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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)**

### **CONNECTED TRANSACTION**

#### **SUMMARY**

The Company is pleased to announce that China Telecom Global and China Telecommunications Corporation entered into an agreement on 16 December 2013, pursuant to which China Telecommunications Corporation has agreed to sell and China Telecom Global has agreed to purchase 100% of the share capital in China Telecom Europe, a wholly-owned subsidiary of China Telecommunications Corporation. Upon Completion of the Acquisition, China Telecom Europe will become a wholly-owned subsidiary of China Telecom Global and an indirect wholly-owned subsidiary of the Company.

Pursuant to the Acquisition Agreement, China Telecom Global shall pay the initial consideration in the amount of RMB260,893,600 (equivalent to approximately HK\$334,478,974) in cash within 15 Business Days upon Completion. In addition, the initial consideration shall be adjusted for the difference between the Net Asset Value as set out in the Audited Financial Report on the Completion Date and the Net Asset Value in the Audited Financial Report on the Appraisal Benchmark Date. In the event that the Net Asset Value as at the Completion Date is greater than the Net Asset Value as at the Appraisal Benchmark Date, China Telecom Global shall pay China Telecommunications Corporation such adjustment amount to the initial consideration within 15 Business Days from the date of the Audited Financial Report on the Completion Date. In the event that the Net Asset Value as at the Completion Date is less than the Net Asset Value as at the Appraisal Benchmark Date, China Telecommunications Corporation shall pay China Telecom Global such adjustment amount to the initial consideration within 15 Business Days from the date of the Audited Financial Report on the Completion Date. The total consideration for the Acquisition consists of the initial consideration and the adjustment amount. The total consideration for the Acquisition will be funded from internal sources.

#### **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. China Telecom Global is a wholly-owned subsidiary of the Company.

Pursuant to Chapter 14A of the Listing Rules, China Telecommunications Corporation is a connected person of the Company and the Acquisition contemplated under the Acquisition Agreement entered into between China Telecommunications Corporation and China Telecom Global constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) of the Acquisition is less than 5% but more than 0.1%, 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 Acquisition 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**

After the Completion of the Acquisition, China Telecom Europe will become a wholly-owned subsidiary of China Telecom Global and an indirect wholly-owned subsidiary of the Company. At present, the overseas business of the Company, primarily including regions of Asia-Pacific and Americas, is operated by China Telecom Global. As a result of the Acquisition through China Telecom Global, the Company will further strengthen its competitive position in the overseas telecommunications market, improve and integrate the operation of its overseas business, take full advantage of synergy benefits, expand its service regions and increase its profitability.

**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 China Telecom Global and China Telecommunications Corporation entered into an agreement on 16 December 2013, pursuant to which China Telecommunications Corporation has agreed to sell and China Telecom Global has agreed to purchase 100% of the share capital in China Telecom Europe, a wholly-owned subsidiary of China Telecommunications Corporation. Upon Completion of the Acquisition, China Telecom Europe will become a wholly-owned subsidiary of China Telecom Global and an indirect wholly-owned subsidiary of the Company.

### **THE ACQUISITION AGREEMENT**

Major terms of the Acquisition Agreement are as follows:

**Date:** 16 December 2013

**Parties:** Vendor: China Telecommunications Corporation

Purchaser: China Telecom Global, a wholly-owned subsidiary of the Company

## **Consideration and Payment:**

Pursuant to the Acquisition Agreement, China Telecom Global shall pay the initial consideration in the amount of RMB260,893,600 (equivalent to approximately HK\$334,478,974) in cash within 15 Business Days upon Completion. In addition, the initial consideration shall be adjusted for the difference between the Net Asset Value as set out in the Audited Financial Report on the Completion Date and the Net Asset Value in the Audited Financial Report on the Appraisal Benchmark Date. In the event that the Net Asset Value as at the Completion Date is greater than the Net Asset Value as at the Appraisal Benchmark Date, China Telecom Global shall pay China Telecommunications Corporation such adjustment amount to the initial consideration within 15 Business Days from the date of the Audited Financial Report on the Completion Date. In the event that the Net Asset Value as at the Completion Date is less than the Net Asset Value as at the Appraisal Benchmark Date, China Telecommunications Corporation shall pay China Telecom Global such adjustment amount to the initial consideration within 15 Business Days from the date of the Audited Financial Report on the Completion Date. The total consideration for the Acquisition consists of the initial consideration and the adjustment amount. The total consideration for the Acquisition will be funded from internal sources.

The Acquisition was reached through arm's length negotiations, on normal commercial terms and in the ordinary and usual course of business of the Group. The total consideration for the Acquisition was determined with reference to various factors including, among other things, the quality of the assets, financial and operational metrics, profits of China Telecom Europe in 2012 and for the first six months in 2013 and the development prospect of China Telecom Europe, and the benefits of and reasons for the Acquisition as described below.

The net profit and/or loss before taxation attributable to China Telecom Europe in 2011, 2012 and the first six months in 2013 was a loss of approximately RMB6 million (equivalent to approximately HK\$8 million), a profit of approximately RMB24 million (equivalent to approximately HK\$31 million) and a profit of approximately RMB10 million (equivalent to approximately HK\$13 million), respectively. The net profit and/or loss after taxation attributable to China Telecom Europe in 2011, 2012 and the first six months in 2013 was a loss of approximately RMB6 million (equivalent to approximately HK\$8 million), a profit of approximately RMB24 million (equivalent to approximately HK\$31 million) and a profit of approximately RMB12 million (equivalent to approximately HK\$15 million), respectively. The Net Asset Value of China Telecom Europe as set out in the Audited Financial Report on the Appraisal Benchmark Date was approximately RMB77 million (equivalent to approximately HK\$99 million).

