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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**

**REVISION OF ANNUAL CAPS  
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
PROPOSED NEW ANNUAL CAPS  
AND  
PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

**1. CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Prospectus, the 2007 Announcement and Circular, the 2008 Announcement and Circular, the 2009 Announcement and Circular, the 2010 Announcement and Circular, and the 2011 Announcement and Circular, in which the Company sets out detailed information in relation to certain continuing connected transactions between the Group and China Telecom and/or its associates that are governed by the Agreements, including the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement, the Centralized Services Agreement, the Property Leasing Framework Agreement and the Supplies Procurement Services Framework Agreement (each as amended and/or renewed by the relevant supplemental agreements). Each of the Agreements has a current term due to expire on 31 December 2012.

The Board announced that the Company entered into the 2012 Supplemental Agreement with China Telecom on 20 September 2012 to extend the terms of the Agreements to 31 December 2015.

The annual values of the Continuing Connected Transactions under the Agreements are subject to annual caps. The Existing Annual Caps for the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement and the IT Application Services Framework Agreement as well as the Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the two years ending 31 December 2012 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2010.

The Existing Annual Caps (as revised) for the service charges payable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the two years ending 31 December 2012 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2011.

The Directors have been closely monitoring the Continuing Connected Transactions. Based on internal estimates and historical transaction amounts, the Directors proposed the Revised Annual Caps and the New Annual Caps, details of which are set out in this announcement.

### **Listing Rules Implications**

As at the date of this announcement, China Telecom holds approximately 51.39% of the issued share capital of the Company. Accordingly, China Telecom is a substantial shareholder of the Company, and thus a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. As a result, the proposed Revised Annual Caps and the proposed renewal of the Agreements (together with the proposed New Annual Caps) constitute continuing connected transactions of the Company.

Each of the highest applicable percentage ratios of the proposed Revised Annual Caps and the proposed New Annual Caps for the Non-Exempt Continuing Connected Transactions, on an annual basis, exceeds 5%. Accordingly, the proposed Revised Annual Caps and the renewal of the Agreements (other than the Centralized Services Agreement and the Property Leasing Framework Agreement) by way of the 2012 Supplemental Agreement (together with the proposed New Annual Caps for the Non-Exempt Continuing Connected Transactions) are subject to the reporting, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

Each of the highest applicable percentage ratios of the proposed New Annual Caps for the Centralized Services Agreement and the Property Leasing Framework Agreement is more than 0.1% but less than 5%. Accordingly, the renewal of the Centralized Services Agreement and the Property Leasing Framework Agreement by way of the 2012 Supplemental Agreement and the proposed New Annual Caps are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement as prescribed under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all of the independent non-executive Directors of the Company has been formed to advise the Independent Shareholders on the the proposed Revised Annual Caps and renewal of the Non-Exempt Continuing Connected Transactions (together with the proposed New Annual Caps) and GF Capital (Hong Kong) Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

## **2. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

The Board is pleased to announce that, on 20 September 2012, the Board approved the nomination of Mr. Li Zhengmao as a non-executive Director, the proposal of which was submitted by China Mobile Communications Corporation, a Shareholder holding 8.78% of the total issued share capital of the Company as at the date of this announcement. The Board proposed that the appointment of Mr. Li as a non-executive Director be considered and approved by the Shareholders at the EGM and that any Director be authorised, on behalf of the Company, to enter into a service agreement with Mr. Li.

## **3. GENERAL**

A circular containing, among other things, (i) a letter from the Board setting out details of the Continuing Connected Transactions and the proposed appointment of the non-executive Director, (ii) a letter from the Independent Board Committee, (iii) a letter of advice from the independent financial adviser, and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

## 1. CONTINUING CONNECTED TRANSACTIONS

### (1) Background

Reference is made to the Prospectus, the 2007 Announcement and Circular, the 2008 Announcement and Circular, the 2009 Announcement and Circular, the 2010 Announcement and Circular, and the 2011 Announcement and Circular in relation to certain continuing connected transactions between the Group and China Telecom and/or its associates which are governed by the following seven continuing connected transactions agreements:

- (a) the Engineering Framework Agreement;
- (b) the Ancillary Telecommunications Services Framework Agreement;
- (c) the Operation Support Services Framework Agreement;
- (d) the IT Application Services Framework Agreement;
- (e) the Centralized Services Agreement;
- (f) the Property Leasing Framework Agreement; and
- (g) the Supplies Procurement Services Framework Agreement.

All the Agreements above (other than the Supplies Procurement Services Framework Agreement) were entered into between the Company and China Telecom on 16 November 2006, and were then amended and/or renewed by way of the 2007 Supplemental Agreement, the 2008 Supplemental Agreement and the 2010 Supplemental Agreement, pursuant to which the Agreements (other than the Supplies Procurement Services Framework Agreement) will expire on 31 December 2012. The Existing Annual Caps for the Agreements (other than the Supplies Procurement Services Framework Agreement, as well as the Property Leasing Framework Agreement and the Centralized Services Agreement which are not subject to Independent Shareholders' approval under the Listing Rules) in respect of the two years ending 31 December 2012 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2010.

