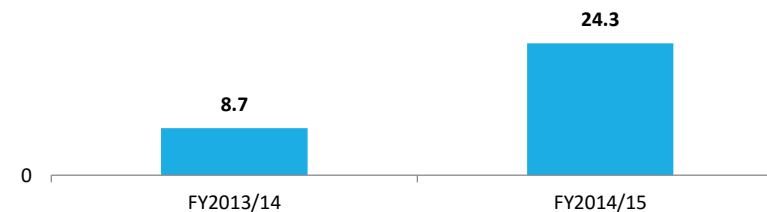
50



Net Profit

HK\$ mn

50



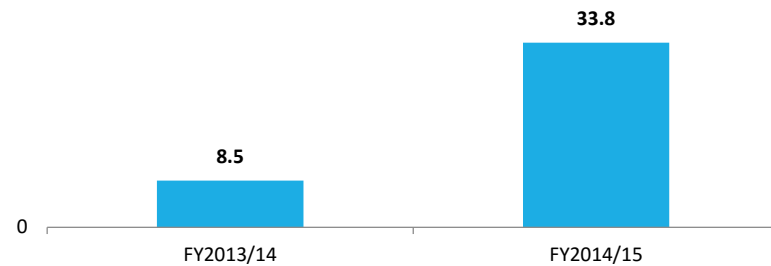
Balance Sheet of Heilongjiang CRC

Fiscal Year ended 31 March 2014 & 2015

Net Asset¹

HK\$ mn

50

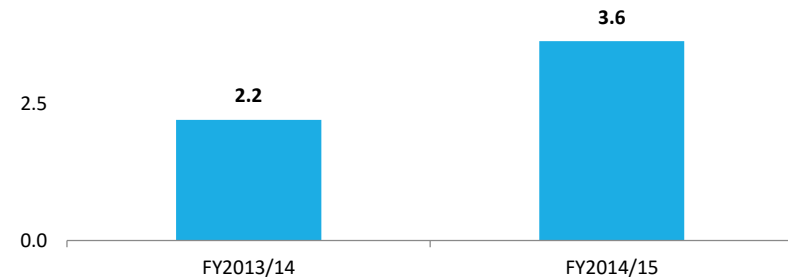


¹Net asset = Total asset – Total liability

Total Asset

HK\$ mn

5.0

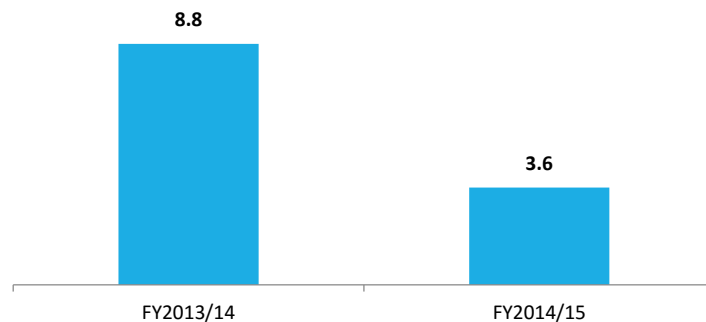


Equity Multiplier²

10.0x

5.0x

0.0x



²Equity multiplier = Total asset / Total equity

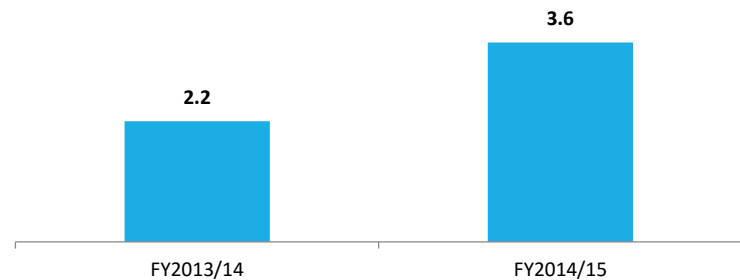
Net Cash³

HK\$ mn

5.0

2.5

0.0



³The Company had no debt outstanding as at 31 March 2015

Key Milestones of Heilongjiang CRC

In May 2011, Beijing Shentong Culture Club Co., Ltd., subsidiary of the parent company CCC Group, won the national exclusive right to host CRC, while Shentong Card business also extended to CRC events and training activities

In July 2014, Heilongjiang CRC acquired Daqing Shentong Cultural Club Co., Ltd. and further integrated CRC service businesses in the Heilongjiang region

In December 2015, the Company and Profuse Year Limited signed the sale and purchase agreement to conditionally purchase Heilongjiang CRC for a total consideration of HK\$30 mn

