中国电信
CHINA TELECOM

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)

CONNECTED TRANSACTION

SUMMARY

The Company is pleased to announce that the Company and China Telecommunications Corporation entered into an agreement on 26 April 2013, pursuant to which the Company has agreed to sell and China Telecommunications Corporation has agreed to purchase 80% of the share capital in E-surfing Media, a subsidiary of the Company. Upon the Completion of the Disposal, E-surfing Media will cease to be a subsidiary of the Company.

The initial consideration for the disposal of the E-surfing Media Shares is RMB1,195 million (equivalent to approximately HK$1,494 million). The initial consideration will be concluded based on the valuation of the equity interests in E-surfing Media as at 31 December 2012 as filed for the state-owned assets appraisals. In addition, adjustment will be made to the initial consideration to arrive at the final consideration based on 80% of the change in the net book value of the net assets of E-surfing Media during the period from 31 December 2012 to the Completion date. China Telecommunications Corporation is required to settle the consideration in cash within 5 business days upon the Disposal Agreement becoming effective. The Company expects that all proceeds from the Disposal will be used as the Group's general working capital.

LISTING RULES IMPLICATIONS

As of the date of this announcement China Telecommunications Corporation is the Company's controlling shareholder and holds approximately 70.89% of the issued share capital of the Company.

Pursuant to Chapter 14A of the Listing Rules, China Telecommunications Corporation is a connected person of the Company and the Disposal contemplated under the Disposal Agreement constitutes a connected transaction 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 Disposal is less than 5%, the Company is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will disclose the relevant details of the Disposal in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the

Listing Rules.

BENEFITS OF AND REASONS FOR THE TRANSACTION

Upon the Completion of the Disposal, the Company expects to realise a gain of approximately RMB670 million (equivalent to approximately HK$840 million), which is calculated based on the difference between the initial consideration of the Disposal of RMB1,195 million (equivalent to approximately HK$1,494 million) and the Company's 80% interests in the net book value of the net assets of E-surfing Media as at 31 December 2012 of approximately RMB525 million (equivalent to approximately HK$656 million). The final gain on the Disposal will be determined after the conclusion of, among others, the final consideration of the Disposal and the net book value of the net assets of E-surfing Media attributable to the Company as at the Completion date.

After the Completion of the transaction, E-surfing Media will become a subsidiary of China Telecommunications Corporation (a wholly domestically-owned company), which is beneficial to the retention and extension of the relevant permits for operating video service. In addition, E-surfing Media could leverage the resources edge of China Telecommunications Corporation and equity diversification to accelerate its business development. After the Disposal of E-surfing Media, the Company will continue to maintain close cooperation with E-surfing Media to promote the data traffic operation and the development of mobile internet service of the Company, so as to enhance the value of the Company.

Shareholders and potential investors should note that Completion of the Disposal is subject to the fulfillment of a number of conditions and therefore may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

INTRODUCTION

The Company is pleased to announce that the Company and China Telecommunications Corporation entered into an agreement on 26 April 2013, pursuant to which the Company has agreed to sell and China Telecommunications Corporation has agreed to purchase 80% of the share capital in E-surfing Media, a subsidiary of the Company. Upon the Completion of the Disposal, E-surfing Media will cease to be a subsidiary of the Company.

THE DISPOSAL AGREEMENT

Major terms of the Disposal Agreement are as follows:

Date:	26 April 2013	
Parties:	Vendor:	The Company
	Purchaser:	China Telecommunications Corporation

Consideration and Payment:

Pursuant to the Disposal Agreement, the initial consideration for the disposal of the E-surfing Media Shares is RMB1,195 million (equivalent to approximately HK$1,494 million). The initial consideration will be concluded based on the valuation of the equity interests in E-surfing Media as at 31 December 2012 as filed for the state-owned assets appraisals. In addition, adjustment will be made to the initial consideration to arrive at the final consideration based on 80% of the change in the net book value of the net assets of E-surfing Media during the period from 31 December 2012 to the Completion date. China Telecommunications Corporation is required to settle the consideration in cash within 5 business days upon the Disposal Agreement becoming effective. The Company expects that all proceeds from the Disposal will be used as the Group's general working capital.

The Disposal was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The consideration of the Disposal was determined with reference to various factors including, among others, the net book value of the net assets of E-surfing Media as at 31 December 2012 of approximately RMB656 million (equivalent to approximately HK$820 million) and preliminary valuation of the 80% equity interests in E-surfing Media of approximately RMB1,195 million (equivalent to approximately HK$1,494 million) prepared by the professional valuers, the quality of the assets and financial and operational metrics of E-surfing Media, and the benefits of and reasons for the transaction as described below.

The net profit and loss before taxation attributable to E-surfing Media in 2011 and 2012 were loss of approximately RMB6.86 million (equivalent to approximately HK$8.57 million) and profit of approximately RMB59.80 million (equivalent to approximately HK$74.75 million), respectively.

The net profit and loss after taxation attributable to E-surfing Media in 2011 and 2012 were loss of approximately RMB5.21 million (equivalent to approximately HK$6.51 million) and profit of approximately RMB48.29 million (equivalent to approximately HK$60.36 million), respectively.

The above net profit and loss figures are calculated based on the respective requirements in accordance with the China Accounting Standards for Business Enterprises.

