

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RESPECT OF THE ACQUISITION OF CERTAIN CDMA NETWORK ASSETS AND ASSOCIATED LIABILITIES

Financial Adviser to China Telecom Corporation Limited



THE ACQUISITION

The Board is pleased to announce that on 22 August 2012, the Company and China Telecommunications Corporation entered into the Acquisition Agreement, pursuant to which the Company has agreed to purchase, and China Telecommunications Corporation has agreed to sell, certain assets and associated liabilities relating to the CDMA Network (comprising the Acquisition Target) held by China Telecommunications Corporation through the Network Branches located in 30 provinces, municipalities and autonomous regions in the PRC (which do not include Xizang Autonomous Region).

The Initial Consideration for the Acquisition is RMB84,595,410,000 (equivalent to approximately HK\$103,671 million), and is subject to the Price Adjustment in accordance with the mechanism described in the Acquisition Agreement to arrive at the Final Consideration. The Final Consideration will be payable in cash by the Company to China Telecommunications Corporation after all the conditions precedent for completion as set out in the Acquisition Agreement have been fulfilled or otherwise waived by both parties as follows: (i) RMB25,500 million (equivalent to HK\$31,250 million) will be payable within five Business Days of the Completion Date and (ii) the balance of the Final Consideration will be payable on or before the fifth anniversary of the Completion Date.

The Acquisition Agreement will become effective when certain conditions are fulfilled, including all required regulatory approvals and consents in connection with the Acquisition and the approval for the Acquisition by the Independent Shareholders of the Company having been obtained. Completion of the Acquisition is conditional upon the fulfilment of the conditions precedent as set out in the Acquisition Agreement, including the Acquisition Agreement having become effective. If any of the conditions precedent is not fulfilled on or before 31 December 2012, both parties shall, if practicable, agree in writing to either postpone the date on which the relevant conditions precedent are to be fulfilled or waive the relevant conditions precedent and proceed to completion as if all conditions precedent have been fulfilled.

A further announcement will be made by the Company when the conditions precedent to the completion of the Acquisition have been fulfilled or waived (as the case may be).

NEW CONTINUING CONNECTED TRANSACTIONS

Following the completion of the Acquisition, the Company will lease certain CDMA Network facilities, properties and land use rights which will not form part of the Assets of the Acquisition Target from China Telecommunications Corporation and/or its associates to maintain continuity in the business operations of the Company and the provision of the CDMA Service by the Company. Accordingly, the Company entered into the New Continuing Connected Transactions with China Telecommunications Corporation and/or its associates on 22 August 2012 and the relevant agreements will become effective on the day immediately after the Completion Date.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios in respect of the Acquisition represent more than 25% but less than 100% for the Company, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders.

As China Telecommunications Corporation is the controlling shareholder of the Company, China Telecommunications Corporation is a connected person of the Company. The Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the Acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, it is subject to the reporting, announcement and independent shareholders' approval requirements. As China Telecommunications Corporation is a connected person of the Company and is regarded as having a material interest in the Acquisition, it and its associates will abstain from voting on the resolutions relating to the Acquisition at the EGM.

As each applicable percentage ratio (other than the profits ratio) under the Listing Rules for each of the New Continuing Connected Transactions is less than 0.1%, such transactions are regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, further particulars of: (i) the Acquisition; (ii) information on the New Continuing Connected Transactions; (iii) details of the renewal of certain existing continuing connected transactions; (iv) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (v) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (vi) a summary of the property valuation report and a letter from the Property Valuer; and (vii) the notice of the EGM to consider and, if thought fit, to approve the resolutions relating to, among other things, the Acquisition Agreement and renewal of certain existing continuing connected transactions, will be despatched to the Shareholders of the Company on or before 31 August 2012.

WARNING: As completion of the Acquisition is subject to the fulfilment of certain conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Acquisition will be completed. Therefore, the Shareholders, the holders of ADSs and investors in general should exercise caution when dealing in the H Shares or the ADSs of the Company.