In January 2013, Heilongjiang CRC was established, the main business of which is to carry out CRC competitions and training in Heilongjiang Province

In November 2015, Heilongjiang CRC was granted the exclusive right of using CRC Shentong Card payment system and the exclusive right to organise CRC competition and education in Heilongjiang Province by Beijing Shentong (together the "Exclusive Rights")

In May 2016, the Company completed acquisition of Heilongjiang CRC. Heilongjiang CRC becomes a wholly own subsidiary of the Company

Section 3

Development Strategies of Heilongjiang CRC



Heilongjiang CRC's Development Strategies

1

Continuously increase market share and expand CRC network (personnel + competitions + venue)

- A. Deepen the already developed CRC operating networks in Harbin and Daqing
- B. Explore the remaining 11 developing and undeveloped markets
- C. Enhance the cooperation with more than 1,000 existing registered CRC Training Centres in schools in Heilongjiang Province to increase the number of CRC Course Providers

2

Establishment of alliances with strategic partners as an important marketing strategy to improve customer awareness and expand customer base

- A. Promote CRC via policy and activities support by Provincial/Municipal Science Association, Provincial/Municipal Education Department/Bureau and Provincial Science Department/Municipal Science Bureau (e.g. the First Robot Quality Education Incentive Program held in October 2015)
- B. Open up UAV (unmanned aerial vehicle) education and training for traffic police via cooperation with Heilongjiang traffic police
- C. Open up training for retired athletes as CRC athletes, teachers or sports event staff via strategic cooperation with the Athletes Employment Security Centre of Heilongjiang Provincial Sports Bureau
- D. Speed up the registration of CRC Training Centres in schools and conduct training courses via NSSRL

