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China Telecom Corporation Limited **中国电信股份有限公司**

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

(Stock Code: 728)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND REVISION OF 2012 ANNUAL CAPS

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcements dated 25 August 2010 and 23 August 2011 in relation to certain continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates including, among others, the transactions under the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement.

The Agreements governing the above continuing connected transactions will expire on 31 December 2012.

The Board announces that the Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement in accordance with their respective provisions for a further term of three years expiring on 31 December 2015.

REVISION OF THE 2012 ANNUAL CAPS FOR THE ENGINEERING FRAMEWORK AGREEMENT AND THE ANCILLARY TELECOMMUNICATIONS SERVICES FRAMEWORK AGREEMENT

The Company has also decided to increase the Annual Caps for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2012 from RMB8,800 million and RMB9,000 million respectively (equivalent to approximately HKD10,784 million and HKD11,029 million, respectively), to RMB11,000 million and RMB10,500 million respectively (equivalent to approximately HKD13,480 million and HKD12,868 million, respectively). All terms and conditions of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement shall remain unchanged and valid.

HONG KONG LISTING RULES IMPLICATIONS

As China Telecommunications Corporation is the Company's controlling shareholder, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the Revised Annual Caps which are applicable to the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2012, calculated on an annual basis, is above 0.1% but less than 5%, pursuant to Rule 14A.34 of the Listing Rules, the Revised Annual Caps are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (other than the profits ratio) of the Renewed Annual Caps for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2013, 2014 and 2015 are expected to exceed the 5% threshold under Chapter 14A of the Listing Rules, such continuing connected transactions will fall under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the Renewed Annual Caps for the transactions contemplated under the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement for each of the years ending 31 December 2013, 2014 and 2015 is expected to be above 0.1% but less than 5%, such continuing connected transactions will fall under Rule 14A.34 of the Listing Rules and are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the above Agreements will be disclosed in the Company's next published annual report and accounts, as required under Rules 14A.45 and 14A.46 of the Listing Rules.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the Independent Financial Adviser, will be included in the circular to be despatched to the shareholders of the Company) is of the view that the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Renewed Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors of the Company) is of the view that the Engineering Framework Agreement and the Ancillary Telecommunications, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, and that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Revised Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors of the Company) is of the view that the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Renewed Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

THE EGM

The EGM will be convened to consider and, if thought fit, to approve, among other things, the Acquisition, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and its associates with a material interest in relevant continuing connected transactions are required to abstain from voting on the relevant resolutions at the EGM. Accordingly, China Telecommunications Corporation and its associates are required to abstain from voting on the resolutions at the EGM.

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, has been formed to advise the Independent Shareholders in respect of, among other things, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto. The Company has appointed CICC as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of, among other things, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto.

A circular containing, among other things, (i) the Acquisition; (ii) details of the renewal of the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement and the Renewed Annual Caps applicable thereto; (iii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the EGM, will be despatched to the shareholders of the Company on or before 31 August 2012.

BACKGROUND

Reference is made to the announcements dated 25 August 2010 and 23 August 2011 in relation to certain continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates, which are governed by the following Agreements between the Company and China Telecommunications Corporation:

1. the Engineering Framework Agreement;
2. the Ancillary Telecommunications Services Framework Agreement;
3. the Interconnection Settlement Agreement;
4. the Community Services Framework Agreement;
5. the Centralised Services Agreement;
6. the Property Leasing Framework Agreement;
7. the IT Services Framework Agreement; and
8. the Supplies Procurement Services Framework Agreement.

The above Agreements governing the above continuing connected transactions will expire on 31 December 2012.

The Board announces that the Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement in accordance with their respective provisions for a further term of three years expiring on 31 December 2015.