THE ACQUISITION

The Board is pleased to announce that on 22 August 2012, the Company and China Telecommunications Corporation entered into the Acquisition Agreement, pursuant to which the Company has agreed to purchase, and China Telecommunications Corporation has agreed to sell, certain assets and associated liabilities relating to the CDMA Network (comprising the Acquisition Target) held by China Telecommunications Corporation through the Network Branches located in 30 provinces, municipalities and autonomous regions in the PRC (which do not include Xizang Autonomous Region).

At present, pursuant to the Telecom CDMA Lease, China Telecommunications Corporation has agreed to lease the Capacity on the CDMA Network to the Company and the Company has the exclusive right to use and operate the CDMA Network to provide the CDMA Service in the Listed Service Areas during the term of the Telecom CDMA Lease. The lease fee for the Capacity under the CDMA Network is currently 28% of the audited CDMA Service Revenue. To facilitate the arrangement under the Telecom CDMA Lease, China Telecommunications Corporation has set up certain network branches in the Listed Services Areas to procure and construct the CDMA Network and hold the relevant CDMA Network assets, including the Acquisition Target.

China Telecommunications Corporation has granted to the Company an option to purchase the CDMA Network (the “**Purchase Option**”) under the Telecom CDMA Lease. The Purchase Option may be exercised, at the discretion of the Company, at any time during the term of the Telecom CDMA Lease or within one year after the expiry of the Telecom CDMA Lease. No premium has been paid or will be payable by the Company for the grant of the Purchase Option. The Telecom CDMA Lease will expire on 31 December 2012.

For the reasons set out in the paragraph headed “Reasons for and Benefits of the Acquisition” below, the Company has proposed to acquire the Acquisition Target from China Telecommunications Corporation pursuant to the terms and conditions set out in the Acquisition Agreement, details of which are set out below.

THE ACQUISITION AGREEMENT

Date: 22 August 2012

Parties: (1) the Company, as purchaser; and
(2) China Telecommunications Corporation, as vendor.

Acquisition Target to be Acquired

The Acquisition Target comprises the following assets and associated liabilities relating to the CDMA Network:

- (1) the Assets, including certain assets of China Telecommunications Corporation held by the Network Branches, including but not limited to the Properties and other auxiliary facilities, general facilities, line equipment, wired transmission equipment, wireless transmission equipment, switching equipment, digital communication equipment, corporate information system equipment, emergency communication equipment, mobile communication equipment and power supply equipment, software copyrights and patented technologies, together with contracts, agreements and operating records, documents and files related to these assets, except any assets in the Retained Assets and Liabilities; and
- (2) the Associated Liabilities, including liabilities of China Telecommunications Corporation assumed by the Network Branches to be transferred in association with the transfer of the Assets, and relevant contracts, agreements, records, documents and files related to these liabilities, except any liabilities in the Retained Assets and Liabilities.

Consideration

The Initial Consideration for the Acquisition is RMB84,595,410,000 (equivalent to approximately HK\$103,671 million), and is subject to the Price Adjustment in accordance with the mechanism described in the Acquisition Agreement to arrive at the Final Consideration.

The Initial Consideration and the mechanism for the Price Adjustment were arrived at after arm’s length negotiations between the Company and China Telecommunications Corporation and are on normal commercial terms, with reference to various factors including, but not limited to, a valuation range determined on the basis of a number of generally accepted industry valuation methodologies and conventions, the appraised value of the Assets (based on a report commissioned by China Telecommunications Corporation and produced by an independent appraiser), the specific and unique

characteristics of the Assets, the prevailing business conditions and growth prospects of the CDMA Service provided by the Company, standard commercial terms, and other considerations such as that arising during the normal course of negotiations.