Conditions Precedent:

The transaction contemplated under the Disposal Agreement is conditional upon, among others:

1. relevant shareholders' resolution passed by the shareholders of E-surfing Media to approve the share transfer as set out in the Disposal Agreement; and

2. written consent by all other shareholders of E-surfing Media to approve the share transfer as set out in the Disposal Agreement and to waive their pre-emptive rights.

Completion:

Completion of the Disposal will be effective upon the completion of the relevant business registration of the transfer of the E-surfing Media Shares, and in any event not later than 180 days from the date of the signing of the Disposal Agreement.

BENEFITS OF AND REASONS FOR THE TRANSACTION

Upon the Completion of the Disposal, the Company expects to realise a gain of approximately RMB670 million (equivalent to approximately HK$840 million), which is calculated based on the difference between the initial consideration of the Disposal of RMB1,195 million (equivalent to approximately HK$1,494 million) and the Company's 80% interests in the net book value of the net assets of E-surfing Media as at 31 December 2012 of approximately RMB525 million (equivalent to approximately HK$656 million). The final gain on the Disposal will be determined after the conclusion of, among others, the final consideration of the Disposal and the net book value of the net assets of E-surfing Media attributable to the Company as at the Completion date.

After the Completion of the transaction, E-surfing Media will become a subsidiary of China Telecommunications Corporation (a wholly domestically-owned company), which is beneficial to the retention and extension of the relevant permits for operating video service. In addition, E-surfing Media could leverage the resources edge of China Telecommunications Corporation and equity diversification to accelerate its business development. After the Disposal of E-surfing Media, the Company will continue to maintain close cooperation with E-surfing Media to promote the data traffic operation and the development of mobile internet service of the Company, so as to enhance the value of the Company.

INFORMATION ON THE COMPANY

The Company is an integrated information full services operator and the world's largest wireline telecommunications, CDMA mobile network and broadband services provider, providing basic telecommunications services such as wireline telecommunications services and mobile telecommunications services, and value-added telecommunications services such as Internet access services and information services, and other related services in the PRC. As of the end of 2012, the Company has access lines in service of about 163 million, wireline broadband subscribers of over 90 million and mobile subscribers of about 161 million. The Company's H shares and ADSs are listed on the Stock Exchange and the New York Stock Exchange, respectively.

INFORMATION ON E-SURFING MEDIA

E-surfing Media was established on 11 March 2011 and is a new media company primarily engaged in providing platform operating services for mobile Internet video and Internet video, offering video services for subscribers through extensive cooperation with content providers. At present, the number of paying subscribers is close to 14 million. The Company currently holds 80% equity interests in E-surfing Media.

INFORMATION ON THE PURCHASER

China Telecommunications Corporation is a state-owned enterprise engaged in the investment holding of companies primarily involved in the provision of telecommunications services in the PRC, the provision of specialised telecommunications support services and other businesses.

CONNECTION BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

As of the date of this announcement, China Telecommunications Corporation is the Company's controlling shareholder and holds approximately 70.89% of the issued share capital of the Company.

Pursuant to Chapter 14A of the Listing Rules, China Telecommunications Corporation is a connected person of the Company and the Disposal contemplated under the Disposal Agreement constitutes a connected transaction 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 Disposal is less than 5%, the Company is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Company will disclose the relevant details of the Disposal in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

BOARD OPINION

The Board has passed resolutions to approve the Disposal. The Board (including the independent non-executive Directors of the Company) is of the view that the Disposal has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the Disposal are fair and reasonable and in the interests of the Company and its shareholders as a whole. Save for Mr. Wang Xiaochu and Mr. Yang Jie who are directors of China Telecommunications Corporation and have voluntarily abstained from voting on the relevant board resolutions in respect of the Disposal Agreement, none of the Directors had a material interest in the transaction contemplated under the Disposal Agreement and no Director was required to abstain from voting on the relevant board resolutions to approve the Disposal Agreement.

Shareholders and potential investors should note that Completion of the Disposal is subject to the fulfillment of a number of conditions and therefore may or may not proceed. Shareholders of the Company and potential investors should exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

"Board"	the board of Directors of the Company
"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 specialized telecommunication support services and other businesses
"Company"	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, with its H shares and ADSs listed on the Stock Exchange and the New York Stock Exchange, respectively 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 access service business and information service business
"Completion"	Completion of the Disposal pursuant to the terms of the Disposal Agreement
"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
"Disposal"	the disposal of the E-surfing Media Shares by the Company to China Telecommunications Corporation pursuant to the Disposal Agreement

"Disposal Agreement"	the disposal agreement dated 26 April 2013 entered into between the Company and China Telecommunications Corporation, pursuant to which the Company has agreed to sell and the Purchaser has agreed to purchase the E-surfing Media Shares
"E-surfing Media"	E-surfing Media Co., Ltd. (天翼視訊傳媒有限公司), a subsidiary of the Company, primarily engaged in providing platform operating services for mobile Internet video and Internet video, offering video services for subscribers through extensive cooperation with content providers. At present, the number of paying subscribers is close to 14 million
"E-surfing Media Shares"	80% equity interests in E-surfing Media
"Group"	the Company, together with all of it subsidiaries
"HK$"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong "	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region, and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed to it in the Listing Rules

This announcement contains translations between Renminbi and Hong Kong dollar amounts at HK$1.00=RMB0.80 for illustration purposes. The translations should not be taken as a representation that the Renminbi could actually be converted into Hong Kong dollar at such rates or at all.

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

Beijing, PRC, 26 April 2013

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 of Directors of the Company 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, Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming as the independent non-executive directors.