The Supplies Procurement Services Framework Agreement was entered into between the Company and China Telecom on 29 October 2009, and was then amended by way of the 2010 Supplemental Agreement, pursuant to which the Supplies Procurement Services Framework Agreement will expire on 31 December 2012. The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the two years ending 31 December 2012 were approved by the Independent Shareholders at the extraordinary

general meeting of the Company held on 30 December 2010. The Existing Annual Caps (as revised) for the service charges payable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the two years ending 31 December 2012 were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 30 December 2011.

In 2012, due to the rapid business development of both our Group and China Telecom Group as well as the increasing demand of our services required from China Telecom Group along with the development of mobile Internet and proliferation of mobile terminals including smart phones, the aggregate service charges receivable and payable by the Company under the Operation Support Services Framework Agreement and the aggregate service charges receivable by the Company under the Supplies Procurement Services Framework Agreement for the year 2012 are projected to be higher than the applicable Existing Annual Caps. The Directors proposed to increase the relevant annual caps for the Operation Support Services Framework Agreement and the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ending 31 December 2012.

As each of the Agreements has a current term due to expire on 31 December 2012, the Company entered into the 2012 Supplemental Agreement with China Telecom on 20 September 2012 to extend the terms of the Agreements to 31 December 2015 and change of contact information of either party for serving notice. Other terms of each of the Agreements remain unchanged. Based on internal estimates and historical transaction amounts, the Directors also proposed the New Annual Caps, details of which are set out below.

## **(2) Continuing Connected Transactions under the Agreements**

Details of the continuing connected transactions under the Agreements are set out below.

### **(a) *Engineering Framework Agreement***

Pursuant to the Engineering Framework Agreement, the Company agreed to provide certain engineering related services, such as design, construction, project supervision and management for telecommunications infrastructure projects undertaken by China Telecom Group. The scope of the Engineering Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The current term of the Engineering Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier

by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the Engineering Framework Agreement to 31 December 2015.

The charges payable for engineering related services rendered under the Engineering Framework Agreement shall be determined by reference to market rates or as reflected by prices obtained through the tender process. According to the relevant regulations and under the internal policy of China Telecom Group, whenever the value of any design and/or project supervision and management contracts exceeds RMB0.5 million, or the value of any construction contracts exceeds RMB2 million, the award of the relevant contract must be subject to a tender process (with a minimum of three parties tendering bids). The Company will be given priority by China Telecom Group in the provision of the engineering related services except in the tender process, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favourable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom Group that the Company shall not provide services to it on terms which are less favourable than those offered by the Company to independent third parties. The payment for engineering related services provided by the Company under the Engineering Framework Agreement is normally made in accordance with the progress of practical work following the general market practice in the industry.

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Engineering Framework Agreement for the two years of 2011 and 2012 are RMB13,125 million and RMB14,000 million, respectively. The actual amount for the service charges received by the Company from China Telecom Group under the Engineering Framework Agreement for the year ended 31 December 2011 was RMB10,968 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the Engineering Framework Agreement for the six months ended 30 June 2012 was RMB5,867 million.

The Directors proposed the New Annual Caps for the Engineering Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB17,000 million, RMB17,000 million and RMB17,000 million, respectively. The Directors expect that China Telecom Group will continue to construct and upgrade its fibre optic broadband network and optimize its mobile network. Therefore, in determining the New Annual Caps, the Directors have considered the continuous development of the PRC telecommunication industry and the possible increase in the demand of telecommunications engineering services,

including design, construction and supervision, required by China Telecom Group. The Directors also take into account the historical transaction amounts and the operation and growth conditions of our businesses in this area.

As the highest applicable percentage ratio of the proposed New Annual Caps for the continuing connected transactions under the Engineering Framework Agreement, calculated on an annual basis, exceeds 5%, the renewal of the Engineering Framework Agreement together with the proposed New Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) *Ancillary Telecommunications Services Framework Agreement*

Pursuant to the Ancillary Telecommunications Services Framework Agreement, the Company agreed to provide to China Telecom Group certain ancillary telecommunications services such as maintenance of network facilities including equipment, ducts and cables, equipment rooms and base stations; distribution of telecommunications products and services; provision of application, content and other services such as fixed-line value added services, wireless value added services, Internet value added services, and development of online gaming, certificate authentication and value added business platform of Internet cafes (the "Ancillary Telecommunications Services").

The Ancillary Telecommunications Services Framework Agreement was amended by the 2007 Supplemental Agreement to include the provision of comprehensive logistics services to China Telecom Group, which include purchase agency, warehousing, transportation, delivery, testing and inspection, logistics information management and distribution. The scope of the Ancillary Telecommunications Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The current term of the Ancillary Telecommunications Services Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the Ancillary Telecommunications Services Framework Agreement to 31 December 2015.

The Ancillary Telecommunications Services Framework Agreement stipulates that the Ancillary Telecommunications Services shall be provided at:

- (I) government-prescribed price;
- (II) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance price applies;
- (III) where there is neither a government-prescribed price nor a government-guidance price, the market price applies. The market price is defined as the price at which the same type of services are provided by independent third parties in the ordinary course of business; or
- (IV) where none of the above is applicable, the price is to be agreed between the relevant parties for the provision of the above services, which shall be the reasonable costs incurred in providing the same plus a reasonable profit (for this purpose, “reasonable costs” means the costs confirmed by both parties after negotiations, and “reasonable profit” means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labour cost, local commodity prices and economic development levels).