CONTINUING CONNECTED TRANSACTIONS WITH CHINA TELECOMMUNICATIONS CORPORATION

Engineering Framework Agreement

Pursuant to the Engineering Framework Agreement, China Telecommunications Corporation and/or its associates through bids provide to the Group services such as construction, design, equipment installation and testing and/or engineering project supervision services. The charges payable for such engineering services shall be determined by reference to market rates. The charges payable for the design or supervision of engineering projects with a value of over RMB500,000 (equivalent to approximately HK\$612,745) or engineering construction projects with a value of over RMB2,000,000 (equivalent to approximately HK\$2,450,980) shall be determined by the tender award price.

The Group does not accord any priority to China Telecommunications Corporation and/or its associates to provide such services, and the tender may be awarded to an Independent Third Party. However, if the terms of an offer from China Telecommunications Corporation and/or its associates are at least as favourable as those offered by other tenderers, the Group may award the tender to China Telecommunications Corporation and/or its associates.

The Engineering Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Engineering Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Engineering Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Engineering Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Ancillary Telecommunications Services Framework Agreement

Pursuant to the Ancillary Telecommunications Services Framework Agreement, China Telecommunications Corporation and/or its associates provide the Group with certain repair and maintenance services, including repair of telecommunications equipment, maintenance of fire equipment and telephone booths, as well as other customer services. The charges payable for the services under the Ancillary Telecommunications Services Framework Agreement are calculated on the following basis:

- (1) the government-prescribed prices (if any);

- (2) where there are no government-prescribed prices but there are government-guided prices, the government-guided prices;
- (3) where there are neither government-prescribed prices nor government-guided prices, the market prices. Market prices shall mean the prices at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
- (4) where none of the above is applicable, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Ancillary Telecommunications Services Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Ancillary Telecommunications Services Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Ancillary Telecommunications Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Ancillary Telecommunications Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Interconnection Settlement Agreement

Pursuant to the Interconnection Settlement Agreement, the telephone operator connecting a telephone call made to its local access network shall be entitled to receive from the operator from which the telephone call originated a fee prescribed by the Ministry of Industry and Information Technology from time to time, which is currently RMB0.06 per minute. Interconnection charges are RMB0.06 per minute for local calls originated from the Group to China Telecommunication Corporation. The settlement regions include Beijing Municipality, Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

The Interconnection Settlement Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Interconnection Settlement Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Interconnection Settlement Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Interconnection Settlement Agreement, and the parties shall consult and decide on matters relating to such renewal. In addition, the Company and China Telecommunications Corporation have agreed that interconnection settlement charges will be calculated according to the rules and regulations of the relevant telecommunications regulators. If the telecommunications regulators amend existing, or promulgate new rules or regulations in respect of interconnection settlement, the parties shall apply such amended or new rules and regulations as acknowledged by both parties.

Community Services Framework Agreement

Pursuant to the Community Services Framework Agreement, China Telecommunications Corporation and/or its associates provide the Group with community services such as culture, education, property management, vehicle service, health and medical care, hotel and conference service, community and sanitary service. The community services under the Community Services Framework Agreement are provided at:

- (1) the government-prescribed prices (if any);
- (2) where there are no government-prescribed prices but there are government-guided prices, the government-guided prices;
- (3) where there are neither government-prescribed prices nor government-guided prices, the market prices. Market prices shall mean the prices at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
- (4) where none of the above is applicable, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Community Services Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Community Services Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Community Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Community Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Centralised Services Agreement

Pursuant to the Centralised Services Agreement, centralised services include centralised business management and operational services provided by the Group to China Telecommunications Corporation in relation to key corporate customers, its network management centre and business support centre. Centralised services also include the provision of certain premises by China Telecommunications Corporation to the Group and the common use of international telecommunications facilities by both parties.