The financial information of China Telecom Europe set out above was prepared based on requirements in accordance with the China Accounting Standards for Business Enterprises.

## **BENEFITS OF AND REASONS FOR THE TRANSACTION**

After the Completion of the Acquisition, China Telecom Europe will become a wholly-owned subsidiary of China Telecom Global and an indirect wholly-owned subsidiary of the Company. At present, the overseas business of the Company, primarily including regions of Asia-Pacific and Americas, is operated by China Telecom Global. As a result of the Acquisition through China Telecom Global, the Company will further strengthen its competitive position in the overseas telecommunications market, improve and integrate the operation of its overseas business, take full advantage of synergy benefits, expand its service regions and increase its profitability.

### **Conditions Precedent:**

The transaction contemplated under the Acquisition Agreement is conditional upon several conditions, including the prior approval of the share transfer as set out in the Acquisition Agreement by the Russian Government Commission for Control over Foreign Investment or an exemption of such prior approval issued by the Russian Federal Antimonopoly Service.

### **Completion:**

As at the date of this announcement, all of the conditions precedent have been satisfied and Completion is expected to take place on 31 December 2013.

### **INFORMATION ON THE COMPANY**

The Company is an integrated information full services operator and is primarily engaged in 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.

### **INFORMATION ON THE PURCHASER**

China Telecom Global was incorporated in Hong Kong on 25 February 2000 with limited liability and is primarily engaged in developing various international telecom businesses, as well as developing voice, data, graphic and multi-media telecommunications and information services based on Internet.

### **INFORMATION ON CHINA TELECOM EUROPE**

China Telecom Europe was incorporated in London on 2 March 2006 and is primarily engaged in providing international leased line service, Internet service, voice wholesale service and other value-added telecommunications businesses in the Europe, the Middle East and Africa region. At present, it has four wholly-owned subsidiaries in France, South Africa, Germany and Russia and five representative offices in Dubai, Turkey, Russia, Spain and Kenya. China Telecommunications Corporation is currently the sole legal and beneficial owner of China Telecom Europe.

### **INFORMATION ON THE VENDOR**

China Telecommunications Corporation is a state-owned enterprise engaged in the investment holding of companies and is 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. China Telecom Global is a wholly-owned subsidiary of the Company.

Pursuant to Chapter 14A of the Listing Rules, China Telecommunications Corporation is a connected person of the Company and the Acquisition contemplated under the Acquisition Agreement entered into between China Telecommunications Corporation and China Telecom

Global constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) of the Acquisition is less than 5% but more than 0.1%, 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 Acquisition 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 Acquisition. The Board (including the independent non-executive Directors) is of the view that the Acquisition has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the Acquisition 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 Acquisition Agreement, none of the Directors had a material interest in the transaction contemplated under the Acquisition Agreement and no Director was required to abstain from voting on the relevant board resolutions to approve the Acquisition Agreement.

**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:

- “Acquisition” the acquisition of 100% of the share capital in China Telecom Europe by China Telecom Global from China Telecommunications Corporation pursuant to the Acquisition Agreement
- “Acquisition Agreement” the agreement dated 16 December 2013 entered into between China Telecom Global and China Telecommunications Corporation, pursuant to which China Telecommunications Corporation has agreed to sell and China Telecom Global has agreed to purchase 100% of the share capital in China Telecom Europe
- “Appraisal Benchmark Date” means 30 June 2013
- “Audited Financial Report on the Appraisal Benchmark Date” audited consolidated financial statements of China Telecom Europe and its subsidiaries in respect of the period from 1 January 2012 to the Appraisal Benchmark Date

“Audited Financial Report on the Completion Date”	audited consolidated financial statements of China Telecom Europe and its subsidiaries as at the Completion Date
“Board”	the board of Directors
“Business Days”	means a day other than a Saturday or Sunday or public holiday in Hong Kong and the PRC on which banks are open in Hong Kong and Beijing for general commercial business
“China Telecom Europe”	China Telecom (Europe) Limited (中國電信(歐洲)有限公司), a private company limited by shares incorporated in London on 2 March 2006 with a share capital of £16,150,000 divided into 16,150,000 ordinary shares of £1 each, and a wholly-owned subsidiary of China Telecommunications Corporation
“China Telecom Global”	China Telecom Global Limited (中國電信國際有限公司), a company incorporated in Hong Kong on 25 February 2000 with limited liability and with a total share capital of HK\$58,165,000, and a wholly-owned subsidiary 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 Acquisition pursuant to the terms of the Acquisition Agreement
“Completion Date”	the date of Completion
“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\$”	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
“Net Asset Value”	the difference in value between the value of total assets and the value of the total liabilities as they appear in the audited consolidated balance sheet of China Telecom Europe and its subsidiaries in respect of relevant audited period
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, 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=RMB0.78 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, 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 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, 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 and Mr. Xu Erming as the independent non-executive Directors.