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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)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

The Board announces that the Company and China Telecommunications Corporation have entered into the Internet Applications Channel Services Framework Agreement on 16 December 2013 in relation to the provision of Internet applications channel services to China Telecommunications Corporation and/or its associates. The channel services mainly include the provision of telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc. The agreement will become effective from 1 January 2014 and will expire on 31 December 2015. Through the Internet Applications Channel Services Framework Agreement, the Company would enhance the use of its existing excellent channel resources to increase the Company's revenue generated from channel services. Meanwhile, the Company and China Telecommunications Corporation will co-operate closely with each other in Internet applications so as to provide more enriched Internet applications to the Company's customers, facilitating better development of the mobile business of the Company, in particular the mobile data business.

Reference is made to the announcement published by the Company dated 22 August 2012 including, among other things, the Property Leasing Framework Agreement between the Company and China Telecommunications Corporation and the continuing connected transactions contemplated thereunder and the applicable Annual Caps. The Company has decided to increase the Annual Caps for the two years ending on 31 December 2014 and 2015 under the Property Leasing Framework Agreement from RMB850 million (equivalent to approximately HK\$1,090 million) and RMB900 million (equivalent to approximately HK\$1,150 million) to RMB1,100 million (equivalent to approximately HK\$1,410 million) and RMB1,300 million (equivalent to approximately HK\$1,670 million) respectively. All terms and conditions of the Property Leasing Framework Agreement shall remain unchanged and valid.

The Board (including the Independent Non-executive Directors of the Company) is of the view that the Internet Applications Channel Services Framework Agreement and the Property Leasing 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, and that the terms and the applicable Annual Caps, or the revised Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As each of the applicable percentage ratios (other than the profits ratio) of the Annual Caps or the revised Annual Caps which are applicable to the transactions contemplated under the Internet Applications Channel Services Framework Agreement and the Property Leasing Framework Agreement, calculated on an annual basis, 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.

INTERNET APPLICATIONS CHANNEL SERVICES FRAMEWORK AGREEMENT

The Company and China Telecommunications Corporation have entered into the Internet Applications Channel Services Framework Agreement on 16 December 2013 in relation to the provision of Internet applications channel services to China Telecommunications Corporation and/or its associates. The channel services mainly include the provision of telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc. The agreement will become effective from 1 January 2014 and will expire on 31 December 2015. No later than 30 days prior to the expiry of the Internet Applications Channel Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications Corporation to renew the agreement, and the parties shall consult and decide on matters relating to such renewal.

The charges payable for the services under the Internet Applications Channel 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).

Through the Internet Applications Channel Services Framework Agreement, the Company would enhance the use of its existing excellent channel resources to increase the Company’s revenue generated from channel services. Meanwhile, the Company and China Telecommunications Corporation will co-operate closely with each other in Internet applications so as to provide more enriched Internet applications to the Company’s customers, facilitating better development of the mobile business of the Company, in particular the mobile data business.

For the two years ending 31 December 2014 and 2015, the Annual Caps for the transactions contemplated under the Internet Applications Channel Services Framework Agreement shall be RMB800 million (equivalent to approximately HK\$1,030 million) and RMB1,500 million (equivalent to approximately HK\$1,920 million) respectively. The consideration under the agreement will be satisfied in cash and no payment will be made on a deferred basis. When determining the above Annual Caps under the Internet Applications Channel Services Framework Agreement, the Board has considered: (i) the nature of the transactions contemplated under the agreement; (ii) the rapid development of Internet applications in the future; and (iii) the existing business scale and operations of the Company together with the business plans for the two years ending on 31 December 2014 and 2015.

REVISION OF ANNUAL CAPS UNDER THE PROPERTY LEASING FRAMEWORK AGREEMENT

Reference is made to the announcement published by the Company dated 22 August 2012 including, among other things, the Property Leasing Framework Agreement between the Company and China Telecommunications Corporation and the continuing connected transactions contemplated thereunder and the applicable Annual Caps.