In accordance with the Centralised Services Agreement, the aggregate costs incurred by the Group and China Telecommunications Corporation for the provision of management and operation services will be apportioned between the Group and China Telecommunications Corporation on a pro rata basis according to the revenues generated by each party. Where the Group uses the premises provided by China Telecommunications Corporation, the Group will pay premises usage fees to China Telecommunications Corporation on a pro rata basis according to the apportioned actual area allocated to the Group. The premises usage fees shall be determined through negotiation between the two parties based on comparable market rates. When both parties use international telecommunications facilities provided by third parties and accept services by such third parties (for example, restoration maintenance costs, the annual utilisation fee and related service costs) and when both parties use the international telecommunications facilities of China Telecommunications Corporation, the associated costs shall be shared on a pro rata basis according to volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from each party divided by the proportion of the aggregate volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from both parties. When the two parties use international telecommunications facilities provided by a third party and accept restoration maintenance costs, such fees shall be determined according to the actual utilisation fee of each year. The utilisation fee associated with the shared use of the international telecommunications facilities provided by China Telecommunications Corporation shall be determined through negotiation between the two parties based on market rates.

The Centralised Services Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Centralised Services Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Centralised Services Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Centralised Services Agreement, and the parties shall consult and decide on matters relating to such renewal.

Property Leasing Framework Agreement

Pursuant to the Property Leasing Framework Agreement, the Group and China Telecommunications Corporation and/or its associates can lease properties from the other party for use as business premises, offices, equipment storage facilities and sites for network equipment. The rental charges under the Property Leasing Framework Agreement shall be determined according to market rates with reference to the standards set forth by local price authorities. The rental charges are subject to review every three years.

The Property Leasing Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Property Leasing Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Property Leasing Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Property Leasing Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

IT Services Framework Agreement

Pursuant to the IT Services Framework Agreement, the Group and China Telecommunications Corporation and/or its associates can provide the other party with information technology services, including office automation and software testing. Each of the Group and China Telecommunications Corporation and/or its associates is entitled to participate in bidding for the right to provide information technology services to the other party in accordance with the IT Service Framework Agreement. The charges payable for such services shall be determined by reference to the market rates or rates obtained through a tender process. If the terms offered by the Group or China Telecommunications Corporation and/or its associates are no less favourable than those offered by an Independent Third Party provider, the Group or China Telecommunications Corporation and/or its associates may award the tender to the other party.

The IT Services Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the IT Services Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the IT Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the IT Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Supplies Procurement Services Framework Agreement

Pursuant to the Supplies Procurement Services Framework Agreement, China Telecommunications Corporation and/or its associates and the Group provide each other with supplies procurement services, including comprehensive procurement services, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage, and transportation and installation services.

Where the procurement services are provided on an agency basis, the maximum commission for such procurement services shall be calculated at:

- (1) not more than 1% of the contract value for procurement of imported telecommunications supplies; or
- (2) not more than 3% of the contract value for procurement of domestic telecommunications supplies and domestic non-telecommunications supplies.

The services for the provision of supplies procurement other than on an agency basis under the Supplies Procurement Services Framework Agreement are provided at:

- (1) the government-prescribed prices (if any);
- (2) where there are no government-prescribed prices but there are government-guided prices, the government-guided prices;

- (3) where there are neither government-prescribed prices nor government-guided prices, the market prices. Market prices shall mean the price at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
- (4) where none of the above is applicable, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Supplies Procurement Services Framework Agreement will expire on 31 December 2012. The Company and China Telecommunications Corporation agreed on 22 August 2012 to renew the Supplies Procurement Services Framework Agreement in accordance with its provisions for a further term of three years expiring on 31 December 2015. No later than 30 days prior to the expiry of the Supplies Procurement Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the Supplies Procurement Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Reasons for and Benefits of the Transactions Contemplated under the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement

The historical unique relationship and long-term cooperation between China Telecommunications Corporation and/or its associates and the Group has enabled China Telecommunications Corporation and/or its associates to gain a comprehensive and deep understanding of the Group’s network features and general business needs. Compared to third parties, China Telecommunications Corporation and/or its associates can more aptly ensure that high quality service is provided at a competitive price, thus lowering service costs. The Group will receive high quality service and can effectively lower its operational expenses.

Due to a long-standing and cooperative relationship in the past, China Telecommunications Corporation and/or its associates are more able to meet the needs of the Group and to provide responsive support services in a speedy and stable manner, thereby achieving effective business cooperation and synergies. China Telecommunications Corporation and/or its associates have set up specialised teams dedicated to serving the Group, and made proactive initiatives and technical preparations customised for the development of the Group, with a view to providing the Group with more systematic and efficient services.

