

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.



中國通信服務
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 552)

ANNOUNCEMENT OF CONNECTED TRANSACTION

The Board announces, on 29 November 2011, Hongbo Information, an indirectly wholly-owned subsidiary of the Company, entered into the Video Business and Asset Acquisition Agreement with the Buyer, pursuant to which, Hongbo Information has agreed to sell, and the Buyer has agreed to acquire, the Target Business and Asset for a total consideration of RMB32 million, subject to adjustment (the “**Disposal**”).

Reference is made to the connected transaction announcements of the Company dated 11 April 2011 and 5 September 2011, in relation to, respectively, (i) the disposal of 100% equity interest in Zhejiang Nantian Post and Communications Technology Company Limited by Zhejiang Communications Services Company Limited to Difo Telecommunications Group Limited, and (ii) the disposal of the assets and business in relation to the payment business of Tianxun Ruida Communications Technology Company Limited to E-Surfing Electronic Commerce Company Limited (collectively, the “**Previous Disposals**”).

Considering each of the Previous Disposals and the Disposal constitutes a disposal of certain interests or assets of the Group, such transactions will be aggregated under rule 14A.25 of the Listing Rules. As the relevant percentage ratios in respect of the Previous Disposals and the Disposal, after aggregation, exceed 0.1% but are less than 5%, the Previous Disposals and the Disposal constitute connected transactions of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

1 INTRODUCTION

On 29 November 2011, Hongbo Information, an indirectly wholly-owned subsidiary of the Company, entered into the Video Business and Asset Acquisition Agreement with the Buyer, pursuant to which, Hongbo Information has agreed to sell, and the Buyer has agreed to acquire, the Target Business and Asset for a total consideration of RMB32 million, subject to adjustment.

2 VIDEO BUSINESS AND ASSET ACQUISITION AGREEMENT

Date: 29 November 2011

Parties: (A) Hongbo Information; and
(B) the Buyer

Subject Matter

Pursuant to the Video Business and Asset Acquisition Agreement, Hongbo Information has agreed to sell, and the Buyer has agreed to acquire, the Target Business and Asset, being the video business operated by Hongbo Information before the First Completion Date, including without limitations, the internet video business (if any), the relevant content and service support business and certain assets and liabilities in relation to such video business, but excluding the copyright transaction business, particulars of which are set out in the Video Business and Asset Acquisition Agreement.

Consideration and Payment

The consideration of RMB32 million payable by the Buyer was determined after arm's length negotiation between Hongbo Information and the Buyer with reference to, and is equivalent to, the appraised total value of the Target Business and Asset as at 30 June 2011 as set out in the asset appraisal report prepared by an independent asset appraiser and will be adjusted according to the profit and loss, as well as the change in net assets value of the Target Business and Asset in the period of 30 June 2011 to 1 December 2011.

Pursuant to the Video Business and Asset Acquisition Agreement, the payment will be made in two steps by the Buyer: 50% of the payment will be made within 5 business days after the Video Business and Asset Acquisition Agreement becomes effective and another 50% will be made within 5 business days after the completion of the Disposal.

Completion of the Disposal

Completion is conditional upon, among others, the corporate approvals and the completion of the filing with the governmental authorities of the asset appraisal report. Hongbo Information and the Buyer agree that, subject to the completion of the Disposal, all rights and obligations in relation to Target Business and Asset shall be undertaken by the Buyer.

3 REASONS FOR AND BENEFITS OF THE DISPOSAL

The video business of Hongbo Information mainly includes the provision of internet video programmes and the relevant content and service support, and China Telecommunications Corporation is the major customer of such video business. As the Buyer has been established by China Telecommunications Corporation as a strategic platform to manage and further develop its own video business, the Company expects the profitability of the video business of Hongbo Information would become limited. As part of the Group's development strategy, by disposing the video business, Hongbo Information could be more focused on its informatisation support businesses and provide better service to its customers in the future.

4 FINANCIAL EFFECT OF THE DISPOSAL

The Company expects to realise a gain of approximately RMB18,802,466 from the Disposal, which is calculated based on the difference between the consideration of the Disposal and the audited net asset value of the Target Business and Asset as at 30 June 2011. The proceeds from the Disposal will be used to supplement the working capital of Hongbo Information.

5 INFORMATION OF THE PARTIES

The Company

The Company is an investment holding company which holds shareholding interest in companies primarily involved in the provision of telecommunications infrastructure services, business process outsourcing services and applications, content and other services to telecommunications and media operators, telecommunication equipment manufacturers, government agencies, corporate and public customers.

Hongbo Information

Hongbo Information is an indirectly wholly-owned subsidiary of the Company, which engages in the business of, among others, video and audio service, information consultation service, internet access and information service, construction of network engineering projects and informatisation support services.