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 Company and China Telecommunications Corporation have 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 agreement, and the parties shall consult and decide on matters relating to such renewal.

The Group and China Telecommunications Corporation and/or its associates lease properties held by each other in accordance with market rates to cater for the needs of mutual operational development. This can foster better business development of each other and achieve a win win situation.

For the two years ended 31 December 2011 and 2012, the amounts paid by the Group and China Telecommunications Corporation and/or its associates in relation to the mutual leasing of properties under the Property Leasing Framework Agreement were approximately RMB410 million (equivalent to approximately HK\$530 million) and RMB420 million (equivalent to approximately HK\$540 million) respectively. From 1 January 2013 to 30 June 2013, the amount paid by the Group and China Telecommunications Corporation and/or its associates in relation to the mutual leasing of properties under the Property Leasing Framework Agreement was approximately RMB300 million (equivalent to approximately HK\$380 million). From 1 January 2013 to the date hereof, the amount paid by the Group and China Telecommunications Corporation and/or its associates under the Property Leasing Framework Agreement has not exceeded the pre-determined Annual Cap of RMB 800 million (equivalent to approximately HK\$1,030 million) for the year 2013.

Following the completion of the Company's acquisition of mobile network assets at the end of 2012, together with the rapid development of the Company's business, in particular the mobile services and information services, the demand for mutual leasing of properties by the Company and China Telecommunications Corporation and/or its associates continues to increase. Therefore, the Company has decided to increase the Annual Caps for the two years ending on 31 December 2014 and 2015 under the Property Leasing Framework Agreement from RMB850 million (equivalent to approximately HK\$1,090 million) and RMB900 million (equivalent to approximately HK\$1,150 million) to RMB1,100 million (equivalent to approximately HK\$1,410 million) and RMB1,300 million (equivalent to approximately HK\$1,670 million) respectively. All terms and conditions of the Property Leasing Framework Agreement shall remain unchanged and valid. When determining the above revised Annual Caps under the Property Leasing Framework Agreement, the Board has considered: (i) the historical amounts paid by the Group and China Telecommunications Corporation and/or its associates for the mutual leasing of properties for the year 2012 and for this year to the date hereof; (ii) the existing business scale and operations of the Company together with the business plans for the two years ending on 31 December 2014 and 2015; and (iii) the fluctuation of the market rates of the property rentals.

BOARD OPINION

The Board (including the Independent Non-executive Directors of the Company) is of the view that the Internet Applications Channel Services Framework Agreement and the Property Leasing 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, and that the terms and the applicable Annual Caps, or the revised Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

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 Internet Applications Channel Services Framework Agreement and the Property Leasing Framework Agreement 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 Annual Caps or the revised Annual Caps which are applicable to the transactions contemplated under the Internet Applications Channel Services Framework Agreement and the Property Leasing Framework Agreement, calculated on an annual basis, 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.

The Board has passed resolutions to approve the agreements of the above continuing connected transactions and their applicable Annual Caps or the revised Annual Caps. Save for Mr. Wang Xiaochu and Mr. Yang Jie, who are directors of China Telecommunications Corporation and have therefore voluntarily abstained from voting on the relevant board resolutions, none of the Directors had a material interest in the transactions contemplated under the continuing connected transactions and no Director was required to abstain from voting on the relevant board resolutions.

DEFINITIONS

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

“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
“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 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
“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 =RMB0.78. 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
“Internet Applications Channel Services Framework Agreement”	the Internet Applications Channel Services Framework Agreement signed between the Company and China Telecommunications Corporation on 16 December 2013, with the expiry date on 31 December 2015
“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, 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 22 August 2012 with the expiry date on 31 December 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
China Telecom Corporation Limited
Yung Shun Loy, Jacky
Company Secretary

Beijing, PRC, 16 December 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 of 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. Xie Liang as the non-executive director 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.