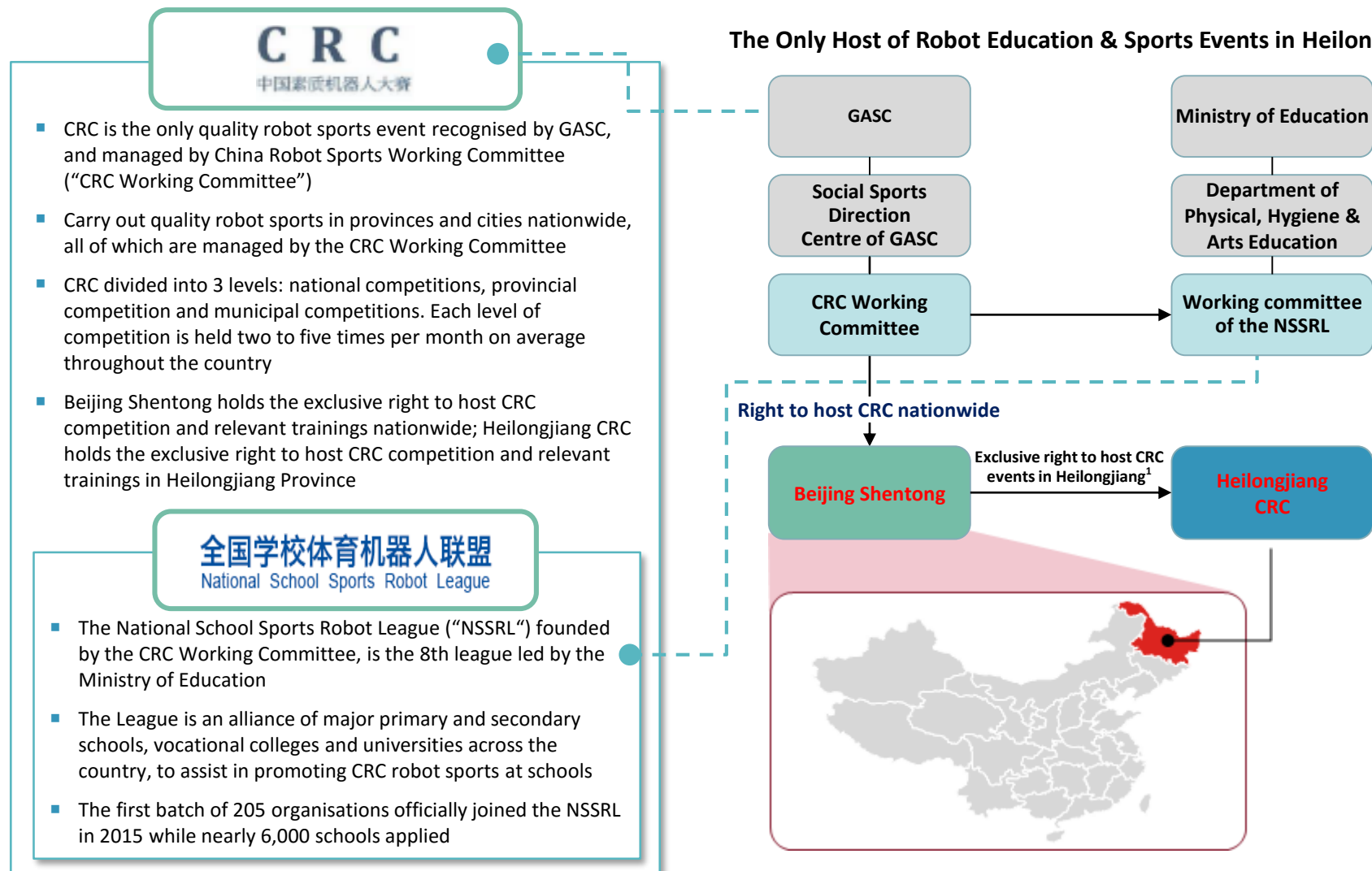
3

Expanding Heilongjiang CRC's business coverage to other provinces

- A. Has priority to acquire CRC service provider business in relevant provinces/cities from the parent company
- B. Closely monitor the possibility of acquiring any suitable third-party CRC service provider(s) in other provinces

1

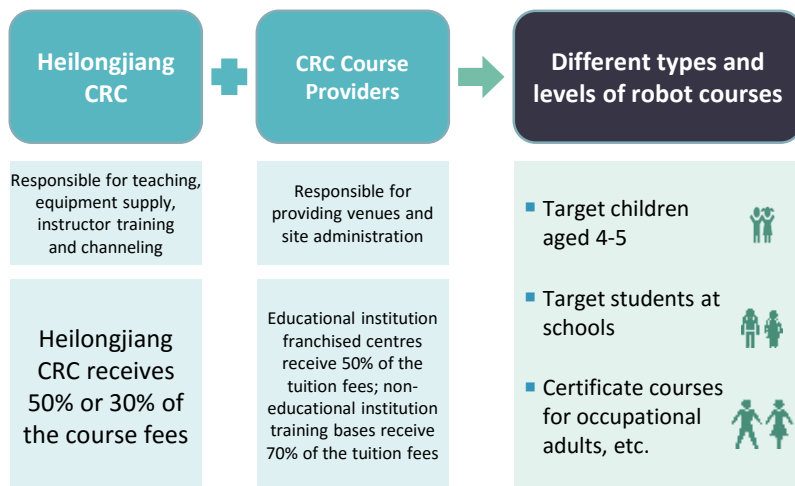
The Only Authorised CRC Competition Organiser in Heilongjiang



¹In November 2015, Heilongjiang CRC received the exclusive right for the long-term use of CRC Shentong Card payment system and irrevocable and exclusive right to organise and develop CRC competitions and provide training courses in Heilongjiang Provinces at a service fee of HK\$350 million

The Only Authorised CRC Competition Organiser in Heilongjiang

Robot Education



Heilongjiang CRC Course Providers

Mar 2015

Harbin	25
Daqing	10
Mudanjiang	4
Qiqihar	4
Hegang	2
Heihe	2
Jiamusi	1
Total	48

self-operated
(demonstration centre)
7 in total

Non-School
23 (30% revenue share)

Schools
18 (50% revenue share)

Robot Sports Competitions



Exclusive right to host CRC in Heilongjiang recognised by GASC



Organise CRC regional competitions of different types and of four different groups (adult, youth, teenagers, children) on provincial/ municipal/ country level in Heilongjiang



The first to enter the Heilongjiang market, setting a high barrier for other robot institutions

Many well-known enterprises provided competition sponsorship for the sports events and placed advertisements

Admission fee income

Held 20 CRC events in 2013
Held 28 CRC events in 2014

In 2014, a total of approx. 5,000 athletes enrolled to participate in the CRC robot events

Approx. 12,000 schools in Heilongjiang at present, which include approx. 5 million students in kindergartens, primary schools, secondary schools, university and other tertiary institutions

Strong Demand for the Robot Sports Industry

Government strongly supports the development of quality education-related industries

"Promoting the application and development of industrial robots is of great significance to improving labour conditions, improving product quality and labor productivity, driving the development of related disciplines and enhancement of technological innovation capability, and promoting industrial restructuring, shift of development mode and industrial transformation and upgrading."

— **The MIIT Guidelines on Promoting the Development of the Industrial Robotics Industry**

"Taking competition as a lever to vigorously develop China's robot sports of quality can be described as a great project that benefits the nation and the people...GASC will attach great importance to this sport, give full support and actively promote this sport. The Sports Department will effectively carry out popularisation and marketing, professional training, team-building and organisation of event enrollment, etc.."

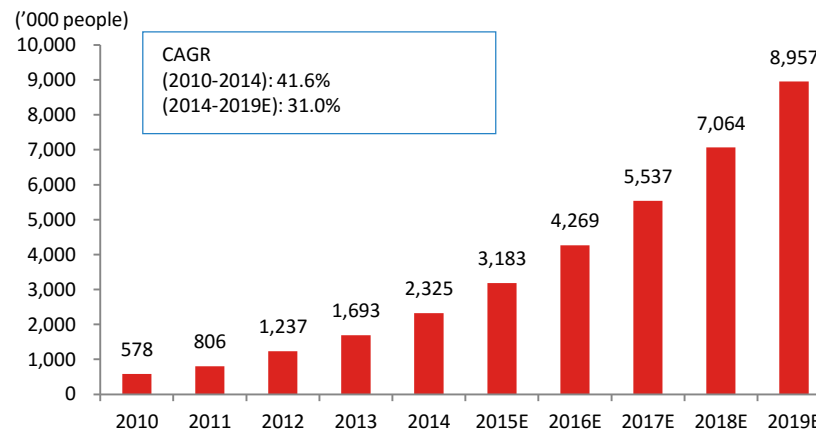
— **Xiao Min, Assistant Minister of GASC**

2013 National Work Conference on Social Sports

As of 2013, Heilongjiang Province governed 13 prefecture-level cities namely Harbin, Qiqihar, Mudanjiang, Jiamusi, Daqing, Jixi, Shuangyashan, Hegang, Suihua, Qitaihe, Yichun, Heihe and Daxinganling region

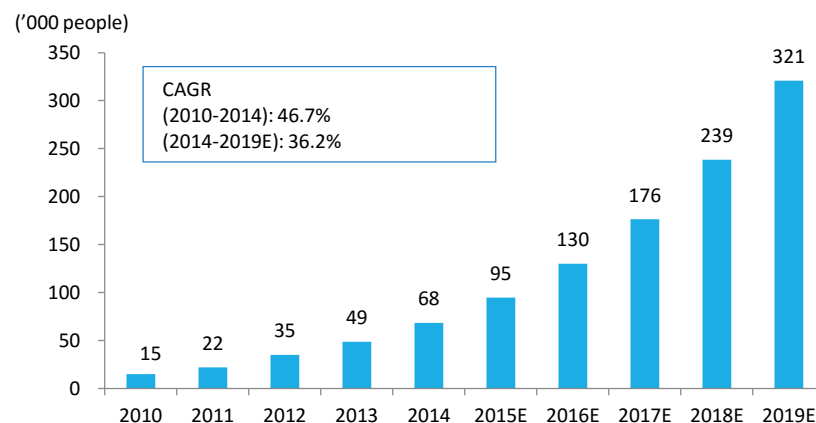
At present, the Company has only started a branch in Heilongjiang for three years, focusing on exploring markets in Harbin and Daqing. The exploration of markets in 3 other prefecture-level cities is in the initial stage and 8 prefecture-level cities are to be explored in total

