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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 CONTINUING CONNECTED TRANSACTIONS**

### **Supplies Procurement Services Framework Agreement**

**and**

### **2009 Supplemental Strategic Agreement**

Reference is made to the Prospectus, the 2007 Announcement and the 2007 Circular, and the 2008 Announcement and the 2008 Circular in which the Company set out detailed information in relation to certain continuing connected transactions between the Group and China Telecommunications Corporation and/or its Associates which are governed by the Agreements, including, amongst others, the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement (each amended by the 2008 Supplemental Agreement) and the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement).

The Board announces that the Company entered into the following continuing connected transactions on 29 October 2009:

- the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation to govern the provision of comprehensive logistics services relating to facilities procurement between the Group and China Telecom Group, which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular; and
- the 2009 Supplemental Strategic Agreement with China Telecom Listco to renew the Strategic Agreement for three years ending 31 December 2012.

## **Listing Rules implications**

As at the Latest Practicable Date, China Telecommunications Corporation holds approximately 52.60% of the issued share capital of the Company. Accordingly, China Telecommunications Corporation is a substantial shareholder of the Company and China Telecom Listco is its Associate, each being a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the proposed Supplies Procurement Services Framework Agreement (together with the proposed annual caps for the two years ending 31 December 2010) and the renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Hong Kong Listing Rules. Accordingly, the Company is subject to the reporting, announcement and shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Hong Kong Listing Rules in respect of the Supplies Procurement Services Framework Agreement.

The renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement is also subject to the reporting, announcement and independent shareholders' approval under the Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements.

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 terms of the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and of the 2009 Supplemental Strategic Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the same.

A Circular containing, among other things, (i) a letter from the Board setting out details of the Supplies Procurement Services Framework Agreement and of the 2009 Supplemental Strategic Agreement, (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. SUPPLIES PROCUREMENT SERVICES FRAMEWORK AGREEMENT**

The Company entered into the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation on 29 October 2009 to govern the provision of comprehensive logistics services relating to facilities procurement between the Group and China Telecom Group which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular.

**(a) Terms**

Pursuant to the Supplies Procurement Services Framework Agreement, the Company has agreed to provide to China Telecommunications Corporation 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 Telecommunications Corporation has agreed to provide to the Company 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 Telecommunications Corporation (and its subsidiaries but excluding the Group), as may be applicable from time to time.

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

- (1) procurement services in respect of imported telecommunications supplies are provided at 1% of the contract value at the maximum;
- (2) 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;
- (3) other procurement services are provided at:
  - (i) the government-prescribed prices. The government-prescribed price is defined as the price prescribed by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
  - (ii) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply. The government-guided price is defined as the price determined by business operators on the basis of the benchmark price taking into account the floating percentage as guided by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;

- (iii) where there are neither government-prescribed prices nor government-guided 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 where necessary by way of a supplemental agreement by the parties on 31 December each year.

The Supplies Procurement Services Framework Agreement has a term expiring on 31 December 2010, automatically renewable for further periods of no more than three years (subject to shareholders’ approval, if applicable) unless terminated earlier by either party with three months’ prior written notice.

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 Telecommunications Corporation 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 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.

**(b) Background, reasons and benefits**

In line with (i) the commencement and rapid development of mobile telecommunications related business by China Telecom Group following its acquisition of such business as a result of the restructuring of the telecommunications industry in 2008, and (ii) the grant of 3G license to China Telecom Listco and other telecommunications operators in the PRC in January 2009, there has been increasing demand for services relating to sales and procurement

of both telecommunications and non-telecommunications facilities from telecommunications operators, ultimate customers and other end users. The Company expects that this will result in substantial increase of transaction amounts for provision of comprehensive logistics services for facilities procurement between the Group and China Telecom Group. In light of this trend, the Company discussed and entered into a Supplies Procurement Services Framework Agreement with China Telecommunications Corporation to govern such connected transactions separately. The Board is of the view that this will help strengthen the Company's management of continuing connected transactions by adopting a more practical approach to categorise transactions and will further improve transparency in disclosure of such transactions in the future.

As a result, the provision of comprehensive logistics services was split off from the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement. No amendments to these two agreements were made other than the above-described adjustment to their scope as a result of the entering into the Supplies Procurement Services Framework Agreement. As the transaction amounts for the provision of such services were very small historically, the consequential adjustment to the scope of the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement will not affect the Existing Annual Caps applicable to transactions contemplated thereunder as approved by the Independent Shareholders (details of which were set out in the 2008 Circular). Based on the Company's unaudited consolidated accounts for the two years ended 31 December 2008 and the six months ended 30 June 2009, the transaction amounts for the provision of comprehensive logistic services by the Group to China Telecom Group were RMB408.83 million, RMB358.87 million and RMB686.62 million, respectively, and the expenditure payable to China Telecom Group by the Company was nil, nil and RMB352.66 million, respectively.

**(c) Proposed annual caps**

For the year ending 31 December 2009, the proposed annual caps (including the value of comprehensive logistics services between the Group and China Telecom Group occurred during 2009 prior to the date of this Announcement) are RMB2,000 million and RMB800 million for the amounts payable by China Telecom Group and the Group, respectively. For the year ending 31 December 2010, the proposed annual caps are RMB2,800 million and RMB900 million for the amounts payable by China Telecom Group and the Group, respectively. In determining the proposed annual caps, the Board has considered the historical transaction amounts, the operation and growth conditions of our businesses in this area, and the estimated extent of the comprehensive logistics services required by China Telecom Group in connection with its provision of mobile telecommunications services and related business, including the manufacturing and sale or resale of 3G related supplies and purchase of 3G related facilities. The Board is of the view that the monetary limits are set so as to (i) not

hinder the ability of the Group to conduct its business in the ordinary and usual course and (ii) allow the Group to benefit from future growth of telecommunications industry in China and the mobile telecommunications related services of China Telecom Group in particular.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Hong Kong Listing Rules. Accordingly, the Company is subject to the reporting, announcement and shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Listing Rules in respect of the Supplies Procurement Services Framework Agreement and the proposed annual caps for transactions thereunder.

## 2. 2009 SUPPLEMENTAL STRATEGIC AGREEMENT

In order to strengthen the Company's well-established relationship with China Telecom Listco and to bring forth further strategic mutual benefits, the Company entered into a Strategic Agreement dated 30 August 2006 with China Telecom Listco (on behalf of its six wholly-owned subsidiaries in the Listed Service Areas and their respective subsidiaries) for a period of three years commencing from 1 January 2007 until 31 December 2009, renewable by mutual agreement and extendable in geographical areas (the "**Strategic Agreement**"). Accordingly, the Company and China Telecom Listco entered into the 2009 Supplemental Strategic Agreement on 29 October 2009 to renew the Strategic Agreement for another period of three years ending 31 December 2012. Following an internal organisation adjustment of China Telecom Listco Group in 2008, provincial branches of China Telecom Listco substitute wholly-owned subsidiaries of China Telecom Listco to accept services provided by the Company under the 2009 Supplemental Strategic Agreement.

The areas for the strategic business cooperation between the parties included engineering related services in connection with design, construction, project supervision and management businesses; maintenance and management services including but not limited to network maintenance and facilities management; and certain business process outsourcing services such as integrated information solution and call centres; and provision of applications, content and other services such as system integration and value added services.

In connection with the Retained Business Acquisition by the Group, the Company and China Telecom Listco entered into the 2007 Supplemental Strategic Agreement to expand the geographic scope of cooperation between the Company and China Telecom Listco to 19 provinces (municipalities and autonomous regions) of our primary service areas immediately following such acquisition. Details of the acquisition and the amendment were set out in the 2007 Circular.

Pursuant to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement), in relation to the Company's provision of engineering related services in design, construction, project supervision and management businesses, provided that our terms and conditions for the provision of the engineering related services are no less favourable than those offered by any Independent Third Parties, China

Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than 10.6% of the total annual capital expenditure of the relevant provincial branches of China Telecom Listco to purchase such services provided by the Company. In relation to the Company's provision of maintenance and management services including but not limited to our network maintenance and facilities management businesses, provided that our terms and conditions for the provision of the maintenance and management services are no less favourable than those offered by any Independent Third Parties, China Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than RMB1,780 million to purchase such services provided by the Company.

The Company shall offer at least 5% discount for the engineering-related services to be provided to the relevant provincial branches of China Telecom Listco based on the applicable standard prices. Such discount is on normal commercial terms and it is in-line with market practice to give a discount as favourable treatment offered to large enterprise customers which are able to commit to a minimum purchase volume per annum. The percentage discount depends on a number of factors, such as the committed minimum purchase volume, competition and so on. In relation to our provision of maintenance and management services including but not limited to our network maintenance and facilities management businesses, we have undertaken to fully utilize our competitive edge on having established professional operation with economies of scales to assist China Telecom Listco to achieve the goals of lowering its costs and expenditure.

In relation to the Company's provision of business process outsourcing services, integrated information solutions, call centre and other services such as system integration and value-added services, China Telecom Listco has undertaken to use its best endeavours to grant us business opportunities, provided that our terms and conditions for the provision of such services are no less favourable than those offered by any Independent Third Parties. In return, the Company will utilize its capacities and resources to support the strategic transformation of China Telecom Listco into an integrated information service provider.