The Initial Consideration, which will be adjusted by the Price Adjustment as specified in the Acquisition Agreement to reflect the change in the value of the Acquisition Target during the Relevant Period, will form the Final Consideration payable by the Company to China Telecommunications Corporation for the Acquisition. A mutually recognised auditor will be appointed to conduct an audit on the financial information of the Acquisition Target within a reasonable period of time after the Completion Date. The Price Adjustment will be based on the change of the carrying amount, which will primarily be driven by the capital expenditure, the depreciation and the changes in the liabilities in relation to the Acquisition Target during the Relevant Period. The amount of the Price Adjustment will not be more than RMB3,000 million (equivalent to approximately HK\$3,676 million). The Final Consideration will not be more than RMB87,595,410,000 (equivalent to approximately HK\$107,347 million).

The Final Consideration will be payable in cash by the Company to China Telecommunications Corporation as follows: (i) RMB25,500 million (equivalent to HK\$31,250 million) will be payable within five Business Days of the Completion Date and (ii) the balance of the Final Consideration (the “**Deferred Payment**”) will be payable on or before the fifth anniversary of the Completion Date after all the conditions precedent set out below have been fulfilled or otherwise waived by both parties. The payment will be funded from the Company’s internal resources and relevant debt financing sources.

The Company may, from time to time, prepay all or part of the Deferred Payment at any time after the Completion Date without penalty until the fifth anniversary of the Completion Date. The Company will pay interest on the outstanding amount of the Deferred Payment to China Telecommunications Corporation at half-yearly intervals and the interest will accrue from the day following the Completion Date. The interest rate will be set at a 5 basis points premium to the yield of the 5-year super AAA rated Medium Term Notes most recently published by the National Association of Financial Market Institutional Investors before the Completion Date and will be adjusted once a year in accordance with the last yield of the 5-year super AAA rated Medium Term Notes published by the National Association of Financial Market Institutional Investors at the end of each year. For the Shareholders’ reference, the yield of 5-year super AAA rated Medium Term Notes published by the National Association of Financial Market Institutional Investors on 20 August 2012 was 4.35%.

In the event any amount payable by the Company under the Acquisition Agreement is not paid when due, the Company will be required to pay the liquidated damages on such amount at a daily rate of 0.03% of the arrears from the day following the applicable due date to the date that such amount has actually been paid in full.

The Acquisition Agreement Becoming Effective

The Acquisition Agreement will become effective when all of the following conditions are fulfilled:

- (i) the Acquisition Agreement having been executed by the legal representative of each party or their respective authorised representatives with official company seals of both parties affixed to the Acquisition Agreement;
- (ii) the Acquisition having been approved by China Telecommunications Corporation;
- (iii) the Acquisition having been approved by the Board, the Independent Board Committee and the Independent Shareholders of the Company; and
- (iv) all required approvals, consents, authorisations and filings in connection with the Acquisition from the relevant government and regulatory authorities in the PRC, which shall include but not limited to the approval from the SASAC, having been obtained.

Conditions Precedent to Completion

The completion of the Acquisition is conditional upon the fulfilment of the following conditions:

- (i) the Acquisition Agreement having become effective;
- (ii) each of the representations and warranties made by China Telecommunications Corporation at the date of the Acquisition Agreement remaining true, accurate and complete and none of them being misleading or false or containing any material omission in all material aspects;
- (iii) all undertakings, obligations and conditions that should be performed or observed by China Telecommunications Corporation before the Completion Date as provided in the Acquisition Agreement having been duly performed and observed by China Telecommunications Corporation;
- (iv) no event having occurred which has or will have any material adverse impact on the condition of the Acquisition Target; and
- (v) China Telecommunications Corporation having performed all necessary procedures for the completion of the Acquisition required by applicable laws and/or binding agreements and documents in relation to the Acquisition, including but not limited to the procedures of announcing to/notifying creditors or obtaining consent from creditors and obtaining written consent from third parties if any of the Assets are subject to any third party rights or restrictions on such rights have been released.

Both parties shall use their reasonable endeavours to fulfil all conditions precedent as soon as practicable and in any event not later than 31 December 2012. If any of the above conditions precedent are not fulfilled on or before 31 December 2012, both parties shall, if practicable, agree in writing to either postpone the date on which the relevant conditions precedent are to be fulfilled or waive the relevant conditions precedent (save for condition (i) which cannot be waived) and proceed to completion as if all conditions precedent have been fulfilled.