The number of participants in robot sports in China has increased year by year



Source: China Insights Consultancy

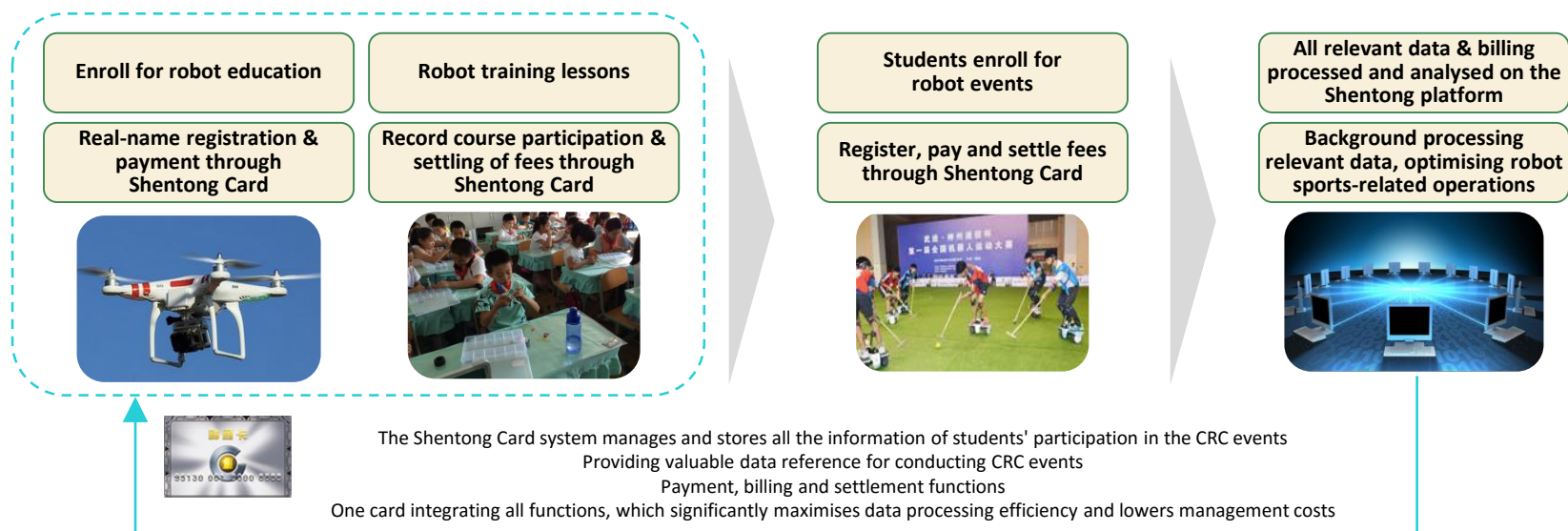
Continued growth of Heilongjiang robot education market



Source: An independent industry research report on China smart card and robotics education industry prepared by China Insights Consultancy Limited

Currently the Only Integrated Education Billing Smart Card System in the PRC

Shentong Card is used throughout students' participation in robot education & competitions



Shentong Card integrates storage, enquiry & management of robot sports data



Diversified Customer Base Capturing Different Sub-Markets & Income Streams

Diversified customer base; wide market coverage

Athletes

- SBV Polo
- SBV Racing
- UAV Flight control
- Water
- Air
- Land
- Integrated (including online education)
- Short Courses (suitable to all Athlete courses)