Based on the audited financial statements of Hongbo Information prepared under PRC GAAP, as at 30 June 2011, the net asset value and the total asset value of the Target Business and Asset were RMB13,197,533 and RMB13,534,993, respectively. The total profits before tax and the net profits after tax of the Target Business and Asset for the two years ended 31 December 2009 and 31 December 2010 were as follows:

Unit: RMB

	Year ended 31 December 2009	Year ended 31 December 2010
Total Profits before Tax	-12,094,396	9,049,805
Net Profits after Tax	-12,094,396	9,049,805

The Buyer

The Buyer is an indirect subsidiary of China Telecommunications Corporation, which engages in the business of, among others, provision of internet video service and development of internet-based technology and products.

6 IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the connected transaction announcements of the Company dated 11 April 2011 and 5 September 2011, in relation to, respectively, (i) the disposal of 100% equity interest in Zhejiang Nantian Post and Communications Technology Company Limited by Zhejiang Communications Services Company Limited to Difo Telecommunications Group Limited, and (ii) the disposal of the assets and business in relation to the payment business of Tianxun Ruida Communications Technology Company Limited to E-Surfing Electronic Commerce Company Limited.

China Telecommunications Corporation is the controlling shareholder of the Company, beneficially holding 2,926,752,080 shares in the Company as at the date of this announcement, which represents approximately 50.71% of the entire issued share capital of the Company. As Difo Telecommunications Group Limited, E-Surfing Electronic Commerce Company Limited and the Buyer are indirect subsidiaries of China Telecommunications Corporation, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules by virtue of being associates of the Company's substantial shareholder. Accordingly, any transaction entered into between Difo Telecommunications Group Limited and the Group, E-Surfing Electronic Commerce Company Limited and the Group or the Buyer and the Group would constitute connected transaction of the Company.

Considering each of the Previous Disposals and the Disposal constitutes a disposal of certain interests or assets of the Group, such transactions will be aggregated under rule 14A.25 of the Listing Rules. As the relevant percentage ratios in respect of the Previous Disposals and the Disposal, after aggregation, exceed 0.1% but are less than 5%, the Previous Disposals and the Disposal constitute connected transactions of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Having made due and reasonable enquiries, the Directors (including the independent non-executive Directors) are of the view that the Disposal is on normal commercial terms, the consideration payable and payment arrangement for the Disposal and the other terms of the Video Business and Asset Acquisition Agreement are fair and reasonable and the Disposal is in the interests of the Company and its shareholders taken as a whole. Due to their positions in China Telecommunications Corporation, Mr. Li Ping, Mr. Zheng Qibao and Mr. Yuan Jianxing have abstained from voting on the Board resolution to approve the Disposal.

7 DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors of the Company
“Buyer”	天翼視訊傳媒有限公司 (E-Surfing Video Media Company Limited*), an indirect subsidiary of China Telecommunications Corporation
“China Telecommunications Corporation”	中國電信集團公司 (China Telecommunications Corporation), a state-owned enterprise established under the laws of the PRC on 17 May 2000, and the controlling shareholder of the Company
“Company”	中國通信服務股份有限公司 (China Communications Services Corporation Limited), a joint stock limited company incorporated in the PRC with limited liability on 30 August 2006, whose H shares are listed on The Stock Exchange of Hong Kong Limited
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Target Business and Asset of Hongbo Information to the Buyer pursuant to the Video Business and Asset Acquisition Agreement

“First Completion Date”	the first day when the Target Business and Asset will be transferred to the Buyer in accordance with the Video Business and Asset Acquisition Agreement, which is expected to be on 1 December 2011
“Group”	the Company and its subsidiaries
“Hongbo Information”	鴻波信息有限公司 (Hongbo Information Company Limited*), an indirectly wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Previous Disposals”	the disposal of 100% equity interest in Zhejiang Nantian Post and Communications Technology Company Limited by Zhejiang Communications Services Company Limited to Difo Telecommunications Group Limited, details of which are set out in the announcement of the Company dated 11 April 2011, and the disposal of the asset and business in relation to the payment business of Tianxun Ruida Communications Technology Company Limited to E-Surfing Electronic Commerce Company, details of which are set out in the announcement of the Company dated 5 September 2011
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Target Business and Asset”	the video business operated by Hongbo Information before the First Completion Date, including without limitations, the internet video business (if any), the relevant content and service support business and certain assets and liabilities in relation to such video business, but excluding the copyright transaction business, particulars of which are set out in the Video Business and Asset Acquisition Agreement

“Video Business and Asset Acquisition Agreement” the video business and asset acquisition agreement entered into between Hongbo Information and the Buyer in respect of the Disposal on 29 November 2011

* *For identification purpose only*

By order of the Board
China Communications Services Corporation Limited
Li Ping
Chairman

Beijing, the PRC, 29 November 2011

As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Zheng Qibao (President), Mr. Yuan Jianxing (Executive Vice President) and Ms. Hou Rui (Executive Vice President and Chief Financial Officer), our non-executive directors are Mr. Liu Aili and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin.