

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**中国通信服务**

CHINA COMSERVICE

中國通信服務股份有限公司

**CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED**

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

**(Stock Code: 552)**

## **ANNOUNCEMENT OF CONNECTED TRANSACTION**

### **SUMMARY**

#### **The Acquisition**

Reference is made to the announcement published by the Company on 26 May 2009, in which the Company disclosed, among other things, its acquisition of a 51% equity interest in Guoxin Lucent from China Telecommunications Corporation and China Telecom Corporation Limited.

The Board announces that the Company entered into the Equity Transfer Agreement with the Vendor on 7 April 2010, pursuant to which the Company agrees to acquire, and the Vendor agrees to sell, the remaining 49% equity interest in Guoxin Lucent for a total consideration of RMB41 million. After the completion of the Acquisition, Guoxin Lucent will be wholly owned by the Company.

#### **Listing Rules Implications**

As the relevant percentage ratios in respect of the Acquisition (even aggregated with the previous acquisition of the 51% interest) exceed 0.1% but are less than 2.5%, the Acquisition constitutes a connected transaction of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## 1. INTRODUCTION

The Board announces that the Company, after friendly negotiation with the Vendor, entered into the Equity Transfer Agreement with the Vendor on 7 April 2010, pursuant to which the Company agrees to acquire and the Vendor agrees to sell the 49% equity interest in Guoxin Lucent for a total consideration of RMB41 million.

## 2. THE EQUITY TRANSFER AGREEMENT

**Date:** 7 April 2010

**Parties:** (A) the Company; and  
(B) the Vendor

### **Consideration and Payment**

Pursuant to the Equity Transfer Agreement, the Company will pay RMB41 million for the Vendor's 49% equity interest in Guoxin Lucent.

The consideration was arrived at after commercial negotiations between the Company and the Vendor at arm's length, taking into account the audited accounts of Guoxin Lucent and the reasons and benefits of the Acquisition as set out in section 3 and section 4 of this announcement respectively. The consideration shall be paid in cash upon completion of the Acquisition to a designated account of the Vendor from internal resources of the Company.

### **Completion and Condition Precedents**

Completion of the Acquisition is conditional upon the following:

- (i) each of the Board and the board of directors of the Vendor having duly approved the Acquisition and the Equity Transfer Agreement;
- (ii) the Parties having duly terminated the joint venture contract in respect of Guoxin Lucent;
- (iii) the board of directors of Guoxin Lucent having duly approved the Acquisition and the amended and restated articles of association of Guoxin Lucent to reflect the Acquisition;
- (iv) an asset appraisal report on the Acquisition having been issued by a qualified appraisal firm entrusted by the Company (and agreed by the Vendor), and such report having been filed with the competent state-owned assets supervision and administration authority in the PRC;
- (v) the approval of the Ministry of Commerce of the PRC or its authorized local competent authorities which originally approved the establishment of Guoxin Lucent having been obtained;

- (vi) the Trademark License Agreement, the Technology License Agreement and the Training and Support Services Agreement having been terminated upon completion of the Acquisition; and
- (vii) the 40 employees of Guoxin Lucent, who undertook outsourcing work from the Vendor, having been transferred to the Vendor in accordance with the Equity Transfer Agreement.

The above conditions numbered (vi) and (vii) may be waived in writing by the Vendor at its sole and absolute discretion.

Completion of the Acquisition will take place on the third Business Day after the date on which all the above conditions are satisfied or waived, or a date as otherwise agreed by the Parties. Guoxin Lucent will become a wholly-owned subsidiary of the Company and cease to be a Sino-foreign equity joint venture under PRC law after the completion.

Nevertheless, the Parties agree that completion of the Acquisition shall take place on 31 May 2010 at the latest (“**Longstop Date**”). If the completion does not occur on or before the Longstop Date, the Equity Transfer Agreement shall terminate automatically on the Longstop Date, and the Parties agree to negotiate the desirability and conditions of liquidating Guoxin Lucent in good faith, unless otherwise agreed in writing by the Parties.

Guoxin Lucent has been granted an authorization to continue to use its current corporate name for 3 months following completion of the Acquisition (“**Phase Out Period**”). Upon expiration of the Phase Out Period, the Company shall cause Guoxin Lucent to cease the use of its current corporate name and change it to a name which does not consist of or include the mark “Lucent Technology” or any mark confusingly similar thereto.

The Company is subject to an eighteen (18) months lock-up period following the completion. During such lock-up period, the Company (i) shall not dispose of all or any of its equity interest in Guoxin Lucent except for disposal as required by any stock incentive plan which may be adopted by Guoxin Lucent solely for the employees of Guoxin Lucent; and (ii) shall cause Guoxin Lucent not to dispose of its assets to any third party other than to an entity that is directly or indirectly 100% owned by the Company.