Referee
Coach
Roll calling



Recording
Scoring
Timing

Teacher

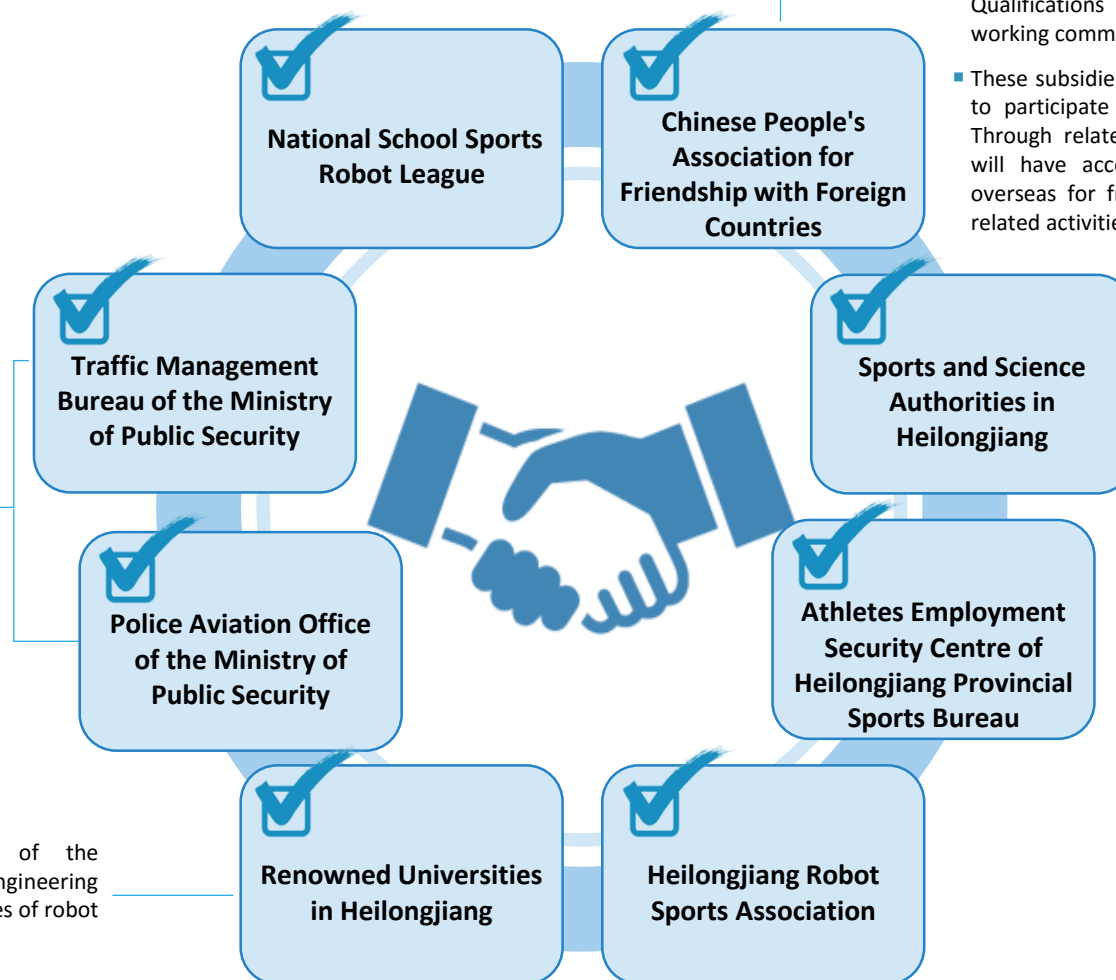


Cooperate with Valuable Strategic Partners

Establish more strategic relationships with other organisations and institutions to explore brand new markets

- In 2014, CRC Working Committee, Traffic Management Bureau of the Public Security Ministry and the Police Aviation Office of the Ministry of Public Security jointly conducted the first filed test of military UAV in the history of Chinese science and technology development
- The first military UAV training course was held in July 2015 in Heilongjiang Province
- CRC Working Committee, Heilongjiang CRC Competition Committee and the Public Security Bureau in Bin County provided a technology platform, aiming at improving law enforcement and efficiency of the police and supporting the advancement of innovative technology of law enforcement. In the long run, robots will be applied in more fields

- The senior management of the Company and Harbin Engineering University Press issued a series of robot education materials



- The Association offers a subsidy of over RMB100 million to applicants of Chinese International Youth Exchange Activities for Robot each year. All participants must be certified by the CRC Working Committee as qualified athletes, coaches, referees, recorders, scorers, timekeepers, clerks or arbitrators, or they should hold Professional Teaching Qualifications for Robot certified by the working committee of NSSRL
- These subsidies encourage more young people to participate and learn more about robots. Through related CRC exam, the participants will have access to opportunities to travel overseas for free and to participate in robot related activities

Appendix

Industry Information – Robot Training in the PRC

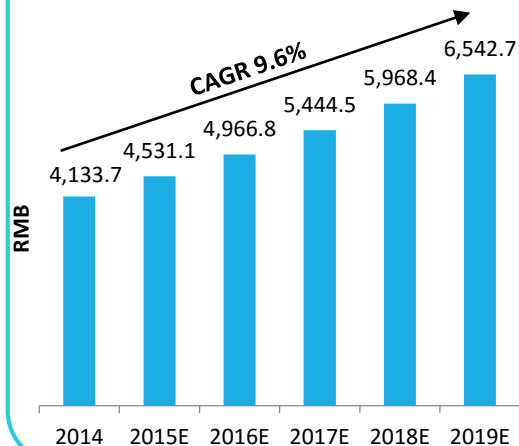


China's Robot Training Consumption Sees Rapid Growth

Per capita expenditure growth on culture, education & entertainment of families above middle class

- With the increase of per capita disposable income of China's residents, the national expenditure on culture, education and entertainment continues to grow
- The requirements of parents of mid- to high-income families for their children's academic qualification and comprehensive capacity have increased year by year. The education spending of some families could reach tens of thousands or hundreds of thousands of RMB per year
- The per capita disposable income is expected to exceed RMB6,540 by 2019, with a CAGR of 9.6% from 2014 to 2019

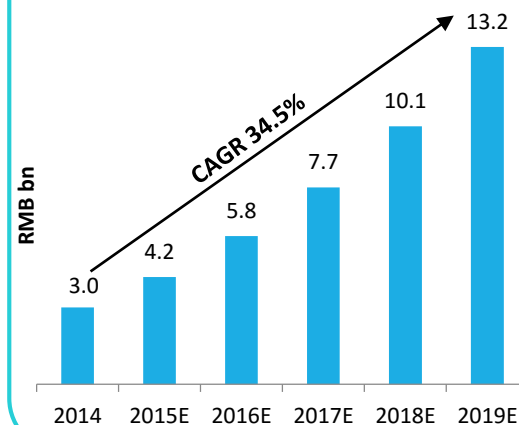
Per capital disposable income of China's residents