The Company will be given priority by China Telecom Group in the provision of the Ancillary Telecommunications Services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favourable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom Group that the Company and its subsidiaries shall not provide Ancillary Telecommunications Services to it on terms which are less favourable than those offered by the Company to independent third parties. Subject to the terms and conditions set out above, the payment for the Ancillary Telecommunications Services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the two years of 2011 and 2012 are RMB7,035 million and RMB7,550 million, respectively. The actual amount for the service charges received by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the year ended 31 December 2011 was RMB5,390 million. Based on the Company’s unaudited 2012 interim financial report, the actual amount for the service charges received by the



Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the six months ended 30 June 2012 were RMB2,807 million.

The Directors proposed the New Annual Caps for the Ancillary Telecommunications Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB9,000 million, RMB10,000 million and RMB11,000 million, respectively. In determining the New Annual Caps, the Directors have considered the historical transaction amounts, the operation and growth conditions of our businesses in this area, and the expected increase of demand of the Ancillary Telecommunications Services required by China Telecom Group mainly attributable to its expansion of fibre optic broadband and mobile network, customer base and mobile phone business.

As the highest applicable percentage ratio of the proposed New Annual Caps for the continuing connected transactions under the Ancillary Telecommunications Services Framework Agreement, calculated on an annual basis, exceeds 5%, the renewal of the Ancillary Telecommunications Services Framework Agreement together with the proposed New Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(c) *Operation Support Services Framework Agreement*

The Operation Support Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of operation support services. Pursuant to this agreement, the Company agreed to provide to China Telecom Group operation support services, including but not limited to facilities management and renovation, network facilities management in relation to buildings used for telecommunications purposes, human resources management, equipment maintenance, advertisement, conferencing services, vehicles, and certain repair and leasing of equipment. China Telecom Group also agreed to provide operation support services such as logistics services, warehousing, medical care, food and beverages, education, hotel and travelling services, labour services and so on to the Company. The scope of the Operation Support Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The current term of the Operation Support Services Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The

Company has entered into the 2012 Supplemental Agreement to extend the current term of the Operation Support Services Framework Agreement to 31 December 2015.

Each of the parties to the Operation Support Services Framework Agreement will accord priority to the other party in the provision of the operation support services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favourable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favourable than those offered to independent third parties.

The operation support services under the Operation Support Services Framework Agreement are provided in accordance with the same pricing policy as that of the Ancillary Telecommunications Services Framework Agreement. Subject to the terms and conditions set out above, the payment for the operation support services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the two years of 2011 and 2012 are RMB1,910 million and RMB1,910 million, respectively. The actual amount for the service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the year ended 31 December 2011 was RMB1,903 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the six months ended 30 June 2012 was RMB922 million.

The Existing Annual Caps for the service charges payable by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the two years of 2011 and 2012 are RMB470 million and RMB470 million respectively. The actual amount for the service charges paid by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the year ended 31 December 2011 was RMB464 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the six months ended 30 June 2012 was RMB236 million.

Due to the rapid business development of both our Group and China Telecom Group, the aggregate service charges receivable by the Company from China Telecom Group as well as the aggregate service charges payable by the Company to

China Telecom Group under Operation Support Services Framework Agreement for the year ending 31 December 2012 are projected to be higher than the Existing Annual Caps. The Directors proposed to increase the annual caps for the service charges receivable by the Company from China Telecom Group and the service charges payable by the Company to China Telecom Group under Operation Support Services Framework Agreement for the year ending 31 December 2012 from RMB1,910 million to RMB2,300 million and from RMB470 million to RMB600 million, respectively. In determining the Revised Annual Caps, the Directors have considered the actual transaction amounts under the Operation Support Services Framework Agreement in the first half of 2012, the operation and growth conditions of our businesses in this area, and the estimated increase of mutual demand of the operation support services in the second half of 2012.

The Directors proposed the New Annual Caps for the service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB2,800 million, RMB2,900 million and RMB3,000 million, respectively. The Directors proposed the New Annual Caps for the service charges payable by the Company to China Telecom Group under the Operation Support Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB650 million, RMB650 million and RMB650 million, respectively. In determining the New Annual Caps, the Directors have considered the historical transaction amounts, the operation and growth conditions of our businesses in this area, and the estimated mutual demand of the operation support services.

As each of the highest applicable percentage ratios of the proposed Revised Annual Caps and the proposed New Annual Caps for the continuing connected transactions under the Operation Support Services Framework Agreement, calculated on an annual basis, exceeds 5%, the proposed Revised Annual Caps and the renewal of the Operation Support Services Framework Agreement (together with the proposed New Annual Caps) are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(d) *IT Application Services Framework Agreement*

The IT Application Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of IT application services. Pursuant to the agreement, the Company agreed to provide China Telecom Group with telecommunications network support services, software and hardware development and other related IT services. China Telecom Group also agreed to provide to the Company certain IT application services including voice and data, value added services and information application services. The scope of

the IT Application Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The current term of the IT Application Services Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the IT Application Services Framework Agreement to 31 December 2015.