### **3. INFORMATION ABOUT GUOXIN LUCENT**

Guoxin Lucent is a Sino-foreign equity joint venture incorporated in 1999 in Shanghai Municipality under PRC laws. It is 49% owned by the Vendor and 51% owned by the Company. The original cost of the Vendor’s interest in Guoxin Lucent, reflected from the corresponding portion of the paid-in capital in the accounts of Guoxin Lucent made by the Vendor, was USD5.88 million.

The principal business activities of Guoxin Lucent are research, development and manufacturing of new advanced communications network management technologies and applications software, sales of self-manufactured products, and provision of system integration, network planning, technology consulting and other services.

Based on Guoxin Lucent's audited accounts, Guoxin Lucent's profit before and after tax and extraordinary items for the year ended 31 December 2008 was approximately RMB2.36 million and RMB2.34 million respectively, and for the year ended 31 December 2009 was approximately RMB3.65 million and RMB4.22 million respectively. The book value of the net assets of Guoxin Lucent as at 31 December 2009 was approximately RMB65.85 million.

#### **4. REASONS FOR AND BENEFITS OF THE ACQUISITION**

Guoxin Lucent's businesses fall within the Company's third principal business area, namely, applications, contents and other (ACO) services, and Guoxin Lucent has established a good reputation in this area. Following the telecommunications industry restructuring and the commencement of the 3G era in the PRC, the Board expects that there will be huge market demand for operators supporting systems related services. The Board believes that the Acquisition will further consolidate the Company's control over Guoxin Lucent by turning it into a wholly-owned subsidiary and allow implementation of the Group's business strategy with respect to the ACO business more effectively. The Company's ACO business segment is comprised of several companies engaged in development of operator supporting systems. The Acquisition will further facilitate the Company's integration and optimization of its resources in the ACO business, enable it to provide operators with better products and services and enhance its core competitiveness. The Vendor supports the Company's business integration given good business relationship between the Parties.

#### **5. INFORMATION ABOUT THE PARTIES**

##### **The Company**

The Company is engaged in the investment holding of companies primarily involved in the provision of telecommunications infrastructure services, business process outsourcing services and applications, content and other services to telecommunications operators, equipment manufacturers, corporate customers, government agencies and public customers.

##### **The Vendor**

The Vendor is a wholly foreign owned enterprise in the form of a limited liability company incorporated under the laws of the PRC. It is primarily engaged in wireless network, personal handyphone, optical network, data network and professional services.

## 6. IMPLICATIONS UNDER THE LISTING RULES

The Vendor holds a 49% equity interest in Guoxin Lucent, one of our subsidiaries. The Vendor is therefore a connected person of the Company under the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company.

Reference is made to the announcement published by the Company on 26 May 2009, in which the Company disclosed, among other things, its acquisition of a total 51% equity interest in Guoxin Lucent from China Telecommunications Corporation and China Telecom Corporation Limited. As the relevant percentage ratios in respect of the Acquisition (even aggregated with the previous acquisition of the 51% interest) exceed 0.1% but are less than 2.5%, the Acquisition constitutes a connected transaction of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has passed a resolution to approve the Acquisition. The Directors (including the independent non-executive Directors) are of the view that the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Company, the consideration payable and payment arrangement for the Acquisition and the other terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its shareholders taken as a whole.

## 7. DEFINITIONS

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

“Acquisition”	the proposed acquisition of a 49% equity interest in Guoxin Lucent by the Company pursuant to the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Business Day”	a day other than a Saturday, a Sunday or a public holiday in the PRC
“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
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 7 April 2010 between the Company and the Vendor in respect of the Acquisition

“Group”	the Company and its subsidiaries
“Guoxin Lucent”	Guoxin Lucent Technologies Network Technologies Co., Ltd.* (國信朗訊科技網絡技術有限公司), a subsidiary of the Company
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
”Stock Exchange”	The Stock Exchange of Hong Kong Limited
”subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Technology License Agreement”	a technology license agreement dated 22 December 1998 pursuant to which Guoxin Lucent has been licensed certain technology relating to the development, marketing, licensing and sale of its products and services
“Trademark License Agreement”	a trademark license agreement effective from 27 July 1999 pursuant to which Guoxin Lucent has been granted a license to use the mark “Lucent Technology” in its corporate name
“Training and Support Services Agreement”	a training and support services agreement dated 22 December 1998 pursuant to which Guoxin Lucent has been conducting certain training and maintenance services
“USD”	United States dollars, the lawful currency of the United States of America

\* For identification purpose only

“Vendor”

Lucent Technologies Investment Co., Ltd (previously known as Lucent Technologies (China) Co., Ltd., a wholly foreign owned enterprise in the form of a limited liability company incorporated under the laws of the PRC

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

Beijing, PRC, 7 April 2010

*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), the non-executive Directors are Mr. Liu Aili and Mr. Zhang Junan, and the independent non-executive Directors are Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin.*