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## **China Telecom Corporation Limited**

**中国电信股份有限公司**

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

**(Stock Code: 728)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **SUMMARY**

Reference is made to the announcements dated 28 July 2008, 29 October 2009 and 16 December 2009 in relation to certain continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates, including the transactions under the Telecom CDMA Lease, the Interconnection Settlement Agreement, the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement.

The Agreements governing the above continuing connected transactions will expire on 31 December 2010.

The Board announces that on 25 August 2010 the Company and China Telecommunications Corporation have entered into supplemental agreements to renew the above Agreements in accordance with their respective provisions for a further term of two years expiring on 31 December 2012.

#### **LISTING RULES IMPLICATIONS**

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

As the proposed Annual Caps for the transactions contemplated under the Telecom CDMA Lease are expected to exceed the 5% threshold under Rule 14A of the Listing Rules, such continuing connected transactions will fall under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements contained in Rule 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) of the transactions contemplated under the Interconnection Settlement Agreement, the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement for the years ending 31 December 2011 and 31 December 2012 are 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 and announcement requirements, but are exempt from the independent shareholders' approval requirement under Rule 14A of the Listing Rules.

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

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

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

## **THE EGM**

The EGM will be convened to consider and, if thought fit, to approve the continuing connected transactions contemplated under the Telecom CDMA Lease and the Annual Caps applicable thereto. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and its associates with a material interest in relevant continuing connected transactions are required to abstain from voting on the relevant resolution at the EGM. Accordingly, China Telecommunications Corporation and its associates are required to abstain from voting on the resolution at the EGM.

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, has been formed to advise the Independent Shareholders in respect of the Telecom CDMA Lease. The Company has appointed ING Bank N.V. to advise the Independent Board Committee and the Independent Shareholders in respect of the Telecom CDMA Lease.

A circular containing, amongst other things, (i) details of the Telecom CDMA Lease; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Telecom CDMA Lease; (iii) a letter from the Independent Financial Adviser, ING Bank N.V. containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Telecom CDMA Lease; and (iv) a notice of the EGM, will be despatched to the shareholders of the Company on or before 15 September 2010.

## **BACKGROUND**

Reference is made to the announcements dated 28 July 2008, 29 October 2009 and 16 December 2009 in relation to certain continuing connected transactions between the Company and China Telecommunications Corporation and/or its associates, which are governed by the following Agreements between the Company and China Telecommunications Corporation:

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

An extraordinary general meeting of the Company was convened on 16 September 2008, at which the Independent Shareholders approved, amongst other things: (i) the continuing connected transactions contemplated under the Telecom CDMA Lease and the Annual Caps applicable thereto; and (ii) the continuing connected transactions contemplated under the Interconnection Settlement Agreement for which no annual caps have been proposed.

An extraordinary general meeting of the Company was convened by the Company on 29 December 2009 at which the Independent Shareholders approved, amongst other things, the continuing connected transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement and their respective Annual Caps applicable thereto.

The above Agreements will expire on 31 December 2010.

The Board announces that on 25 August 2010 the Company and China Telecommunications Corporation have entered into supplemental agreements to renew the Agreements in accordance with their respective provisions for a further term of two years expiring on 31 December 2012.

## **CONTINUING CONNECTED TRANSACTIONS WITH CHINA TELECOMMUNICATIONS CORPORATION**

### **Telecom CDMA Lease**

Pursuant to the Telecom CDMA Lease, China Telecommunications Corporation has agreed to lease the Capacity under the CDMA Network to the Company and the Company shall have the exclusive right to use and operate the CDMA Network to provide CDMA services in the Listed Service Areas. The Telecom CDMA Lease will expire on 31 December 2010 and can be renewed at the option of the Company on the same terms, except as to the term, lease fee and minimum annual lease fee to be agreed between the Company and China Telecommunications Corporation, by the Company giving not less than 180 days' written notice to China Telecommunications Corporation on or before 31 December 2010.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Telecom CDMA Lease in accordance with its provisions for a further term of two years expiring on 31 December 2012.