The charges payable for such IT application services under the IT Application Services Framework Agreement shall be determined by reference to market rates, for example, rates as reflected by prices obtained through the tender process (with a minimum of three parties tendering bids). The party receiving the relevant services will accord priority to the party providing such services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favourable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favourable than those offered to independent third parties. Subject to the terms and conditions set out above, the payment for the IT applications services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the IT Application Services Framework Agreement for the two years of 2011 and 2012 are RMB1,750 million and RMB1,900 million, respectively. The actual amount for the service charges received by the Company from China Telecom Group under the IT Application Services Framework Agreement for the year ended 31 December 2011 was RMB1,355 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the IT Application Services Framework Agreement for the six months ended 30 June 2012 was RMB478 million.

The Existing Annual Caps for the service charges payable by the Company to China Telecom Group under the IT Application Services Framework Agreement for the two years of 2011 and 2012 are RMB430 million and RMB430 million, respectively. The actual amount for the service charges paid by the Company to China Telecom Group under the IT Application Services Framework Agreement for the year ended 31 December 2011 was RMB165 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the IT Application Services Framework Agreement for the six months ended 30 June 2012 was RMB77 million.

The Directors proposed the New Annual Caps for the service charges receivable by the Company from China Telecom Group under the IT Application Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB2,000 million, RMB2,100 million and RMB2,300 million, respectively. The Directors proposed the New Annual Caps for the service charges payable by the Company to China Telecom Group under the IT Application Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB430 million, RMB460 million and RMB490 million, respectively. The Directors expect that along with the continuous development of mobile Internet, China Telecom Group will continue to accelerate its strategic transformation and promote its information service business, therefore, there will be an increase in its IT application services demand. In determining the New Annual Caps, the Directors also have considered the historical transaction amounts, the operation and growth conditions of our businesses in this area, and our estimated demand of the IT application services.

As the highest applicable percentage ratio of the proposed New Annual Caps for the continuing connected transactions under the IT Application Services Framework Agreement, calculated on an annual basis, exceeds 5%, the renewal of the IT Application Services Framework Agreement together with the proposed New Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) *Centralized Services Agreement*

The centralized services to be provided by the Company to China Telecom include:

- (I) the corporate headquarters management function to manage assets of China Telecom's certain retained specialized telecommunications support businesses in the PRC other than the Group and any remaining assets, such as hotels, manufacturing plants, schools and hospitals which are not in association with the specialized telecommunications support businesses in the primary service areas of the Group; and
- (II) the provincial headquarters management function to manage remaining assets of China Telecom in the primary service areas of the Group.

The scope of the Centralized Services Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time. Except as otherwise agreed by the parties, the aggregate administrative expenses incurred by the Company for the provision of the centralized services referred to above (all expenses incurred in connection with the above-mentioned headquarters management functions excluding remuneration for the Directors, share appreciation

rights and provision of bad debts) will be apportioned pro rata between the Company and China Telecom Group according to the proportional net asset value of each of the relevant parties. Settlement of such reimbursement between the Company and China Telecom Group has been made every three months unless the parties agree otherwise.

The current term of the Centralized Services Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the Centralized Services Agreement to 31 December 2015.

The Existing Annual Caps for the management fee income (in the form of reimbursed apportioned cost received) of the Group for the centralized services provided to China Telecom Group under the Centralized Services Agreement for the two years of 2011 and 2012 are RMB350 million and RMB350 million, respectively. The actual amount of the management fee income received by the Company from China Telecom Group under the Centralized Services Agreement for the year ended 31 December 2011 was RMB309 million. Based on the Company's unaudited 2012 interim financial report, the actual amount of the management fee income received by the Company from China Telecom Group under the Centralized Services Agreement for the six months ended 30 June 2012 was RMB115 million.

The Directors proposed the New Annual Caps for the management fee income receivable by the Company from China Telecom Group under the Centralized Services Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB400 million, RMB410 million and RMB420 million, respectively. In determining the New Annual Caps, the Directors have considered the historical transaction amounts and the estimated demand of the centralized services required by China Telecom Group.

As the highest applicable percentage ratio of the proposed New Annual Caps for the continuing connected transactions under the Centralized Services Agreement, calculated on an annual basis, is expected to be more than 0.1% but less than 5%, the renewal of the Centralized Services Agreement together with the proposed New Annual Caps are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

(f) *Property Leasing Framework Agreement*

The Property Leasing Framework Agreement governs the arrangements with respect to the mutual leasing of properties between the Group and China Telecom Group. China Telecom Group currently lease from the Company and its subsidiaries certain properties for use as business premises, offices, equipment storage facilities and sites for network equipment. The Company and its subsidiaries also lease from China Telecom Group certain properties for use as business premises, offices and equipment storage facilities. These arrangements fall within the Property Leasing Framework Agreement. The scope of the Property Leasing Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The rental charges in respect of each property are based on market rates. Rental charges are payable monthly in arrears, except as otherwise agreed by the parties, and subject to review every three years by both parties confirming after negotiations whether to adjust the rental charges and the amount of such adjustment.

The current term of the Property Leasing Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the Property Leasing Framework Agreement to 31 December 2015.

The Existing Annual Caps for the rents receivable by the Company from China Telecom Group under the Property Leasing Framework Agreement for the two years of 2011 and 2012 are RMB166 million and RMB166 million, respectively. The actual amount for the rents received by the Company from China Telecom Group under the Property Leasing Framework Agreement for the year ended 31 December 2011 was RMB59 million. Based on the Company's unaudited 2012 interim financial report, the actual amounts for the rents received by the Company from China Telecom Group under the Property Leasing Framework Agreement for the six months ended 30 June 2012 were RMB24 million.