Services rendered under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall comply with relevant national standards of China or standards agreed between the parties, and shall be no less favourable than same or similar services provided to any Independent Third Parties. Without breaching any PRC laws or regulations, in respect of the same services, where the terms and conditions of services provided by either party to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) are the same as those provided by an Independent Third Party, such party under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall have the priority to be appointed as the service provider by the other party.

The relevant services provided under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall be provided at an applicable standard price determined in the following order:

- (i) the government-prescribed prices if available. The government-prescribed price is defined as the price prescribed by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
- (ii) the government-guided prices if available. The government-guided price is defined as the price determined by business operators on the basis of the benchmark price taking into account the floating percentage as guided by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
- (iii) where there are neither government-prescribed prices nor government-guided prices, the market prices apply if available. 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 annual caps for the provision of the relevant services contemplated under the Strategic Agreement have already been subsumed respectively under the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement and the IT Application Services Framework Agreement, details of which were set out in the 2008 Circular and, where applicable, had been approved by the then Independent Shareholders at the extraordinary general meetings held on 7 August 2007 and/or 14 November 2008, respectively. Therefore, no separate annual caps shall be applied to the Strategic Agreement (as amended by the supplemental strategic agreements). The Strategic Agreement is subject to the reporting, announcement and independent shareholders’ approval under the Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements. Correspondingly, independent shareholders’ approval for the 2009 Supplemental Strategic Agreement is sought.

The Board considers that it is in the interest of the Company to renew the Strategic Agreement in order to further strengthen the cooperation between the Company and China Telecom Listco Group and benefit the Company’s future growth and development. Such cooperation will provide a stable



revenue source to the Company. All the continuing connected transactions as contemplated under the Strategic Agreement 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 its Shareholders as a whole.

The independent shareholders of China Telecom Listco have passed a resolution at an extraordinary general meeting dated 7 August 2007 to approve the 2007 Supplemental Strategic Agreement. The 2009 Supplemental Strategic Agreement is also conditional upon China Telecom Listco having obtained the requisite independent shareholders' approval under Chapter 14A of the Listing Rules. China Telecom Listco has, on even date, made an announcement in relation to the 2009 Supplemental Strategic Agreement and will be convening an extraordinary general meeting to obtain the approval of its independent shareholders for the 2009 Supplemental Strategic Agreement.

### **3. INFORMATION ABOUT THE COMPANY, CHINA TELECOMMUNICATIONS CORPORATION AND CHINA TELECOM LISTCO**

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 Telecommunications Corporation 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.

China Telecom Listco is a company established under the laws of PRC engaged in the basic telecommunications businesses such as the provision of fixed and mobile telecommunications services as well as value-added telecommunications businesses such as internet connection services business and information service business.

As of the Latest Practicable Date, China Telecommunications Corporation directly and indirectly owned 52.60% and 70.89% of the issued share capital of the Company and China Telecom Listco, respectively.

### **4. HONG KONG LISTING RULE IMPLICATIONS**

As of the Latest Practicable Date, China Telecommunications Corporation is a substantial shareholder of the Company and China Telecom Listco is its Associate, each being a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the proposed Supplies Procurement Services Framework Agreement (together with the proposed annual caps for the two years ending 31 December 2010) and the renewal of the Strategic Agreements by way of the 2009 Supplemental Strategic Agreement constitute continuing connected transactions of the Company and will require approval of the Independent Shareholders. China

Telecommunications Corporation and its Associates will abstain from voting at the EGM to be held to approve such transactions. The votes of the Independent Shareholders at the EGM shall be taken by poll.

The Directors (excluding members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the independent financial adviser, will be set out in the Circular to be despatched to the Shareholders as soon as practicable after publication of this Announcement) are of the opinion that the Supplies Procurement Services Framework Agreement (including the proposed annual caps) and the 2009 Supplemental Strategic 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 Company confirms that none of the independent non-executive Directors has any interests in the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement.

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 upon any further material variation or renewal of the above relevant agreements, the Company will comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules.

## **5. FURTHER INFORMATION**

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Supplies Procurement Services Framework Agreement, the proposed annual caps for transactions under the Supplies Procurement Services Framework Agreement, and the terms of the 2009 Supplemental Strategic Agreement. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Supplies Procurement Services Framework Agreement, the proposed annual caps for transactions under the Supplies Procurement Services Framework Agreement, and terms of the 2009 Supplemental Strategic Agreement.

A Circular containing, among other things, (i) a letter from the Board setting out details of the terms of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement, (ii) a letter from the Independent Board Committee, (iii) a letter of advice from the independent financial adviser and (iv) a notice to Shareholders convening the EGM to approve, among other things, the terms of and annual caps for the Supplies Procurement Services Framework Agreement, and the terms of the 2009 Supplemental Strategic Agreement will be despatched to the Shareholders as soon as practicable after publication of this Announcement.