### ***Lease Fee and Minimum Annual Lease Fee***

Pursuant to the Telecom CDMA Lease (as amended by its supplemental agreement), the lease fee for the Capacity under the CDMA Network shall be 28% of the audited CDMA Service Revenue. For the year ending 31 December 2011 and 2012, the minimum annual lease fee shall be 90% of the total amount of the lease fee paid by the Company to China Telecommunications Corporation in the previous year.

The lease fee shall be calculated on the basis of the unaudited CDMA Service Revenue of the Company during each quarter and shall be paid quarterly in arrears by the Company to China Telecommunications Corporation within 30 days following the end of each quarter (the "**Quarterly Lease Fee**"). The Company shall issue a report in respect of its unaudited quarterly CDMA Service Revenue to China Telecommunications Corporation within 20 days from the end of each quarter. The report shall be prepared in an appropriate format and contain the unaudited quarterly CDMA Service Revenue of the Company and the quarterly lease fee payable by the Company, calculated on the basis of the unaudited quarterly CDMA Service Revenue.

After the Company finalises its annual audited financial statements, China Telecommunications Corporation and the Company shall adjust the lease fee as soon as practicable as follows:

- (i) if the lease fee of any year calculated on the basis of the audited CDMA Service Revenue as set out in the audited financial statements (the “**Annual Lease Fee**”) is greater than the sum of the Quarterly Lease Fee, the Company shall pay the difference to China Telecommunications Corporation as soon as practicable; and
- (ii) if the Annual Lease Fee is less than the sum of the Quarterly Lease Fee, China Telecommunications Corporation shall refund the difference to the Company as soon as practicable.

provided that, if the total lease fee paid by the Company in respect of the relevant year pursuant to the above payment adjustment is less than any applicable minimum annual lease fee, China Telecommunications Corporation does not have to refund the amount in (ii) above and the Company shall pay an additional amount (where applicable) to China Telecommunications Corporation as soon as practicable so that the total lease fee paid for the year is not less than the applicable minimum annual lease fee (if any).

The lease fee under the Telecom CDMA Lease was determined and agreed between the Company and China Telecommunications Corporation after arm’s length negotiations with reference to the number of CDMA subscribers, the MOU and ARPU of such CDMA subscribers, the estimated CDMA Service Revenue, estimated total depreciation and amortisation and relevant financial charge as a percentage of revenue of peer companies.

#### ***Discount for Delay***

Subject to certain exceptions, including delay caused by a force majeure event, a material breach of the Telecom CDMA Lease by the Company or as a result of compliance by China Telecommunications Corporation with applicable laws and regulations, if China Telecommunications Corporation fails to provide any Capacity which affects the provision of services by the Company, China Telecommunications Corporation shall be liable to provide a discount for delay to the lease fee to the Company, calculated as follows:

$$\text{Discount for delay} = \frac{\text{Number of CDMA subscribers of the Company affected by the delay} \times \text{delay period (number of days)} \times \text{ARPU of CDMA subscribers}}{\text{the number of days in the relevant month}}$$

In the above formula, the “number of CDMA subscribers of the Company affected by the delay” shall be determined by the Company with the support of reports and substantive evidence; the “ARPU of CDMA subscribers” shall be the average monthly ARPU figure of the CDMA subscribers in the affected areas for the three months immediately prior to the delay, as calculated and determined by the Company.

Discount for delay shall be set off against the next instalment of lease fee to be made by the Company to China Telecommunications Corporation.

### *Network Construction Costs and Operating Costs*

China Telecommunications Corporation shall be responsible for the planning, finance and construction of the CDMA Network and shall ensure that the CDMA Network is constructed in accordance with the detailed design standards, specifications and timetable agreed between the Company and China Telecommunications Corporation. All payments, costs, expenses and amounts paid or incurred by China Telecommunications Corporation that are directly attributable to the construction of each phase of the CDMA Network, capitalised interest on loans, any taxes levied or paid in respect of the equipment procurement and the construction of the CDMA Network and all costs incurred in relation to any re-configuration, upgrade, enhancement or modification to technology (together, the “**Network Construction Costs**”) shall be borne by China Telecommunications Corporation. Such cost shall be audited and verified by the Company and its auditors.

