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中国通信服务
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 8 December 2011, China Communications Services Corporation Limited (the “Company”) entered into the Equity Transfer Agreement with the Buyer, pursuant to which, the Company has agreed to sell, and the Buyer has agreed to acquire 100% equity interest in the Target Company for a total consideration of RMB39,897,400 (the “Disposal”).

Reference is made to the connected transaction announcements of the Company dated 11 April 2011, 5 September 2011 and 29 November 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, (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, and (iii) the disposal of the video business and the related business, assets and liabilities in Hongbo Information Company Limited to E-Surfing Video Media 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 transaction 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 8 December 2011, the Company entered into the Equity Transfer Agreement with the Buyer, pursuant to which, the Company has agreed to sell, and the Buyer has agreed to acquire 100% equity interest in the Target Company for a total consideration of RMB39,897,400.

2 EQUITY TRANSFER AGREEMENT

Date: 8 December 2011

Parties: (A) the Company; and
(B) the Buyer

Subject Matter

Pursuant to the Equity Transfer Agreement, the Company has agreed to sell, and the Buyer has agreed to acquire 100% equity interest in the Target Company and all the related rights and obligations.

Consideration and Payment

The consideration of RMB39,897,400 payable by the Buyer was determined after arm's length negotiation between the Company and the Buyer and equivalent to the appraised total value of the Target Company as at 30 November 2011 as set out in the asset appraisal report prepared by an independent asset appraiser.

Pursuant to the Equity Transfer Agreement, the payment will be made in two instalments: (1) 51% of the consideration will be paid within five business days after the Effective Date; and (2) the balance will be paid the earlier of (i) within five business days after the transfer of title of the land use right of the Target Company, or (ii) the anniversary of the Effective Date.

Effectiveness

The Equity Transfer Agreement will become effective upon signing by each party's legal representative or duly authorised representative, affixing each party's company chop and obtaining approval from China Telecommunications Corporation regarding the equity transfer. The Company and the Buyer agree that all rights and liabilities in relation to Target Company shall be undertaken by the Buyer from the Effective Date. After the completion of registration at the relevant industry and commerce administrative authorities for the Disposal, the Target Company will no longer be a subsidiary of the Company.

3 REASONS FOR AND BENEFITS OF THE DISPOSAL

Since real property development is not the core business of the Company, pursuant to the applicable laws and policies and the regulatory requirement of the PRC authorities and as part of the Company's development strategy, the Company could be more focused on its principal businesses and provide better service to its customers by disposing the real property business.

4 FINANCIAL EFFECT OF THE DISPOSAL

The Company expects to realize a gain of approximately RMB33,806,062 (before tax) from the Disposal, which is calculated based on the difference between the consideration of the Disposal and the audited net assets value of the Target Company as at 30 November 2011. The proceeds from the Disposal will be used to supplement the working capital of the Company to further develop its principal businesses.

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.

The Buyer

The Buyer is a wholly-owned subsidiary of China Telecommunications Corporation established on 26 December 2000. It mainly engages in the business of, among others, the management of certain state-owned assets and shareholding interest in companies invested by China Telecommunications Corporation Hunan Telecommunications Company, the provision of telecommunications services in respect of engineering, equipment and network and the development and management of real properties.

Target Company

The Target Company is a wholly-owned subsidiary of the Company, which mainly engages in the development and management of real property.

Based on the audited financial statements of the Target Company prepared under PRC GAAP, as at 30 November 2011, the net asset value and the total asset value of the Target Company were approximately RMB6,091,338 and RMB490,302,580, respectively. The total profits before tax and the net profits after tax of the Target Company 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	-2,731,557	-422,029
Net Profits after Tax	-2,731,557	-422,029

6 IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the connected transaction announcements of the Company dated 11 April 2011, 5 September 2011 and 29 November 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, (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, and (iii) the disposal of the video business and the related business, assets and liabilities in Hongbo Information Company Limited to E-Surfing Video Media 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, E-Surfing Video Media Company Limited and the Buyer are 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, E-Surfing Video Media 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 Equity Transfer 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”	湖南省電信實業集團有限公司 (Hunan Telecommunications Industrial (Group) Company Limited*), a wholly-owned 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 100% equity interest in the Target Company to the Buyer pursuant to the Equity Transfer Agreement

“Effective Date”	the date when the Equity Transfer Agreement becomes effective in accordance with the terms thereof
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and the Buyer on 8 December 2011 in relation to the Disposal
“Group”	the Company and its subsidiaries
“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”	(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, details of which are set out in the announcement of the Company dated 11 April 2011; (ii) 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 Limited, details of which are set out in the announcement of the Company dated 5 September 2011; and (iii) the disposal of the video business and the related business, assets and liabilities in Hongbo Information Company Limited to E-Surfing Video Media Company Limited, details of which are set out in the announcement of the Company dated 29 November 2011
“RMB”	Renminbi, the lawful currency of the PRC

“subsidiary(ies)”

has the meaning ascribed to it in the Listing Rules

“Target Company”

湖南省新南天置業有限公司 (Hunan New Nantian Real Property Company Limited*), a wholly-owned subsidiary of the Company

* *For identification purpose only*

By order of the Board

China Communications Services Corporation Limited

Li Ping

Chairman

Beijing, the PRC, 8 December 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.