REVISION OF 2012 ANNUAL CAPS FOR THE ENGINEERING FRAMEWORK AGREEMENT AND THE ANCILLARY TELECOMMUNICATIONS SERVICES FRAMEWORK AGREEMENT

Engineering Framework Agreement

For the two years ended 31 December 2010 and 2011, the Annual Caps for the transactions contemplated under the Engineering Framework Agreement were RMB7,052 million and RMB8,800 million, respectively (equivalent to approximately HKD8,642 million and HKD10,784 million, respectively). For the year ending 31 December 2012, the Annual Cap for the transactions contemplated under such agreement shall be RMB8,800 million (equivalent to approximately HKD10,784 million).

The increase in Annual Cap for the year ending 31 December 2012 in relation to the Engineering Framework Agreement is mainly attributable to the increase in the capital expenditure level associated with the continuing optical fibre network upgrade during the period and the expected accompanying growth of the engineering projects.

Accordingly, the Company has decided to increase the Annual Cap for the transactions contemplated under the Engineering Framework Agreement for the year ending 31 December 2012 to RMB11,000 million (equivalent to approximately HKD13,480 million). All terms and conditions of the Engineering Framework Agreement shall remain unchanged and valid.

For the year ended 31 December 2011, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Engineering Framework Agreement was approximately RMB8,293 million (equivalent to approximately HKD10,163 million). From 1 January 2012 to 30 June 2012, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Engineering Framework Agreement was approximately RMB4,833 million (equivalent to approximately HKD5,923 million). From 1 January 2012 to the date hereof, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Engineering Framework Agreement has not exceeded the pre-determined Annual Cap.

Ancillary Telecommunications Services Framework Agreement

For the two years ended 31 December 2010 and 2011, the Annual Caps for the transactions contemplated under the Ancillary Telecommunications Services Framework Agreement were RMB7,700 million and RMB9,000 million, respectively (equivalent to approximately HKD9,436 million and HKD11,029 million, respectively). For the year ending 31 December 2012, the Annual Cap for the transactions contemplated under such agreement shall be RMB9,000 million (equivalent to approximately HKD11,029 million).

The increase in the Annual Caps for the year ending 31 December 2012 in relation to the Ancillary Telecommunications Services Framework Agreement is mainly attributable to the continuing expansion of the Company's operation along with the further development of the Company's full service, and also the anticipated increase in expenditures on customer services, and repair and maintenance services.

Accordingly, the Company has decided to increase the Annual Cap for the transactions contemplated under the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2012 to RMB10,500 million (equivalent to approximately HKD12,868 million). All terms and conditions of the Ancillary Telecommunications Services Framework Agreement shall remain unchanged and valid.

For the year ended 31 December 2011, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Ancillary Telecommunications Services Framework Agreement was approximately RMB7,878 million (equivalent to approximately HKD9,654 million). From 1 January 2012 to 30 June 2012, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Ancillary Telecommunications Services Framework Agreement was approximately RMB4,665 million (equivalent to approximately HKD5,717 million). From 1 January 2012 to the date hereof, the amount paid by the Group to China Telecommunications Corporation and/or its associates under the Ancillary Telecommunications Services Framework Agreement has not exceeded the pre-determined Annual Caps.

When determining the above Revised Annual Caps, the Board has considered: (i) the historical amount paid by the Group to China Telecommunications Corporation and/or its associates under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for the year of 2011 and for the period from 1 January 2012 to the date hereof; (ii) the existing business scale and operations of the Company together with the latest business plans for the year ending on 31 December 2012; and (iii) the expected rapid development of full services.