The Company shall be responsible for the operation, management and maintenance of the CDMA Network in accordance with the Telecom CDMA Lease. The Capacity Maintenance Related Costs (as defined below) shall be shared between the Company and China Telecommunications Corporation and calculated as follows:

- (a) the percentage of operating cost borne by China Telecommunications Corporation:

$$\frac{\text{Total Capacity} - \left( \frac{\text{Total number of actual CDMA subscribers of the Company at the end of the month prior to the occurrence of the cost}}{90\%} \right)}{\text{Total Capacity}}$$

- (b) the percentage of operating cost borne by the Company:

$$\frac{\left( \frac{\text{Total number of actual CDMA subscribers of the Company at the end of the month prior to the occurrence of the cost}}{90\%} \right)}{\text{Total Capacity}}$$

The “Capacity Maintenance Related Costs” referred to above mean the rental fees for the exchange centres and the base stations and other related fees such as water and electricity charges, heating charges and fuel charges for the relevant equipment etc., as well as the maintenance costs of a non-capital nature. Other costs relating to the operation and management of the CDMA Network shall be borne by the Company.

### *Purchase Option*

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 Company and China Telecommunications Corporation will discuss and negotiate the purchase price with reference to the appraised value of the CDMA Network determined in accordance with applicable PRC laws and regulations and taking into account prevailing market conditions and other factors, provided that the purchase price shall not be greater than such price as would, taking into account all lease fee payments made by the Company under the Telecom CDMA Lease and all discounts for delay, enable China Telecommunications Corporation to recover its investment in the CDMA Network together with an internal rate of return on its investment of 8%.

### **Reasons for and Benefits of the Transactions Contemplated under the Telecom CDMA Lease**

The Telecom CDMA Lease provides the Company with the exclusive right to use and operate an existing nationwide CDMA Network in the PRC owned by China Telecommunications Corporation, which will support and facilitate the provision of the CDMA telecommunications service by the Company, and provide the Company with the benefit from the fast-growing, attractive and profitable PRC mobile telecommunications market.

Under the Telecom CDMA Lease, China Telecommunications Corporation shall be responsible for making further investments into the CDMA Network to increase network capacity and improve network quality and functionality to support the Company to compete in the highly competitive PRC mobile telecommunications market and such investment costs will be borne by China Telecommunications Corporation, while the lease fee is payable by the Company with reference to the CDMA Service Revenue. As the annual lease fee is determined with reference to the CDMA Service Revenue, it will allow the Company to better estimate leasing costs, reduce operating risks and will avoid the Company having to incur depreciation and finance charges which may in turn result in saving of operating costs.

Under the Telecom CDMA Lease, the Telecom CDMA Lease is renewable at the option of the Company and the Company is also granted the Purchase Option which may be exercised at any time by the Company during the term of the Telecom CDMA Lease or within one year after the termination or expiry of the Telecom CDMA Lease. Such an arrangement will provide the Company with greater flexibility to utilise its resources in the most efficient way and to enhance shareholder value.

### **Interconnection Settlement Agreement**

Pursuant to the Interconnection Settlement Agreement, when the telephone operator terminating a telephone call made to its local access network shall be entitled to receive from the operator from which the telephone call originated, a fee prescribed by the MIIT from time to time, which is currently RMB0.06 per minute. The formula for settlement is based on the net volume of telephone calls originated between the Group and China Telecommunications Corporation and/or its associates multiplied by the settlement fee prescribed by the MIIT. Other interconnection settlement will comply with the settlement standard set out by the MIIT from time to time.

The Interconnection Settlement Agreement will expire on 31 December 2010 and can be renewed with the same terms for further periods of three years unless the Company provides three months' written notification to China Telecommunications Corporation of its intention not to renew the agreement.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Interconnection Settlement Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Interconnection Settlement Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation. In addition, the Company and China Telecommunications Corporation have agreed that settlement of interconnection will be at a fee prescribed by the rules and regulations of the relevant telecommunications regulators. If the telecommunications regulators should amend or promulgate new rules or regulations in respect of interconnection settlement, the parties shall apply such rules and regulations as acknowledged by both parties.