As at the date of this announcement, none of the conditions referred above have been fulfilled, and neither the Company nor China Telecommunications Corporation has any intention to waive any of the conditions. A further announcement will be made by the Company when all of the conditions precedent to the completion of the Acquisition have been fulfilled or waived (as the case may be).

Arrangements during the Relevant Period

During the Relevant Period, both parties agree that the Network Branches will continue to procure and construct the CDMA Network in the ordinary course in accordance with the construction plan for network capacity expansion with the consent of the Company as required under the Telecom CDMA Lease, including but not limited to the investments in, and expenses to be incurred on, the CDMA Network under the construction plan for network capacity expansion to ensure the normal procurement and construction of CDMA Network.

The costs, fees, income and capital expenses incurred by the Network Branches during the Relevant Period under the aforementioned construction plan for the CDMA Network shall be settled in accordance with the terms of the Telecom CDMA Lease and other existing arrangements.

Pre-completion Period

- (1) During the Pre-completion Period, both parties agree that the Network Branches shall continue to manage the Acquisition Target in accordance with the terms of the Telecom CDMA Lease and obtain the consent of the Company in relation to material operational decisions.
- (2) China Telecommunications Corporation has undertaken to the Company that, during the Pre-completion Period, it will:
 - (i) not make any significant changes to the ordinary operation and financial policies of the Network Branches and the Acquisition Target;
 - (ii) ensure the normal and ordinary operation and management of the Network Branches and the Acquisition Target;
 - (iii) not change the approved CDMA Network projects, plans and proposals without the prior consent of the Company;

- (iv) fulfil all necessary conditions for the identification of the Acquisition Target upon reasonable requests by the Company for the sole purpose of completion; and
 - (v) notify and consult the Company in respect of any matters, to the knowledge of China Telecommunications Corporation, that will occur on or before the Completion Date that may have a material adverse effect on the Acquisition Target, or ensure that the Company will be notified and will have the chance to be consulted with.
- (3) During the Pre-completion Period, both parties shall set up their respective task groups to take all necessary and appropriate measures to complete the preparation work for the transfer of the Acquisition Target including, but not limited to, the inventory check of the Acquisition Target, the provision of a preliminary schedule of specific assets and liabilities comprising the Acquisition Target (the “**Preliminary Schedule**”) by China Telecommunications Corporation (which will form the basis of the final schedule of the Acquisition Target to be signed on the Completion Date (the “**Final Schedule**”)), and the preparation work for the novation, succession and renewal of the relevant contracts. Both parties will agree on a completion proposal during the Pre-completion Period to ensure the normal operation of relevant business and service operations and a smooth transfer of the Acquisition Target.

Completion and Relevant Arrangements

- (1) Both parties shall ensure a smooth transfer of the Acquisition Target and the normal operation of CDMA Service.
- (2) On the Completion Date, both parties shall complete the completion arrangements, including:
 - (i) the delivery of the Assets;
 - (ii) the delivery of the Associated Liabilities;
 - (iii) the novation of the contracts;
 - (iv) registration of the change of ownership in the Assets (if necessary);
 - (v) the delivery of all documents and information in relation to the Acquisition Target, including but not limited to business records and operation records; and
 - (vi) other matters in connection with the completion.

Both parties shall sign the Final Schedule on the Completion Date which will form the basis of the completion. A confirmation letter will also be signed between the parties on the Completion Date, setting out a specific list of matters to be handled following the Completion Date.

- (3) Both parties agree that any matters to be handled following the Completion Date shall be settled within twelve months from the Completion Date or such other date agreed by both parties. Both parties will review these matters and sign a confirmation letter and relevant agreement (if necessary) at the end of each of the sixth month and the twelfth month from the Completion Date in connection with the completion of these matters and any outstanding matters.