THE REVISED ANNUAL CAPS AND THE RENEWED ANNUAL CAPS

Under Rule 14A.35(2) of the Listing Rules, in respect of a continuing connected transaction which is not fully exempted, a cap must be set and disclosed. The historical amounts, the Renewed Annual Caps or the Revised Annual Caps (as the case may be) for the four years ending 31 December 2012, 2013, 2014 and 2015 for each of the transactions contemplated under the Agreements are set out below:

Agreements	Audited historical amount for the year ended 31 December 2010	Audited historical amount for the year ended 31 December 2011	Unaudited historical amount for the period from 1 January to 30 June 2012	Annual Caps for the year ending 31 December 2012	Revised Annual Caps for the year ending 31 December 2012	Renewed Annual Caps for the year ending 2013	Renewed Annual Caps for the year ending 2014	Renewed Annual Caps for the year ending 2015
Engineering Framework Agreement	RMB6,415 million (equivalent to HKD7,862 million)	RMB8,293 million (equivalent to HKD10,163 million)	RMB4,833 million (equivalent to HKD5,923 million)	RMB8,800 million (equivalent to HKD10,784 million)	RMB11,000 million (equivalent to HKD13,480 million)	RMB16,000 million (equivalent to HKD19,608 million)	RMB16,000 million (equivalent to HKD19,608 million)	RMB16,000 million (equivalent to HKD19,608 million)
Ancillary Telecommunications Services Framework Agreement	RMB6,838 million (equivalent to HKD8,380 million)	RMB7,878 million (equivalent to HKD9,654 million)	RMB4,665 million (equivalent to HKD5,717 million)	RMB9,000 million (equivalent to HKD11,029 million)	RMB10,500 million (equivalent to HKD12,868 million)	RMB14,000 million (equivalent to HKD17,157 million)	RMB15,000 million (equivalent to HKD18,382 million)	RMB16,000 million (equivalent to HKD19,608 million)

Agreements	Audited historical amount for the year ended 31 December 2010	Audited historical amount for the year ended 31 December 2011	Unaudited historical amount for the period from 1 January to 30 June 2012	Annual Caps for the year ending 31 December 2012	Revised Annual Caps for the year ending 31 December 2012	Renewed Annual Caps for the year ending 31 December 2013	Renewed Annual Caps for the year ending 31 December 2014	Renewed Annual Caps for the year ending 31 December 2015
Interconnection Settlement Agreement	RMB516 million (equivalent to HKD632 million)	RMB450 million (equivalent to HKD551 million)	RMB196 million (equivalent to HKD240 million)	RMB1,000 million (equivalent to HKD1,225 million)	Not applicable	RMB1,000 million (equivalent to HKD1,225 million)	RMB1,000 million (equivalent to HKD1,225 million)	RMB1,000 million (equivalent to HKD1,225 million)
Community Services Framework Agreement	RMB2,185 million (equivalent to HKD2,678 million)	RMB2,362 million (equivalent to HKD2,895 million)	RMB1,144 million (equivalent to HKD1,402 million)	RMB2,900 million (equivalent to HKD3,554 million)	Not applicable	RMB3,500 million (equivalent to HKD4,289 million)	RMB3,800 million (equivalent to HKD4,657 million)	RMB4,000 million (equivalent to HKD4,902 million)
Centralised Services Agreement	RMB466 million (equivalent to HKD571 million)	RMB625 million (equivalent to HKD766 million)	RMB275 million (equivalent to HKD337 million)	RMB800 million (equivalent to HKD980 million)	Not applicable	RMB800 million (equivalent to HKD980 million)	RMB900 million (equivalent to HKD1,103 million)	RMB1,000 million (equivalent to HKD1,225 million)
Property Leasing Framework Agreement	RMB413 million (equivalent to HKD506 million)	RMB412 million (equivalent to HKD505 million)	RMB193 million (equivalent to HKD237 million)	RMB600 million (equivalent to HKD735 million)	Not applicable	RMB800 million (equivalent to HKD980 million)	RMB850 million (equivalent to HKD1,042 million)	RMB900 million (equivalent to HKD1,103 million)
IT Services Framework Agreement	Amount payable by the Group: RMB556 million (equivalent to HKD681 million)	Amount payable by the Group: RMB692 million (equivalent to HKD848 million)	Amount payable by the Group: RMB250 million (equivalent to HKD306 million)	Amount payable by the Group: RMB1,200 million (equivalent to HKD1,471 million)	Not applicable	Amount payable by the Group: RMB1,300 million (equivalent to HKD1,593 million)	Amount payable by the Group: RMB1,400 million (equivalent to HKD1,716 million)	Amount payable by the Group: RMB1,500 million (equivalent to HKD1,838 million)
	Amount payable by China Telecommunications Corporation and/or its associates: RMB295 million (equivalent to HKD362 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB365 million (equivalent to HKD447 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB132 million (equivalent to HKD162 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB500 million (equivalent to HKD613 million)	Not applicable	Amount payable by China Telecommunications Corporation and/or its associates: RMB500 million (equivalent to HKD613 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB600 million (equivalent to HKD735 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB700 million (equivalent to HKD858 million)
Supplies Procurement Services Framework Agreement	Amount payable by the Group: RMB2,215 million (equivalent to HKD2,714 million)	Amount payable by the Group: RMB2,764 million (equivalent to HKD3,387 million)	Amount payable by the Group: RMB1,521 million (equivalent to HKD1,864 million)	Amount payable by the Group: RMB3,800 million (equivalent to HKD4,657 million)	Not applicable	Amount payable by the Group: RMB4,500 million (equivalent to HKD5,515 million)	Amount payable by the Group: RMB5,000 million (equivalent to HKD6,127 million)	Amount payable by the Group: RMB5,500 million (equivalent to HKD6,740 million)
	Amount payable by China Telecommunications Corporation and/or its associates: RMB993 million (equivalent to HKD1,217 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,642 million (equivalent to HKD2,012 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,241 million (equivalent to HKD1,521 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB3,000 million (equivalent to HKD3,676 million)	Not applicable	Amount payable by China Telecommunications Corporation and/or its associates: RMB4,500 million (equivalent to HKD5,515 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB5,000 million (equivalent to HKD6,127 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB5,500 million (equivalent to HKD6,740 million)