The Existing Annual Caps for the rents payable by the Company to China Telecom Group under the Property Leasing Framework Agreement for the two years of 2011 and 2012 are RMB150 million and RMB150 million, respectively. The actual amount for the rents paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the year ended 31 December 2011 was RMB140 million. Based on the Company's unaudited 2012 interim financial report,

the actual amounts for the rents paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the six months ended 30 June 2012 was RMB53 million.

The Directors proposed the New Annual Caps for the rents receivable by the Company from China Telecom Group under the Property Leasing Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB166 million, RMB166 million and RMB166 million, respectively. The Directors proposed the New Annual Caps for the rents payable by the Company to China Telecom Group under the Property Leasing Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB160 million, RMB170 million and RMB180 million, respectively. In determining the New Annual Caps, the Directors have considered the historical transaction amounts and the estimated mutual demand of the leased properties due to the expansion of business by the Company and China Telecom Group.

As the highest applicable percentage ratio of the proposed New Annual Caps for the continuing connected transactions under the Property Leasing Framework Agreement, calculated on an annual basis, is expected to be more than 0.1% but less than 5%, the renewal of the Property Leasing Framework Agreement together with the proposed New Annual Caps are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

(g) *Supplies Procurement Services Framework Agreement*

Pursuant to the Supplies Procurement Services Framework Agreement, the Company agreed to provide to China Telecom Group with comprehensive supplies procurement services, including, among others, (i) procurement of imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies; (ii) agency services of supplies procurement; (iii) sales of telecommunications supplies manufactured by the Group; (iv) resale of supplies purchased from independent third parties; and (v) management of biddings, verification of technical specifications, warehousing, transportation and installation services.

According to the same agreement, China Telecom agreed to provide to the Group with comprehensive supplies procurement services, including, among others, (i) sales of telecommunications supplies manufactured by China Telecom Group, (ii) resale of supplies purchased from independent third parties; (iii) agency services of supplies procurement; and (iv) warehousing, transportation and installation services. The scope of the Supplies Procurement Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time and



splits off the provision of comprehensive logistics services from the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement.

The pricing basis for the provision of comprehensive logistics services relating to facilities procurement under the Supplies Procurement Services Framework Agreement is as follows:

- (I) procurement services in respect of imported telecommunications supplies are provided at 1% of the contract value at the maximum;
- (II) procurement services in respect of domestic telecommunications supplies and other domestic non-telecommunications materials are provided at 3% of the contract value at the maximum;
- (III) other procurement services are provided at:
  - (i) the government-prescribed prices;
  - (ii) where there are no government-prescribed prices but where there are government-guidance prices, the government-guidance prices apply;
  - (iii) where there are neither government-prescribed prices nor government-guidance prices, the market prices apply. The market price is defined as the price determined by business operators which is formulated through market competition. The market price is determined at the sequence of (i) the price at which the same types of services are provided by independent third parties in the ordinary course of business in the same areas or regions in close proximity thereto; or (ii) the price at which the same types of services are provided by independent third parties in the ordinary course of business within China; or
  - (iv) where none of the above is applicable, the prices are to be negotiated and agreed between the relevant parties for the provision of the above services on the basis of fairness, which shall be the reasonable costs incurred in providing the same plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The pricing basis and other applicable terms for each type of services under the Supplies Procurement Services Framework Agreement will be reviewed and amended, if necessary, by way of a supplemental agreement by the parties on 31 December each year.

The Group will be given priority by China Telecom Group in the provision of comprehensive logistics services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favourable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom that the Company and its subsidiaries shall not provide supplies procurement related comprehensive logistic services to it on terms which are less favourable than those offered by the Company and its subsidiaries to independent third parties.

Subject to the terms and conditions set out above, the payment for the procurement of related comprehensive logistic services is made at the time when relevant services are provided in the manner set forth in each specific contract entered into between the parties. Settlement of payment shall be made at least once every 60 days.

The current term of the Supplies Procurement Services Framework Agreement will expire on 31 December 2012, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless it is terminated earlier by either party with three months' prior written notice. The Company has entered into the 2012 Supplemental Agreement to extend the current term of the Supplies Procurement Services Framework Agreement to 31 December 2015.

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the two years of 2011 and 2012 are RMB3,500 million and RMB4,000 million, respectively. The actual amount for the service charges received by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ended 31 December 2011 was RMB3,281 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the services charge received by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the six months ended 30 June 2012 was RMB2,156 million.

In 2012, the development of mobile Internet promoted the proliferation of mobile terminals including smart phones. To promote the sales of mobile terminals of China Telecom across the whole country, China Telecom Group increased the procurement of telecommunications supplies especially the mobile terminals from the Group. As such, the aggregate service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ending 31 December 2012 are projected to be higher than the applicable Existing Annual Caps. The Directors proposed to increase the annual cap for the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ending

31 December 2012 from RMB4,000 million to RMB4,400 million. In determining the Revised Annual Caps, the Directors have considered the actual transaction amounts received by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in the first half of 2012, the operation and growth conditions of businesses of China Telecom Group in this area, and the estimated increase of demand of our telecommunications supplies in the second half of 2012.