Representations and Warranties

Undertakings, representations and warranties of China Telecommunications Corporation

- (1) China Telecommunications Corporation has made certain representations and warranties in relation to, amongst others, its legality and qualification, information provided to the Company regarding the Acquisition Target, the operation legality of the Network Branches, the account of the Network Branches prior to the Completion Date, the conditions of the Assets, land use rights and properties to be acquired or leased by the Company, intellectual property rights, the existing contract relationships and business arrangements relating to the Acquisition Target, its compliance with tax and other laws in relation to the Acquisition Target, and litigations and investigations.
- (2) Each of the representations and warranties made by China Telecommunications Corporation under the Acquisition Agreement shall remain valid upon execution of the Acquisition Agreement and after the completion of the transfer of the Acquisition Target.

Undertakings, representations and warranties of the Company

The Company has made certain representations and warranties in relation to, amongst others, its legality and qualification, its eligibility of executing and performing the Acquisition Agreement and the payment of the Final Consideration.

INFORMATION ABOUT THE ACQUISITION TARGET

In 2008, China Telecommunications Corporation had agreed to acquire the CDMA network constructed by Unicom New Horizon Telecommunications Company Limited (previously known as Unicom New Horizon Mobile Telecommunications Company Limited) (“**Unicom New Horizon**”) from China United Network Telecommunications Group Co., Ltd (previously known as China United Telecommunications Corporation) and Unicom New Horizon for a consideration of RMB66.2 billion. China Telecommunications Corporation owns the CDMA Network assets through certain network branches in the Listed Service Areas in China and has been continuously investing in the CDMA Network, upgrading and expanding its network coverage and subscriber base across China since the acquisition, which is now the largest CDMA network worldwide.

Based on the information provided by China Telecommunications Corporation, the capital expenditure incurred by it in relation to the CDMA Network located in 30 provinces, municipalities and autonomous regions in the PRC (which do not include Xizang Autonomous Region) for the three years ended 31 December 2009, 2010 and 2011 and the six months ended 30 June 2012 was approximately RMB53,200 million, RMB26,800 million, RMB21,500 million and RMB7,000 million, respectively.

The Acquisition Target is comprised of a substantial part of the CDMA Network Assets and the Associated Liabilities owned by China Telecommunications Corporation through the Network Branches located in 30 provinces, municipalities and autonomous regions in the PRC (which do not include Xizang Autonomous Region). As at 31 March 2012, the total carrying amount of the Assets was approximately RMB111,206 million, in which the carrying amount of property, plant and equipment was approximately RMB93,046 million and the carrying amount of construction in progress was approximately RMB11,663 million. As at 31 March 2012, the Associated Liabilities amounted to approximately RMB30,032 million, and were all current liabilities.

The Properties in the Assets to be acquired comprise 1,907 pieces of land, 1,639 buildings and other structures located in the PRC as at 30 June 2012 and the value of the Properties was approximately RMB946 million based on the property valuation report prepared by the Property Valuer.

The Assets and the Retained Assets constituted the CDMA Network assets located in 30 provinces, municipalities and autonomous regions in the PRC and jointly generated the Capacity lease revenue for the Network Branches under the Telecom CDMA Lease. Routine repairs and maintenance expenses, water, electricity and other utilities charges have been incurred for all network assets, including the Assets and the Retained Assets, held by the Network Branches. These repairs and maintenance expenses, water, electricity and other utilities charges incurred were not specifically recorded for each individual asset by the Network Branches. It is impractical to allocate the Capacity lease revenue and such expenses to the Retained Assets except on an arbitrary basis.

The carrying amount and respective depreciation and amortisation of the Retained Assets can be quantified from the accounting records provided by China Telecommunications Corporation. As at 31 March 2012, the carrying amount of the Retained Assets was about 4% of the carrying amount of the Assets. During the three years ended 31 December 2011 and the six months ended 30 June 2012 (the “**Track Record Period**”), the depreciation and amortisation for each year/period accrued for the Retained Assets was less than 3% of the depreciation and amortisation in the unaudited statements of income and expenditure set out below. As part of the CDMA Network assets, the Retained Assets will be leased by the Company after the completion of the Acquisition, the unaudited statements of income and expenditure set out below have been properly compiled to present the financial performance of the Acquisition Target during the Track Record Period.