As far as the Directors are aware, none of the Annual Caps for the year ending 31 December 2012 has been exceeded as at the date of this announcement. Each of the Annual Caps of the Agreements for the three years ending 31 December 2013, 2014 and 2015 have been determined by reference to the anticipated increase in the Company's network assets including the capital expenditure that is to be incurred on, among other things, the optical fibre network upgrade projects and the CDMA Network optimisation and capacity expansion projects after the completion of the proposed Acquisition. Apart from that, the Company also

takes into consideration the nature of the transactions contemplated under the respective Agreements, the existing scale and operations of the Company's business, the business plan of the Company and the inflationary pressures for the three years ending 31 December 2013, 2014 and 2015. The consideration under each of the Agreements will be satisfied in cash and no payment will be made on a deferred basis.

The increase in the Annual Caps for the three years ending on 31 December 2013, 2014 and 2015 compared to the revised Annual Cap for the year ending 31 December 2012 in relation to the Engineering Framework Agreement is mainly attributable to the expected material increase in the design, construction and supervision services that China Telecommunications Corporation and/or its associates provide to the Group following the proposed Acquisition to be completed on 31 December 2012.

The increase in the Annual Caps for the three years ending on 31 December 2013, 2014 and 2015 in relation to the Ancillary Telecommunications Services Framework Agreement is mainly attributable to the anticipated increase in expenditures on repair and maintenance services and other customer services such as customers acquisition to be provided by China Telecommunications Corporation and/or its associates as a result of the continuing expansion of the Company's operation along with the further development of the Company's full services. Especially, the increase in the Annual Cap for the year ending 31 December 2013 over the revised Annual Cap for the year ending 31 December 2012 was determined after taking into consideration of the proposed Acquisition which, if completed on 31 December 2012, is expected to result in a material increase in expenditures on repair and maintenance services of the Company in 2013.

The increase in the Annual Caps for the three years ending 31 December 2013, 2014 and 2015 in relation to the Community Services Framework Agreement is mainly attributable to the increase in the community services, such as safety and security management following the completion of the Acquisition and the Company's business development.