China's robot training consumption sees rapid growth

- The number of participants in China's robot education market has exceeded 2 million, growing at a CAGR of 31.0% between 2014 to 2019
- By 2019, robot education-related training consumption will reach approximately RMB13.2 billion, representing a CAGR as high as 34.5% from 2014 to 2019

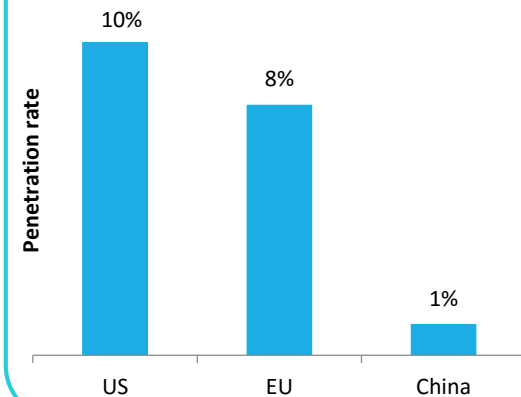
China's robot training related expenses



Still in its infancy with great potential

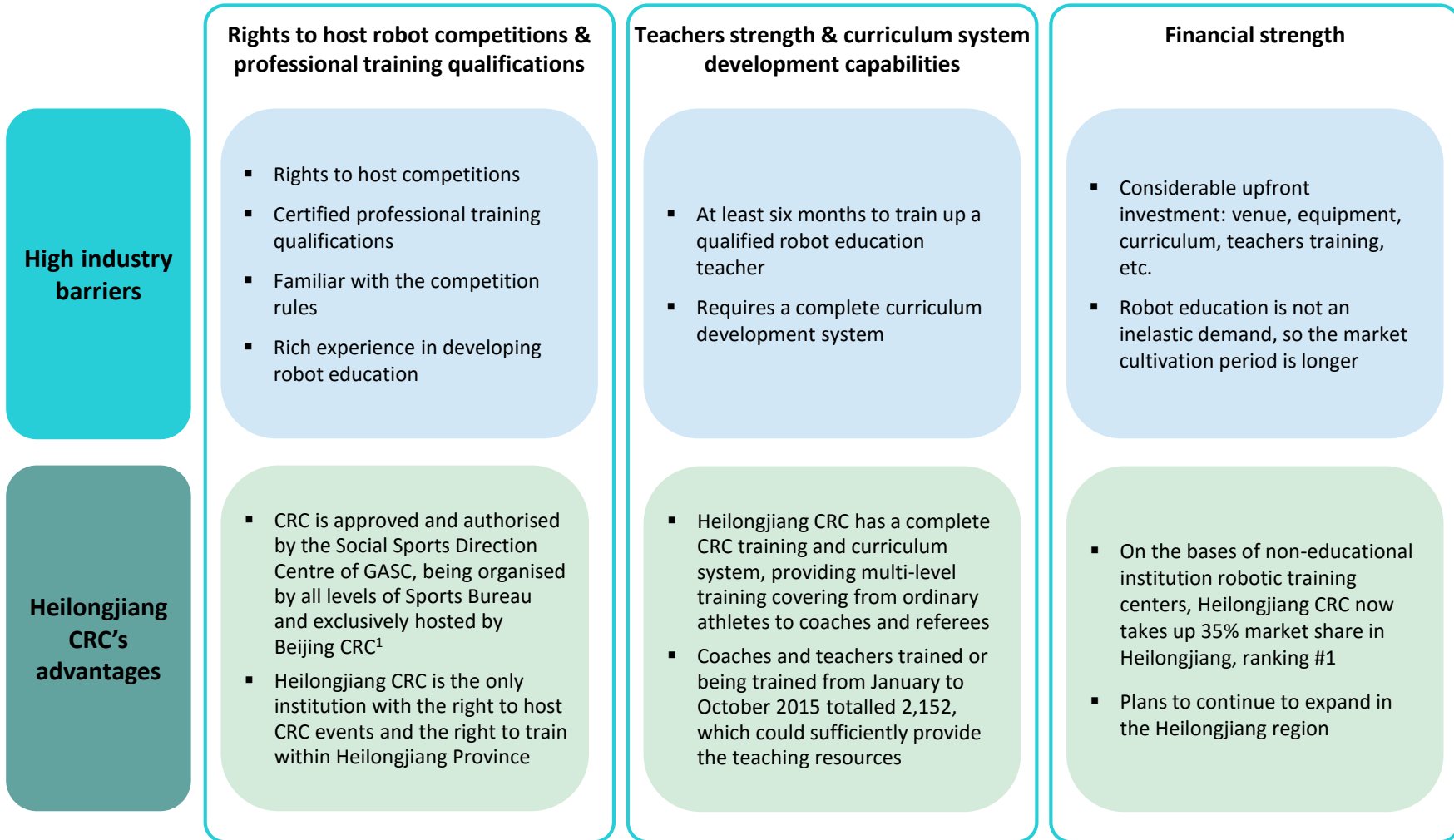
- The development of China's robot education is still in its infancy, and there is a large gap between the penetration rate in China and that of Europe and the US
- In 2014, the robot education penetration rate of the US and the EU was approx. 10% and approx. 8% respectively, while China's robot education penetration rate was only about 1%