The unaudited financial information of the Acquisition Target for the Track Record Period, which are the statements of income and expenditure in relation to the Assets and the Retained Assets, is set out below and will be included in the circular to be despatched to the Shareholders. Such financial information has prepared based on the relevant information provided by China Telecommunications Corporation using the accounting policies materially consistent with those of the Company.

	For the year ended 31 December			For the six
	2009	2010	2011	months ended
	<i>RMB millions</i>	<i>RMB millions</i>	<i>RMB millions</i>	30 June 2012
				<i>RMB millions</i>
Operating revenues (<i>Note 1</i>)	8,080	12,891	18,349	11,341
Operating expenses				
Depreciation and amortisation	(6,589)	(10,742)	(13,226)	(7,213)
Network maintenance and others	(7,460)	(7,174)	(8,846)	(3,586)
Operating (losses)/profit	<u>(5,969)</u>	<u>(5,025)</u>	<u>(3,723)</u>	<u>542</u>

Note 1: the operating revenues represent the Capacity lease revenue earned from the Company under the Telecom CDMA Lease, net of the PRC business tax.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company believes that the Acquisition has the following benefits:

- (1) it will be value enhancing for the Company and the Shareholders. As a result of the rapid expansion of the Company's mobile service, the CDMA Service Revenue and the lease fee for the Capacity under the Telecom CDMA Lease have undergone significant growth. The future leasing fee savings as a result of the Acquisition are expected to exceed the incremental costs of owning the Assets such as depreciation, financial charges, maintenance and other costs arising from the Acquisition;
- (2) it will remove the need to renew the Telecom CDMA Lease and hence the risk of potential increases in mobile network leasing fee rate;
- (3) it will allow the Company to have a more direct control over the future investment decisions of the CDMA Network, and to further focus on network optimisation and capacity expansion to better provide the mobile services to meet the increasingly high data traffic demands of the market;
- (4) it will allow the Company to fully integrate the assets and services of the Company's CDMA Service in a manner similar to the Company's fixed line service, in order to improve the operating efficiency and value of the mobile business as a whole;
- (5) the resulting business synergies from (i) centralised investment planning, maintenance, procurement and financial management and (ii) more closely integrated services and product offerings to drive innovation and growth will enhance Shareholders' value; and
- (6) it will enhance the transparency of mobile business operation and development, and is expected to significantly reduce the transaction amount of continuing connected transactions in the future.

The Company believes in order to realise the above benefits, it will need to continue to enhance its data network capabilities and operations focused on the rapid proliferation of 3G smart devices and content development. Specifically, this would involve the ongoing expansion of its CDMA subscriber base to further achieve economies of scale, in addition to providing more integrated service offerings.

NEW CONTINUING CONNECTED TRANSACTIONS

Following the completion of the Acquisition, the Company will lease certain CDMA Network facilities, properties and land use rights which will not form part of the Assets of the Acquisition Target from China Telecommunications Corporation and/or its associates to maintain continuity in the business operations of the Company and the provision of the CDMA Service by the Company. Accordingly, the Company entered into the New Continuing Connected Transactions with China Telecommunications Corporation and/or its associates on 22 August 2012 and the relevant agreements will become effective on the day immediately after the Completion Date.

Such New Continuing Connected Transactions will comprise (i) the CDMA Network Facilities Lease Framework Agreement, pursuant to which the Company will mainly lease certain CDMA Network facilities located in Xizang Autonomous Region from China Telecommunications Corporation and/or its associates, and (ii) the Land Use Right Lease Framework Agreement, pursuant to which the Company and China Telecommunications Corporation and/or its associates will mutually lease certain land use rights from each other in connection with their respective operations. Certain properties to be leased by the Company from China Telecommunications Corporation and/or its associates will be added to the leased properties governed under the existing Property Leasing Framework Agreement, the details of which are set out in the announcement of the Company dated 22 August 2012 in relation to the renewal of certain existing continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates.