The Existing Annual Caps (as revised) for the service charges payable by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the two years of 2011 and 2012 are RMB2,100 million and RMB2,600 million, respectively. The actual amount for the service charges paid by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ended 31 December 2011 was RMB1,639 million. Based on the Company's unaudited 2012 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the six months ended 30 June 2012 was RMB1,206 million.

The Directors proposed the New Annual Caps for the services charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of three years ending 31 December 2013, 2014 and 2015 to be RMB4,600 million, RMB5,100 million and RMB5,600 million, respectively. The Directors proposed the New Annual Caps for the service charges payable by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the three years ending 31 December 2013, 2014 and 2015 to be RMB3,100 million, RMB3,600 million and RMB4,100 million, respectively. The Directors expect that along with the development of mobile Internet and proliferation of mobile terminals including smart phones, the demand of supplies procurement services required by China Telecom Group will increase as a result of its expansion of network size and customer base. In determining the New Annual Caps, the Directors also have considered the historical transaction amounts and our estimated demand of supplies procurement services provided by China Telecom Group.

As each of the highest applicable percentage ratio of the proposed Revised Annual Caps and the proposed New Annual Caps for the continuing connected transactions under the Supplies Procurement Services Framework Agreement, calculated on an annual basis, exceeds 5%, the proposed Revised Annual Caps and the renewal of the Supplies Procurement Services Framework Agreement together with the proposed New Annual Caps are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **(3) Reasons and Benefits for Continuing Connected Transactions Between the Company and China Telecom**

China Telecom Group is one of the largest telecommunications operators in the PRC. The Group is the leading specialized telecommunications support services provider in the PRC and has been providing such services to China Telecom Group on a long-term basis which are currently governed by the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement and the Supplies Procurement Services Framework Agreement.

In addition, as part of the pre-IPO reorganisation process of the Group, China Telecom Group and the Group leased from each other certain properties essential to their operation under the Property Leasing Framework Agreement, and the Group has also been providing to China Telecom certain centralized management services and operation support services in respect of the businesses and assets retained by China Telecom as governed by the Centralized Services Agreement and the Operation Support Services Framework Agreement respectively.

It is expected that China Telecom Group will continue to expand its business operation, construct and optimize its telecommunications network as well as broaden its customer base. The Board considers that it is in the interest of the Company to cooperate with China Telecom Group and ensure a stable revenue source from one of the largest telecommunications operators in the PRC so as to benefit the Company's future growth and development. All the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **(4) Information about the Company and China Telecom**

The Company is principally engaged in the provision of specialized telecommunications support services to telecommunications operators in the PRC, offering telecommunications infrastructure services (including design, construction and project supervision and management), business process outsourcing services and applications, content and other services.

China Telecom is a state-owned enterprise engaged in the investment holding of companies primarily involved in the provision of telecommunications services, the provision of specialized telecommunications support services and other business.

As at the date of this announcement, China Telecom holds approximately 51.39% of the issued share capital of the Company.

## (5) Listing Rules Implications

As at the date of this announcement, China Telecom is a controlling shareholder of the Company, and thus a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the renewal of the Agreements between the Group and China Telecom Group by way of the 2012 Supplemental Agreement (together with the proposed New Annual Caps for the three years ending 31 December 2015) constitute continuing connected transactions of the Company.

The table below sets out the historical figures, the Existing Annual Caps, the proposed Revised Annual Caps and the proposed New Annual Caps relating to the Agreements.

*Unit: RMB million*

Transactions	Year ended 31 December		Year ending 31 December					
	2011		2012		2013	2014	2015	
	Existing Annual Cap	Actual amounts*	Existing Annual Cap	Actual amounts up to 30 June 2012*	Revised Annual Caps	New Annual Cap	New Annual Cap	New Annual Cap
Engineering related services provided to China Telecom Group	13,125	10,968	14,000	5,867	N/A	17,000	17,000	17,000
Ancillary telecommunications services provided to China Telecom Group	7,035	5,390	7,550	2,807	N/A	9,000	10,000	11,000
Operation support services provided to/by China Telecom Group								
Revenue	1,910	1,903	1,910	922	2,300	2,800	2,900	3,000
Expenditure	470	464	470	236	600	650	650	650
IT application services provided to/by China Telecom Group								
Revenue	1,750	1,355	1,900	478	N/A	2,000	2,100	2,300
Expenditure	430	165	430	77	N/A	430	460	490
Centralized services provided to China Telecom Group	350	309	350	115	N/A	400	410	420
Property leasing provided to/by China Telecom Group								
Revenue	166	59	166	24	N/A	166	166	166
Expenditure	150	140	150	53	N/A	160	170	180
Supplies procurement services provided to/by China Telecom Group								
Revenue	3,500	3,281	4,000	2,156	4,400	4,600	5,100	5,600
Expenditure	2,100	1,639	2,600	1,206	N/A	3,100	3,600	4,100

*Note:* The actual amounts for the year ended 31 December 2011 are from 2011 annual report and the actual amounts for the six months ended 30 June 2012 are from the unaudited 2012 interim financial report. The Company entered into several acquisitions on 20 June 2012, details of which are set out in the announcement of the Company dated 20 June 2012 and the 2012 interim report of the Company despatched on 14 September 2012.