## 6. DEFINITIONS

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

“2007 Announcement”	the announcement of the Company dated 15 June 2007 in respect of, among others, the acquisition of the specialized telecommunications support businesses from and certain continuing connected transactions with, China Telecommunications Corporation and/or its Associates
“2007 Circular”	the circular of the Company dated 20 June 2007 in respect of, among others, the acquisition of the specialized telecommunications support businesses from and certain continuing connected transactions with, China Telecommunications Corporation and/or its Associates
“2007 Supplemental Agreement”	the supplemental agreement between the Company and China Telecommunications Corporation dated 15 June 2007 to, among others, renew the terms of each of the Agreements to 31 December 2009
“2007 Supplemental Strategic Agreement”	the supplemental agreement between the Company and China Telecom Listco dated 15 June 2007 to amend the terms of the Strategic Agreement
“2008 Announcement”	the announcement of the Company dated 19 September 2008 in respect of, among others, the proposed renewal of the Agreements and proposed amendments to annual caps for transactions contemplated thereunder
“2008 Circular”	the circular of the Company dated 26 September 2008 in respect of, amongst others, the proposed renewal of the Agreements and proposed amendments to annual caps for transactions contemplated thereunder
“2008 Supplemental Agreement”	the supplemental agreement between the Company and China Telecommunications Corporation dated 19 September 2008 to renew the terms of each of the Agreements to 31 December 2010
“2009 Supplemental Strategic Agreement”	the supplemental agreement between the Company and China Telecom Listco dated 29 October 2009 to extend the term of the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement) to 31 December 2012

“Agreements”	means the Engineering Framework Agreement, Ancillary Telecommunications Services Framework Agreement, Operation Support Services Framework Agreement, IT Application Services Framework Agreement, Centralized Services Agreement and the Property Leasing Framework Agreement first entered into between the Company and China Telecommunications Corporation on 16 November 2006 prior to the IPO, as amended or supplemented by the 2007 Supplemental Agreement and the 2008 Supplemental Agreement. Details of the Agreements are set out in the 2008 Circular
“Associate”	has the meaning given to it by 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, including China Telecom Listco Group but excluding the Group
“China Telecom Listco”	China Telecom Corporation Limited, a company established under the laws of the PRC and whose shares are listed on the Stock Exchange
“China Telecom Listco Group”	China Telecom Listco and its subsidiaries
“China Telecommunications Corporation”	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” or “we” or “us”	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
“Directors”	the directors of the Company
“Existing Annual Caps”	the existing annual caps applicable to the continuing connected transactions under each of the Agreements for the three years ending on 31 December 2010, which were set out in the 2008 Circular and approved by the Independent Shareholders on 14 November 2008
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened on 29 December 2009

“Group” or “we”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“H Share(s)”	overseas listed foreign invested shares in the Company’s issued share capital with a par value of RMB1.00 per share which are listed on the Stock Exchange
“Independent Board Committee”	the committee of Directors, consisting of Wang Jun, Chan Mo Po, Paul, Zhao Chunjun, Wu Shangzhi and Hao Weimin, who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of and annual caps for the Supplies Procurement Services Framework Agreement and the terms of the 2009 Supplemental Strategic Agreement
“Independent Shareholders”	Shareholders other than China Telecommunications Corporation and its Associates
“Independent Third Party”	an entity which is independent of and not connected to the Company or its connected persons, and which is not a connected person of the Company, and the term “Independent Third Parties” shall be construed accordingly
“IPO”	the initial public offering of the Company in 2006 and which comprises an international offering and a Hong Kong public offering
“Latest Practicable Date”	28 October 2009, being the latest practicable date prior to the printing of this Announcement for ascertaining certain information contained herein
“Listed Service Areas”	the service regions of the Company prior to the Retained Business Acquisition and as disclosed in the Company’s Prospectus comprising Shanghai municipality and Zhejiang, Fujian, Hubei, Guangdong and Hainan provinces
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC Price Law”	the law promulgated on 29 December 1997 and effective from 1 May 1998 in relation to the standardization of the pricing behavior of market players in the PRC
“Prospectus”	the prospectus dated 27 November 2006 issued by the Company in connection with its Hong Kong public offering

“Retained Business Acquisition”	the Company’s acquisition of certain retained specialized telecommunications support businesses from China Telecommunications Corporation. Details of the acquisition were set out in the 2007 Announcement
“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, PRC, 29 October 2009

*As at the date of this announcement, our executive directors are Mr. Li Ping (Chairman), Mr. Zhang Zhiyong (President) and Mr. Yuan Jianxing (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.*