As each applicable percentage ratio (other than the profits ratio) under the Listing Rules for each of the New Continuing Connected Transactions is less than 0.1%, such transactions are regarded as continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules.

RELATIONSHIP BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS

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

As at the Latest Practicable Date, China Telecommunications Corporation holds 70.89% of the total issued share capital of the Company.

As certain applicable percentage ratios in respect of the Acquisition represent more than 25% but less than 100% for the Company, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Shareholders.

As China Telecommunications Corporation is the controlling shareholder of the Company, China Telecommunications Corporation is a connected person of the Company. The Acquisition also constitutes a connected transaction under Chapter 14A of the Listing Rules.

As the Acquisition constitutes a major and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, it is subject to the reporting, announcement and independent shareholders' approval requirements. As China Telecommunications Corporation is a connected person of the Company and is regarded as having a material interest in the Acquisition, it and its associates will abstain from voting on the resolutions relating to the Acquisition Agreement at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquires, no Shareholders apart from China Telecommunications Corporation and its associates will be required to abstain from voting on the resolutions to approve the Acquisition Agreement and the transactions contemplated thereunder.

BOARD OPINION

The 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, amongst others, the Acquisition Agreement. The Company has also appointed CICC as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of, amongst others, the Acquisition Agreement.

The Board has passed resolutions to approve, amongst others, the Acquisition Agreement. 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, amongst others, the relevant board resolutions in respect of the Acquisition Agreement, none of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement and no Director was required to abstain from voting on the relevant board resolutions to approve the Acquisition Agreement.

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) is of the view that the Acquisition 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 the terms of the Acquisition Agreement have been determined through arm's length negotiations between the parties, and that they, as well as the Final Consideration payable by the Company for the Acquisition, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE EGM

Reference is also made to the announcement of the Company dated 22 August 2012 in relation to the renewal of the certain existing continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates.

The EGM will be convened to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder, the renewal of certain existing continuing connected transactions and the proposed annual caps applicable thereto, and other matters. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and its associates with a material interest in relevant 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 above resolutions at the EGM.

A circular containing, amongst other things, further particulars of: (i) the Acquisition; (ii) information on the New Continuing Connected Transactions; (iii) details of the renewal of certain existing continuing connected transactions; (iv) a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders; (v) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; (vi) a summary of the property valuation report and a letter from the Property Valuer; and (vii) the notice of the EGM to consider and, if thought fit, to approve the resolutions relating to, amongst others, the Acquisition Agreement and renewal of certain existing continuing connected transactions, 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 the Acquisition Target under the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 22 August 2012 entered into between the Company (as purchaser) and China Telecommunications Corporation (as vendor) in relation to the Acquisition
“Acquisition Target”	the Assets and the Associated Liabilities
“ADSs”	American Depositary Shares which are issued by The Bank of New York Mellon and traded on the New York Stock Exchange, with each ADS representing 100 H Shares
“Assets”	the assets relating to the CDMA Network to be acquired by the Company as specified in the Acquisition Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules

“Associated Liabilities”	the liabilities to be assumed by the Company as specified in the Acquisition Agreement
“Board”	the board of Directors of the Company
“Business Day”	any day on which commercial banks in Beijing, China are open for corporate business
“Capacity”	capacity on the constructed CDMA Network required by the Company to operate the CDMA Service measured in terms of actual number of subscribers
“CDMA”	Code Division Multiple Access Technology, which is a digital transmission technology that accommodates higher throughput by using various coding sequences to mix and separate voice and data signals for wireless communication, including all upgrades to such technology from time to time
“CDMA Network”	the CDMA cellular telecommunications network owned by China Telecommunications Corporation and operated by the Company
“CDMA Service”	the service of providing, operating or marketing the provision of CDMA telecommunications business by the Company
“CDMA Service Revenue”	the service revenue generated by the Company in the course of operating its CDMA telecommunication business which shall be calculated by the total revenue from the CDMA Service under IFRS minus any upfront non-refundable revenue arising out of the CDMA Service and any revenue from sale of telecommunication products in connection with the CDMA Service
“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan)
“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