As far as the Company is aware, none of the Existing Annual Caps has been exceeded as at the date of this announcement. The Board is of the view that the proposed Revised Annual Caps and the proposed New Annual Caps above are set so as to not hinder the ability of the Group to conduct its business in the ordinary and usual course and allow the Group to benefit from future growth.

As each of the highest applicable percentage ratios of the proposed Revised Annual Caps and the proposed New Annual Caps for each of the Non-Exempt Continuing Connected Transactions, on an annual basis, exceeds 5%, the renewal of the Agreements (other than the Centralized Services Agreement and the Property Leasing Framework Agreement) by way of the 2012 Supplemental Agreement (together with the proposed New Annual Caps for the Non-Exempt Continuing Connected Transactions) are subject to the reporting, announcement and independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

The Directors (excluding the members of the Independent Board Committee, the opinions of which is included in the circular to be dispatched to the Shareholders as soon as practicable after publication of this announcement) are of the opinion that the Non-Exempt Continuing Connected Transactions have been entered into, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the interests of the Shareholders are concerned, and that the proposed Revised Annual Caps and the proposed New Annual Caps for the Non-Exempt Continuing Connected Transactions are fair and reasonable.

As the highest applicable percentage ratios of the proposed New Annual Caps for each of the Centralized Services Agreement and the Property Leasing Framework Agreement, on an annual basis, is more than 0.1% but less than 5%, the renewal of the Centralized Services Agreement and the Property Leasing Framework Agreement by way of the 2012 Supplemental Agreement and the proposed New Annual Caps thereof are subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements as prescribed under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the opinion that the Centralized Services Agreement and the Property Leasing Framework Agreement have been entered into, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the interests of the Shareholders are concerned. The Directors (including the independent non-executive Directors) consider that the proposed New Annual Caps for the Centralized Services Agreement and the Property Leasing Framework Agreement are fair and reasonable.

The Board has approved the proposed Revised Annual Caps and the renewal of the Continuing Connected Transactions (together with the proposed New Annual Caps). Due to their positions in China Telecom, Mr. Li Ping, Mr. Zheng Qibao and Mr. Yuan Jianxing, have abstained from voting on the resolutions relating to the above subject matters.

China Telecom and its associates, being connected persons to the Company, will abstain from voting at the EGM on the ordinary resolutions to approve the proposed Revised Annual Caps and the terms of the 2012 Supplemental Agreement (together with the proposed New Annual Caps for the Non-Exempt Continuing Connected Transactions). Any vote of the Independent Shareholders at the EGM shall be taken by poll. The Company confirms that none of the independent non-executive Directors has any interests in the proposed Revised Annual Caps, the 2012 Supplemental Agreement and the proposed New Annual Caps.

The Company undertakes to comply with the rules in relation to annual review of continuing connected transactions set out in the Listing Rules. The Company specifically undertakes to comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules upon any further material variation or renewal of the above relevant agreements.

#### **(6) Further Information**

An Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the proposed Revised Annual Caps and the renewal of the Non-Exempt Continuing Connected Transactions (together with the relevant proposed New Annual Caps). GF Capital (Hong Kong) Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

## **2. PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**

Reference is made to the announcement of the Company dated 11 September 2012 in relation to Mr. Liu Aili's resignation as a non-executive Director. The Board is pleased to announce that, on 20 September 2012, the Board approved the nomination of Mr. Li Zhengmao as a non-executive Director, the proposal of which was submitted by China Mobile Communications Corporation, a Shareholder holding 8.78% of the total issued share capital of the Company as at the date of this announcement. The Board proposed that the appointment of Mr. Li as a non-executive Director be considered and approved by the Shareholders at the EGM and that any Director be authorised, on behalf of the Company, to enter into a service agreement with Mr. Li.

Mr. Li Zhengmao, aged 50, is the Vice President of China Mobile Communications Corporation, and the Director and Deputy General Manager of China Mobile Communication Company Limited. Mr. Li received a doctor's degree in communications and electronic system of radio engineering from the Southeast University. Mr. Li previously served as a lecturer of radio engineering, the Deputy Director of the Mobile Communications Research Institute and the Deputy Director of the Science and Technology Institute for the University of Electronic Science and Technology of China. Mr. Li has held various positions in the China United Telecommunications Corporation, including the Deputy Head of the Network Technology Department, the Head of the Wireless Communication Department, the Head of the Technology Department and the Deputy Chief Engineer. He was also the Executive Director and Vice President of China Unicom Limited, the General Manager of the Yunnan branch of China United Telecommunications Corporation, and the Director and Deputy General Manager of China United Telecommunications Corporation. Mr. Li has extensive experience in engineering technology and business operations.

Saved as disclosed herein, Mr. Li did not hold any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Saved as disclosed herein, Mr. Li does not have any relationship with any other directors, senior management or substantial or controlling shareholder of the Company. Mr. Li does not have any equity interest in the Company within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Li's appointment will be subject to Shareholders' approval at the EGM, and his term of office will be effective from the date when the resolution in relation to his appointment is passed at the EGM until the annual general meeting of the Company for the year 2014 to be held in 2015. Mr. Li will not receive any salary or director's fee from the Company during his term as a non-executive Director.

