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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

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

(Stock Code: 552)

ANNOUNCEMENT OF CONNECTED TRANSACTION

SUMMARY

The Board announces, on 5 September 2011, Tianxun Ruida, an indirectly wholly-owned subsidiary of the Company, entered into the Asset and Business Acquisition Agreement with the Buyer. Pursuant to the Asset and Business Acquisition Agreement, Tianxun Ruida will sell, and the Buyer will acquire the assets and business in relation to the Payment Business of Tianxun Ruida, which include all the assets, liabilities, rights and obligations associated with the Payment Business, for a total consideration of RMB14,624,200 payable in cash, subject to adjustment (the “**Disposal**”).

Reference is made to the connected transaction announcement of the Company dated 11 April 2011, in relation to the disposal of 100% equity interest in Zhejiang Nantian by Zhejiang CCS to Difo Telecommunications (the “**Previous Disposal**”).

Considering each of the Previous Disposal and the Disposal constitutes a disposal of certain interests or assets of the Group, such transactions will be aggregated under rule 14A.25 of the Listing Rules. As the relevant percentage ratios in respect of the Previous Disposal and the Disposal, after aggregation, exceed 0.1% but are less than 5%, the Previous Disposal and the Disposal constitute connected transactions of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

1. INTRODUCTION

On 5 September 2011, Tianxun Ruida, an indirectly wholly-owned subsidiary of the Company, entered into the Asset and Business Acquisition Agreement with the Buyer. Pursuant to the Asset and Business Acquisition Agreement, Tianxun Ruida will sell, and the Buyer will acquire the assets and business in relation to the Payment Business of Tianxun Ruida, which include all the assets, liabilities, rights and obligations associated with the Payment Business, for a total consideration of RMB14,624,200 payable in cash, subject to adjustment.

2. ASSET AND BUSINESS ACQUISITION AGREEMENT

Parties : (A) Tianxun Ruida; and
(B) the Buyer

Subject matter

Pursuant to the Asset and Business Acquisition Agreement, Tianxun Ruida will transfer the assets and business in relation to its Payment Business, which include all the assets, liabilities, rights and obligations associated with the Payment Business, to the Buyer.

Based on Tianxun Ruida's audited accounts prepared under PRC GAAP as at 31 May 2011, the audited net asset value in relation to the Payment Business was RMB8,127,320 as at 31 May 2011; the net profit attributable to the Payment Business before and after tax and extraordinary items for the year ended 31 December 2009 was approximately RMB7,203,340 and RMB6,122,839, respectively, and for the year ended 31 December 2010 was approximately RMB3,019,812 and RMB2,565,749, respectively.

Consideration

The consideration of RMB14,624,200 payable by the Buyer was determined on arm's length basis, with reference to and is equivalent to the appraised value of the Payment Business as set out in the asset appraisal report prepared by an independent qualified PRC appraiser and will be adjusted according to the profit and loss, as well as the change in net assets value of the Payment Business in the period of 31 May 2011 to 1 August 2011.

Payment

The consideration is payable in two installments within 30 days from the signing of the Asset and Business Acquisition Agreement or other date agreed by Tianxun Ruida and the Buyer.

Completion

Completion is conditional upon, among others, the corporate and governmental approvals. After the completion of the Disposal, Tianxun Ruida will not operate Payment Business. Tianxun Ruida and the Buyer agree that, subject to completion of the Disposal, all assets, liabilities, rights and obligations in relation to the Payment Business shall be deemed to have been undertaken by the Buyer from 1 August 2011.

3. REASONS FOR AND BENEFITS OF THE DISPOSAL

Tianxun Ruida is an indirectly wholly-owned subsidiary of the Company and mainly engaged in supplying BOSS system to telecommunications operators. As the major customers of the Company have recently established their own payment businesses, the Company expects the profitability of the Payment Business would become limited. As part of the Group's development strategy, by disposing the Payment Business which is the non-core business of Tianxun Ruida, Tianxun Ruida could be more focused on operating its core business and be providing better service to its customers in the future.

4. FINANCIAL EFFECT OF THE DISPOSAL

The Company expects to realize a gain of approximately RMB6,496,880 from the Disposal, which is the difference between the consideration of the Disposal and the audited net asset value of the Payment Business as at 31 May 2011. The proceeds from the Disposal will be used to supplement the working capital of Tianxun Ruida to further develop its principal businesses.