“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
“Completion Date”	31 December 2012
“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 or any adjournment thereof
“Final Consideration”	the consideration payable for the Acquisition by the Company to China Telecommunications Corporation after the Price Adjustment of the Initial Consideration in accordance with the Acquisition Agreement
“Financial Adviser” or “UBS”	UBS AG, Hong Kong Branch, acting as the financial adviser to the Company in respect of the Acquisition
“Group”	the Company, together with all of its subsidiaries
“H Shares”	the ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00, which are subscribed for and paid up in a currency other than Renminbi and are listed on the Stock Exchange
“HK\$”	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 HK\$1.00 = 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”	the 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 Acquisition 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 Acquisition Agreement
“Independent Shareholders”	shareholders of the Company other than China Telecommunications Corporation and its associates
“Initial Consideration”	the initial consideration payable for the Acquisition by the Company to China Telecommunications Corporation as agreed under the Acquisition Agreement, which is RMB84,595,410,000 (equivalent to approximately HK\$103,671 million)
“Listed Service Areas”	Guangdong, Jiangsu, Zhejiang, Fujian, Liaoning, Shandong, Anhui, Hebei, Hubei, Jilin, Heilongjiang, Jiangxi, Henan, Shaanxi, Sichuan, Shanxi, Hunan, Hainan, Yunnan, Gansu, Qinghai and Guizhou provinces, and Beijing, Shanghai, Chongqing and Tianjin municipalities, and the Guangxi Zhuang, Xinjiang Uygur, and the Inner Mongolia, Ningxia Hui, and Xizang autonomous regions and other areas as may be agreed between the Company and China Telecommunications Corporation
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Network Branches”	China Telecommunications Corporation Network Branch and other network branches set up by China Telecommunications Corporation in 30 provinces, municipalities and autonomous regions, including Guangdong, Jiangsu, Zhejiang, Fujian, Liaoning, Shandong, Anhui, Hebei, Hubei, Jilin, Heilongjiang, Jiangxi, Henan, Shaanxi, Sichuan, Shanxi, Hunan, Hainan, Yunnan, Gansu, Qinghai and Guizhou provinces, and Beijing, Shanghai, Tianjin and Chongqing municipalities, and the Guangxi Zhuang, Xinjiang Uygur, the Inner Mongolia and Ningxia Hui autonomous regions
“New Continuing Connected Transactions”	the new continuing connected transactions entered into between the Company and China Telecommunications Corporation and/or its associates arising from the Acquisition, consisting of the transactions contemplated under each of the CDMA Network Facilities Lease Framework Agreement and the Land Use Right Lease Framework Agreement
“Pre-completion Period”	the period between the date on which the Acquisition Agreement becomes effective and the Completion Date

“Price Adjustment”	the adjustment to the Initial Consideration to reflect changes in the value of the Acquisition Target during the Relevant Period as specified in the Acquisition Agreement
“Properties”	the land use rights, buildings and structures with good and valid title that are owned by China Telecommunications Corporation and which form part of the Assets under the Acquisition
“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 expiration on 31 December 2015
“Property Valuer” or “CEA”	CEA Real Estate Appraisals Co., Ltd, acting as the independent valuer providing appraisal services on the evaluation of the Properties
“Relevant Period”	the period between the date following the base date for the asset appraisal (being 31 March 2012) up to (and including) the Completion Date
“Retained Assets and Liabilities”	the assets and liabilities of China Telecommunications Corporation held by the Network Branches and will be retained by China Telecommunications Corporation in accordance with the Acquisition Agreement, including (i) monetary funds of the Network Branches and (ii) properties, properties under construction and land use rights of defective title as at the base date for the asset appraisal (being 31 March 2012), and any new properties, properties under construction and land use rights obtained by the Network Branches during the Relevant Period
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Telecom CDMA Lease”	the CDMA network capacity lease agreement dated 27 July 2008 signed between the Company and China Telecommunications Corporation, as amended by its supplemental agreement dated 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 and Mr. Xu Erming as the independent non-executive directors.