Saved as disclosed herein, the Company considers that there is no other information relating to Mr. Li to be disclosed pursuant to Rule 13.51(2) of the Listing Rules nor any matter which needs to be brought to the attention of the Shareholders.

### **3. GENERAL**

A circular containing, among other things, (i) a letter from the Board setting out details of the Continuing Connected Transactions and the proposed appointment of non-executive Director, (ii) a letter from the Independent Board Committee, (iii) a letter of advice from the independent financial adviser, and (iv) a notice of the EGM will be despatched to the Shareholders as soon as practicable after the publication of this announcement.



#### 4. DEFINITIONS

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

“2007 Announcement and Circular”	the announcement and the circular of the Company dated 15 June 2007 and 20 June 2007, respectively, in respect of, among other things, the acquisition of the specialized telecommunications support businesses from and certain continuing connected transactions with, China Telecom and/or its associates
“2007 Supplemental Agreement”	the supplemental agreement between the Company and China Telecom dated 15 June 2007 to renew the terms of each of the Agreements (other than the Supplies Procurement Services Framework Agreement) to 31 December 2009
“2008 Announcement and Circular”	the announcement and the circular of the Company dated 19 September 2008 and 26 September 2008, respectively, in respect of, among other things, the renewal of the Agreements (other than the Supplies Procurement Services Framework Agreement) and amendments to annual caps for the continuing connected transactions contemplated thereunder
“2008 Supplemental Agreement”	the supplemental agreement between the Company and China Telecom dated 19 September 2008 to renew the terms of each of the Agreements (other than the Supplies Procurement Services Framework Agreement) to 31 December 2010
“2009 Announcement and Circular”	the announcement and the circular of the Company dated 29 October 2009 and 12 November 2009, respectively, in respect of, among other things, the Supplies Procurement Services Framework Agreement and the proposed annual caps for the continuing connected transactions contemplated thereunder
“2010 Supplemental Agreement”	the supplemental agreement between the Company and China Telecom dated 9 November 2010 to renew the terms of each of the Agreements to 31 December 2012
“2010 Announcement and Circular”	the announcement and the circular of the Company dated 9 November 2010 and 12 November 2010, respectively, in respect of, among other things, the renewal of the Agreements and the proposed annual caps

“2011 Announcement and Circular”	the announcement and the circular of the Company dated 14 November 2011 and 15 November 2011, respectively, to revise the annual caps for the continuing connected transactions contemplated under the Supplies Procurement Services Framework Agreement
“2012 Supplemental Agreement”	the supplemental agreement between the Company and China Telecom dated 20 September 2012 in respect of, among other things, the renewal of the terms of each of the Agreements to 31 December 2015
“Agreements”	the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement, the Centralized Services Agreement and the Property Leasing Framework Agreement first entered into between the Company and China Telecom on 16 November 2006 as amended or supplemented from time to time, as well as the Supplies Procurement Services Framework Agreement entered into between the Company and China Telecom on 29 October 2009, as amended or supplemented from time to time
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan)
“China Telecom Group”	China Telecommunications Corporation and its subsidiaries but excluding the Group
“China Telecom”	China Telecommunications Corporation (中國電信集團公司), a state-owned enterprise established under the laws of the PRC on 17 May 2000 and the controlling shareholder of the Company
“Company”	China Communications Services Corporation Limited (中國通信服務股份有限公司), 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

“Continuing Connected Transactions”	the connected transactions entered into between a member of the Group and China Telecom and its subsidiaries (excluding the Group) as governed by the Agreements, details of which are set out in section 2 of this announcement headed “Continuing Connected Transactions under the Agreements”
“Director(s)”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company, which is expected to be held on 27 November 2012
“Existing Annual Caps”	the existing annual caps applicable to the Continuing Connected Transactions under each of the Agreements for the applicable period ending on 31 December 2012, which were approved by the Independent Shareholders
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of Directors, consisting of Mr. Wang Jun, Mr. Zhao Chunjun, Mr. Wei Leping and Mr. Siu Wai Keung, Francis, who are independent non-executive Directors, formed to advise the Independent Shareholders on the proposed Revised Annual Caps and the renewal of the Non-Exempt Continuing Connected Transactions (together with the proposed New Annual Caps)
“Independent Shareholders”	Shareholders other than China Telecom and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Annual Caps”	the new annual caps proposed for the Continuing Connected Transactions under each of the Agreements for the three years ending 31 December 2013, 2014 and 2015, where applicable, the Independent Shareholders’ approval of which will be sought at the EGM
“Non-Exempt Continuing Connected Transaction ”	the Continuing Connected Transactions under the Agreements other than those under the Centralized Services Agreement and the Property Leasing Framework Agreement
“Prospectus”	the prospectus dated 27 November 2006 issued by the Company in connection with its Hong Kong public offering

“Revised Annual Caps”	the revised annual caps proposed for the Operation Support Services Framework Agreement and the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the year ending 31 December 2012, Independent Shareholders’ approval of which will be sought at the EGM
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Beijing, the PRC, 20 September 2012

*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 director is Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Zhao Chunjun, Mr. Wei Leping and Mr. Siu Wai Keung, Francis.*