5. 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 and media operators, telecommunication equipment manufacturers, government agencies, corporate and public customers.

Tianxun Ruida

Tianxun Ruida is an indirectly wholly-owned subsidiary of the Company, which is mainly engaged in supplying BOSS system to telecommunications operators. Tianxun Ruida is also a solution provider and products supplier in relation to electronic payment, video surveillance and information safety.

The Buyer

The Buyer is an indirectly wholly-owned subsidiary of China Telecommunications Corporation. Its principal businesses include providing computer system service, technology development, technology transfer, technology consultation and providing computer technology training.

6. IMPLICATIONS UNDER THE LISTING RULES

Reference is made to the connected transaction announcement of the Company dated 11 April 2011, in relation to the disposal of 100% equity interest in Zhejiang Nantian by Zhejiang CCS to Difo Telecommunications.

China Telecommunications Corporation is the controlling shareholder of the Company, beneficially holding 2,926,752,080 shares in the Company as at the date of this announcement, which represents approximately 50.71% of the entire issued share capital of the Company. As Difo Telecommunications and the Buyer are indirectly wholly-owned subsidiaries of China Telecommunications Corporation, they are therefore connected persons of the Company under Chapter 14A of the Listing Rules by virtue of being associates of the Company's substantial shareholder. Accordingly any transaction entered into between Difo Telecommunications and the Group or the Buyer and the Group would constitute connected transaction of the Company.

Considering each of the Previous Disposal and the Disposal constitutes a disposal of certain interests or assets of the Group, such transactions will be aggregated under rule 14A.25 of the Listing Rules. As the relevant percentage ratios in respect of the Previous Disposal and the Disposal, after aggregation, exceed 0.1% but are less than 5%, the Previous Disposal and the Disposal constitute connected transactions of the Company subject to the reporting and announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Having made due and reasonable enquiries, the Directors (including the independent non-executive Directors) are of the view that the Disposal is on normal commercial terms, the consideration payable and payment arrangement for the Disposal and the other terms of the Asset and Business Acquisition Agreement are fair and reasonable and the Disposal is in the interests of the Company and its shareholders taken as a whole. Due to their positions in China Telecommunications Corporation, Mr. Li Ping, Mr. Zheng Qibao and Mr. Yuan Jianxing, have abstained from voting on the Board resolution to approve the Disposal.

7. DEFINITIONS

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

“Asset and Business Acquisition Agreement”	the asset and business acquisition agreement entered into between Tianxun Ruida and the Buyer on 5 September 2011 in respect of the Disposal
“Board”	the board of directors of the Company
“Buyer”	天翼電子商務有限公司 (E-Surfing Electronic Commerce Company Limited*), a limited liability company incorporated in the PRC on 3 March 2011 and an indirectly 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 of Hong Kong Limited
“Difo Telecommunications”	迪佛電信集團有限公司 (Difo Telecommunications Group Limited*), an indirectly wholly-owned subsidiary of China Telecommunications Corporation
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Payment Business operated by Tianxun Ruida to the Buyer pursuant to the Asset and Business Acquisition Agreement
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Payment Business”	the business in relation to the gateway payment service, mobile (self-owned account) payment service, bonus exchange operation supporting service and fixed-line phone payment service
“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
“Previous Disposal”	the disposal of 100% equity interest in Zhejiang Nantian by Zhejiang CCS to Difo Telecommunications pursuant to the Equity Transfer Agreement, details of which are set out in the announcement of the Company date 11 April 2011

“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Tianxun Ruida”	天訊瑞達通信技術有限公司 (Tianxun Ruida Communications Technology Company Limited*), an indirectly wholly-owned subsidiary of the Company
“Zhejiang CCS”	浙江省通信產業服務有限公司 (Zhejiang Communications Services Company Limited*), a directly wholly-owned subsidiary of the Company
“Zhejiang Nantian”	浙江南天郵電通訊技術有限公司 (Zhejiang Nantian Post and Communications Technology Company Limited*)

* For identification purpose only

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

Beijing, the PRC, 5 September 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.