

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 Disposal

The Board announces that the Company, through Zhejiang CCS (the Company's wholly-owned subsidiary), entered into the Equity Transfer Agreement with the Buyer on 10 April 2011, pursuant to which Zhejiang CCS agrees to sell, and the Buyer agrees to acquire 100% equity interest in Zhejiang Nantian for a total consideration of RMB194.1115 million payable in cash. After the completion of the Disposal, Zhejiang Nantian will cease to be a subsidiary of the Company.

Listing Rules Implications

As the relevant percentage ratios in respect of the Disposal exceed 0.1% but are less than 5%, the Disposal 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, through Zhejiang CCS (the Company's wholly-owned subsidiary), entered into the Equity Transfer Agreement with the Buyer on 10 April 2011, pursuant to which Zhejiang CCS agrees to sell and the Buyer agrees to acquire 100% equity interest in Zhejiang Nantian for a total consideration of RMB194.1115 million payable in cash.

2. THE EQUITY TRANSFER AGREEMENT

Date: 10 April 2011

Parties: (A) Zhejiang CCS; and
(B) the Buyer

Consideration and Payment

Pursuant to the Equity Transfer Agreement, the Buyer will pay a total consideration of RMB194.1115 million payable in cash for 100% equity interest in Zhejiang Nantian owned by Zhejiang CCS.

The consideration was arrived at after commercial negotiations between Zhejiang CCS and the Buyer at arm's length, taking into account the appraised net assets value and the audited accounts of Zhejiang Nantian as well as the reasons for and benefits of the Disposal as set out in section 3 and section 4 of this announcement, respectively.

The consideration is payable in three installments, within one year from the date immediately after the date when the Equity Transfer Agreement has come into effect, to the designated account of Zhejiang CCS in accordance with the Equity Transfer Agreement which will be funded by internal cash resources of the Buyer.

Condition Precedents

The Equity Transfer Agreement shall only come into effect upon the approval by China Telecommunications Corporation. The Disposal has been approved by China Telecommunications Corporation on 10 April 2011. After the completion of the Disposal, Zhejiang Nantian will cease to be a subsidiary of the Company.

3. INFORMATION ABOUT ZHEJIANG NANTIAN

Zhejiang Nantian is a limited liability company incorporated in 1992 in Hangzhou City under PRC laws. It has been 100% owned by Zhejiang CCS since 2006. The principal business activities of Zhejiang Nantian include communications project construction, communications terminal services, communications and related equipment manufacture and sales, computer and office automation, computer network project, wireless pager, mechanical electronics, hardware electric and chemical products (excluding hazardous products), automobile (excluding sedan) and related parts sales, equipment lease and maintenance, technology and information consultancy, computer system assembly, design and agency.

As required by relevant PRC state-owned assets supervision regulations, the net assets value of Zhejiang Nantian was appraised by a qualified PRC appraiser, which amounted to RMB194.1115 million as at 31 March 2011. Based on Zhejiang Nantian's audited accounts prepared under International Financial Reporting Standards, Zhejiang Nantian's profit before and after tax and extraordinary items for the year ended 31 December 2009 was approximately RMB26.842 million and RMB23.540 million, respectively, and for the year ended 31 December 2010 was approximately RMB31.288 million and RMB73.655 million, respectively. The book value of the total assets of Zhejiang Nantian as at 31 December 2009 and 2010 was approximately RMB439.265 million and RMB415.378 million, respectively. The book value of the net assets of Zhejiang Nantian as at 31 December 2009 and 2010 was approximately RMB257.387 million and RMB187.106 million, respectively.

4. REASONS FOR AND BENEFITS OF THE DISPOSAL

Zhejiang Nantian is a direct wholly owned subsidiary of Zhejiang CCS. Through internal business reorganizations, Zhejiang CCS has integrated the businesses of Zhejiang Nantian which are in line with the Company's principal businesses into another subsidiary. For the businesses which are not in line with the Company's principal businesses, Zhejiang CCS intends to dispose of its equity interest in Zhejiang Nantian. Leveraging on the Disposal, the operational efficiency and competitiveness of Zhejiang CCS can be further enhanced and promoted. In addition, the Buyer is a wholly owned subsidiary of Zhejiang Telecom Industry, which has intensive experiences in assets disposal and integration. The Disposal could benefit the continuing development and transformation of Zhejiang Nantian.

5. FINANCIAL EFFECT OF THE DISPOSAL

The Company expects to realize a gain of approximately RMB2.4393 million from the Disposal, which is calculated based on the difference between the consideration of the Disposal and the book value of the net assets of Zhejiang Nantian as at 31 March 2011. The proceeds from the Disposal will be used to supplement the working capital of Zhejiang CCS to further enhance its principal businesses.

6. INFORMATION ABOUT THE PARTIES

The Company

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

Zhejiang CCS

Zhejiang CCS is a direct wholly owned subsidiary of the Company, specializing in the provision of telecommunications infrastructure services, business process outsourcing services and applications, content and other services.

The Buyer

The Buyer is a wholly owned subsidiary of Zhejiang Telecom Industry. Its principal businesses include data communications and telephone information services, telecommunications and mobile business agency, wireless pager business, the installation and maintenance of equipment of communications, computer and office automation, the development, consultancy, service and transfer of communications technology and product, the sale of equipment and related parts of communications, computer and office automation as well as the sale of automobile parts.

7. IMPLICATIONS UNDER THE LISTING RULES

The Buyer is an indirect wholly owned subsidiary of China Telecommunications Corporation, which is the controlling shareholder of the Company. The Buyer is therefore a connected person of the Company under the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company.

As the relevant percentage ratios in respect of the Disposal exceed 0.1% but are less than 5%, the Disposal 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 Disposal. The Directors (including the independent non-executive Directors) are of the view that the Disposal is on normal commercial terms, the consideration payable and payment arrangement for the Disposal and the other terms of the Equity Transfer Agreement are fair and reasonable and the Disposal is in the interests of the Company and its shareholders taken as a whole. Due to their positions in China Telecommunications Corporation, Mr. Li Ping, Mr. Zheng Qibao and Mr. Yuan Jianxing, have abstained from voting on the resolution to approve the Disposal.

8. DEFINITIONS

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

“Board”	the board of directors of the Company
“Buyer”	Difo Telecommunications Group Limited* (迪佛電信集團有限公司), an indirect wholly owned subsidiary of China Telecommunications Corporation
“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
“Disposal”	the proposed disposal of 100% equity interest in Zhejiang Nantian by Zhejiang CCS to the Buyer pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 10 April 2011 between Zhejiang CCS and the Buyer in respect of the Disposal
“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

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, 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
“Zhejiang CCS”	Zhejiang Communications Services Company Limited* (浙江省通信產業服務有限公司), a direct wholly owned subsidiary of the Company
“Zhejiang Nantian”	Zhejiang Nantian Post and Communications Technology Company Limited* (浙江南天郵電通訊技術有限公司)
“Zhejiang Telecom Industry”	Zhejiang Telecom Industry Group Limited* (浙江省電信實業集團公司), a indirect wholly owned subsidiary of China Telecommunications Corporation

* For identification purpose only

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

Beijing, PRC, 11 April 2011

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