The increase in the Annual Caps for the three years ending 31 December 2013, 2014 and 2015 in relation to the Centralised Services Agreement is mainly attributable to anticipated increase in the centralised services due to the Company's business development.

The increase in the Annual Caps for the three years ending 31 December 2013, 2014 and 2015 in relation to the Property Leasing Framework Agreement is mainly attributable to the continuing expansion of the Company's operation and the rising rental charges. As the Company will lease certain properties from China Telecommunications Corporation and/or its associates which are not included in the Acquisition, it is expected that the demand for property leasing services following the completion of the Acquisition will increase.

The increase in the Annual Caps for the three years ending 31 December 2013, 2014 and 2015 in relation to the IT Services Framework Agreement, including the provision of, among others, information technology services by the Group to China Telecommunications Corporation and/or its associates and vice versa, is mainly attributable to the increase in mutual demand for IT services as a result of the further optimisation of the Company's IT system, the development of applicable management system for the new business model and the expansion of the Company's application of informatisation services.

The increase in the Annual Caps for the three years ending 31 December 2013, 2014 and 2015 in relation to the Supplies Procurement Services Framework Agreement is mainly attributable to the anticipated increase in capital expenditure in the future three years resulting in a corresponding increase in telecommunications procurement services, and the number of mobile terminals and telecommunications supplies sold through China Telecommunications Corporation and/or its associates are expected to increase.

CONNECTION BETWEEN THE PARTIES AND HONG KONG LISTING RULES IMPLICATIONS

As China Telecommunications Corporation is the Company's controlling shareholder, holding 70.89% of the issued share capital of the Company, China Telecommunications Corporation is a connected person of the Company and the transactions contemplated under the Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the Revised Annual Caps which are applicable to the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2012, calculated on an annual basis, is above 0.1% but less than 5%, pursuant to Rule 14A.34 of the Listing Rules, the Revised Annual Caps are only subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As certain applicable percentage ratios (other than the profits ratio) of the Renewed Annual Caps for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2013, 2014 and 2015 are expected to exceed the 5% threshold under Chapter 14A of the Listing Rules, such continuing connected transactions will fall under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the Renewed Annual Caps for the transactions contemplated under the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement for each of the years ending 31 December 2013, 2014 and 2015 is expected to be above 0.1% but less than 5%, such continuing connected transactions will fall under Rule 14A.34 of the Listing Rules and are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the above Agreements will be disclosed in the Company's next published annual report and accounts, as required under Rules 14A.45 and 14A.46 of the Listing Rules.

BOARD OPINION

The Board has passed resolutions to approve, amongst others, the renewal of the Agreements. Save for Mr. Wang Xiaochu and Mr. Yang Jie, who have been recently appointed as directors of China Telecommunications Corporation and have therefore voluntarily abstained from voting on, the relevant board resolutions in respect of amongst others, the renewal of the Agreements, none of the Directors had a material interest in the transactions contemplated under the Agreements and no Director was required to abstain from voting on the relevant board resolutions to approve the renewal of the Agreements.

The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account of the advice from the Independent Financial Adviser, will be included in the circular to be despatched to the shareholders of the Company) is of the view that the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Renewed Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors of the Company) is of the view that the Engineering Framework Agreement and the Ancillary Telecommunications, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, and that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Revised Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The Board (including the independent non-executive Directors of the Company) is of the view that the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement, and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group, that they are on normal commercial terms, that they have been implemented in accordance with the terms contained therein, and that the terms, as well as the Renewed Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

THE EGM

Reference is also made to the announcement of the Company dated 22 August 2012 in relation to the major transaction and connected transaction in respect of the acquisition of certain CDMA network assets and associated liabilities by the Company. The Company and China Telecommunications Corporation entered into an acquisition agreement, pursuant to which the Company has agreed to purchase, and China Telecommunications Corporation has agreed to sell, certain CDMA network assets and their associated liabilities located in 30 provinces, municipalities and autonomous regions (which do not include Xizang Autonomous Region).