Robot education penetration rate of the world's major countries and regions (2014)



Source: An independent industry research report on China smart card and robotics education industry prepared by China Insights Consultancy Limited

High Entry Barriers to China's Robot Education Market

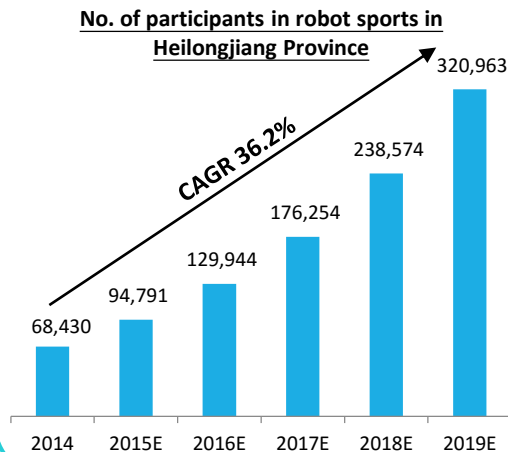


¹Beijing CRC is a wholly owned subsidiary of CCC Group, the Company owns priority to acquire CRC business in relevant provinces from CCC Group

Heilongjiang CRC – Far Ahead of Peers in Heilongjiang Province

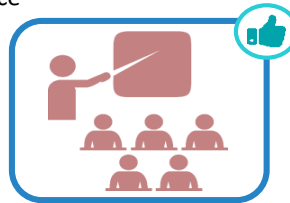
High growth of robot education market

- The number of participants in the robot education market of Heilongjiang Province is expected to reach 320,963 by 2019, representing a CAGR of 36.2% from 2014 to 2019
- The development of robot education market in Heilongjiang Province is ahead of the national average level, and is expected to keep robust growth in the future

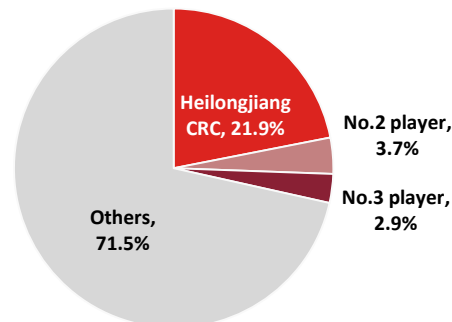


The number of training participants ranked #1

- Based on the number of participants in robot education as of 2014, Heilongjiang CRC was the market leader with 15,000 participants, accounting for 21.9% of the total number of participants in the robot education market of Heilongjiang Province



Competition in robot education in Heilongjiang Province (2014)

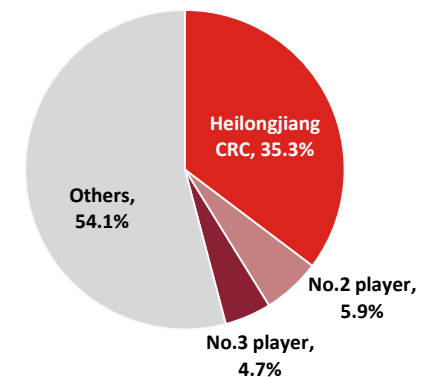


The number of training centers ranked #1

- As of 2014, there were 85 single extracurricular training centres in Heilongjiang Province. Among which, Heilongjiang CRC owned 30 robotics education centres, taking up 35.3% market share



Competition in robotic training centres in Heilongjiang Province (2014)



Source: An independent industry research report on China smart card and robotics education industry prepared by China Insights Consultancy Limited

Thank you