The EGM will be convened to consider and, if thought fit, to approve, among other things, the Acquisition, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and its associates with a material interest in relevant continuing connected transactions are required to abstain from voting on the relevant resolution at the EGM. Accordingly, China Telecommunications Corporation and its associates are required to abstain from voting on the resolutions at the EGM.

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, has been formed to advise the Independent Shareholders in respect of, among other things, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto. The Company has appointed CICC as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on, among other things, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto.

A circular containing, among other things, (i) the Acquisition; (ii) details of the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement, and the Renewed Annual Caps applicable thereto; (iii) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (iv) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (v) the notice of the EGM, will be despatched to the Shareholders of the Company on or before 31 August 2012.

DEFINITIONS

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

“Acquisition”	the acquisition of certain assets relating to the CDMA network and associated liabilities under the acquisition agreement dated 22 August 2012 entered into between the Company (as purchaser) and China Telecommunications Corporation (as vendor), details of which are set out in the announcement of the Company dated 22 August 2012
“Agreements”	the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement

“Ancillary Telecommunications Services Framework Agreement”	the Ancillary Telecommunications Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“Annual Caps”	the maximum aggregate annual values
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Centralised Services Agreement”	the Centralised Services Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“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, with its principal business being the investment holding of companies primarily involved in the provision of telecommunications services in the PRC, the provision of specialised telecommunication support services and other businesses
“Community Services Framework Agreement”	the Community Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“Company”	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company, listed on the main board of the Stock Exchange, incorporated in the PRC with limited liability on 10 September 2002 and whose principal business includes basic telecommunications businesses such as the provision of fixed telecommunications services and mobile telecommunications services, and value-added telecommunications businesses such as Internet connection services business and information service business
“connected person”	has the meaning ascribed to it in the Listing Rules

“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened, the notice of which will be set out in the circular, or any adjournment thereof
“Engineering Framework Agreement”	the Engineering Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“Group”	the Company, together with all of its subsidiaries
“HK\$” or “HKD”	Hong Kong Dollars, the lawful currency of Hong Kong. For reference only, the amounts in Hong Kong Dollars set out in this announcement are translated from Renminbi at HKD1.00 = RMB0.816. Such translation should not be construed as representations that the amounts in one currency actually represent, or could be converted into, the amounts in another currency at the rate indicated, or at all
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, formed to advise the Independent Shareholders in respect of, amongst others, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement
“Independent Financial Adviser” or “CICC”	China International Capital Corporation Hong Kong Securities Limited, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of, amongst others, the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement
“Independent Shareholders”	shareholders of the Company 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
“Interconnection Settlement Agreement”	the interconnection settlement agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“IT Services Framework Agreement”	the IT Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	Macau Special Administrative Region of the PRC
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan)
“Property Leasing Framework Agreement”	the Property Leasing Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012
“Renewed Annual Caps”	the renewed Annual Caps for the continuing connected transactions contemplated under the Agreements for the three years ending 31 December 2013, 2014 and 2015
“Revised Annual Caps”	the adjusted Annual Caps for the continuing connected transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2012
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Supplies Procurement Services
Framework Agreement”

the Supplies Procurement Services Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 25 August 2010 with expiration on 31 December 2012

By Order of the Board
China Telecom Corporation Limited
Wang Xiaochu
Chairman and Chief Executive Officer

Beijing, PRC, 22 August 2012

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement may be viewed as “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company’s most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the “SEC”) and in the Company’s other filings with the SEC.

As at the date of this announcement, the Board consists of Mr. Wang Xiaochu as the chairman and chief executive officer, Mr. Yang Jie as the president and chief operating officer, Madam Wu Andi as the executive vice president and chief financial officer, Mr. Zhang Jiping, Mr. Yang Xiaowei, Mr. Sun Kangmin and Mr. Ke Ruiwen as the executive vice presidents, and Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura, Mr. Xu Erming as the independent non-executive directors.