### **Engineering Framework Agreement**

The Engineering Framework Agreement sets out the terms in respect of the supervision and management of services relating to construction, design, equipment installation and tests provided to the Group through bids made by China Telecommunications Corporation and/or its associates, and/or services as the general contractors for the construction and supervision of engineering projects of the Group.

The charges payable for the services under the Engineering Framework Agreement are determined by reference to the market rates. The charges payable for the design or supervision of engineering projects with a value over RMB500,000 (equivalent to approximately HK\$568,182), or construction of engineering projects with a value over RMB2,000,000 (equivalent to approximately HK\$2,272,727) shall be determined by reference to the tender price. The Group does not accord any priority to China Telecommunications Corporation and/or its associates to provide such services, and the tender may be awarded to an Independent Third Party. However, if the terms of an offer from China Telecommunications Corporation and/or its associates are at least as favourable as those offered by other tenderers, the Group may award the tender to China Telecommunications Corporation and/or its associates.

The Engineering Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of three years unless the Company notifies China Telecommunications Corporation in writing at least three months prior to the expiration of the term of its intention not to renew the Engineering Framework Agreement.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Engineering Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Engineering Framework Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

### **Ancillary Telecommunications Services Framework Agreement**

The Ancillary Telecommunications Services Framework Agreement relates to the provision of certain repair and maintenance services, including repair of certain telecommunications equipment, the maintenance of fire prevention equipment and telephone booths and other customers' services provided by China Telecommunications Corporation and/or its associates to the Group.

The charges payable for the services under the Ancillary Telecommunications Services Framework Agreement are calculated on the following basis:

- (i) the government-prescribed prices;
- (ii) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply;
- (iii) where there are neither government-prescribed prices nor government-guided prices, the market prices apply. The market price is defined as the price at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
- (iv) where none of the above is applicable, the prices are to be agreed between the relevant parties for the provision of the above services, which shall be the reasonable costs incurred in providing the same plus a reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Ancillary Telecommunications Services Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of three years upon expiration unless either party notifies the other in writing at least three months prior to the expiration of the term of its intention to terminate the Ancillary Telecommunications Services Framework Agreement.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Ancillary Telecommunications Services Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Ancillary Telecommunications Services Framework Agreement for such further periods as the parties may agree, by 30 days’ written notification to China Telecommunications Corporation.

### **Community Services Framework Agreement**

The Community Services Framework Agreement relates to the provision of cultural, educational, property management, vehicles services, health and medical services, hotel and conference services, community and sanitary services by China Telecommunications Corporation and/or its associates to the Group.

The community services under the Community Services Framework Agreement are provided at:

- (i) the government-prescribed prices;
- (ii) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply;
- (iii) where there are neither government-prescribed prices nor government-guided prices, the market prices apply. The market price is defined as the price at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
- (iv) where none of the above is applicable, the prices are to be agreed between the relevant parties for the provision of the above services, which shall be the reasonable costs incurred in providing the same plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Community Services Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of three years upon expiration unless either party notifies the other in writing at least three months prior to the expiration of the term of its intention to terminate the Community Services Framework Agreement.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Community Services Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Community Services Framework Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

### **Centralised Services Agreement**

The Centralised Services Agreement relates to the provision of centralised services, such as the business management and operational services (including services in relation to key corporate customers, the network management centre and business support centre), the use of international facilities and venues and other facilities or resources used in common by the Company and China Telecommunications Corporation at the same time.

Pursuant to the Centralised Services Agreement, (i) the apportionment of the aggregate costs incurred for the provision of business management services is on a pro rata basis in accordance with the revenues generated by each of the Company and China Telecommunications Corporation; (ii) the fee for the use of venues is negotiated and determined by the parties by reference to comparable market price and payment is made with reference to the actual apportioned used areas on the venues; (iii) the fee for the use of international telecommunications facilities of China Telecommunications Corporation is negotiated and determined by the parties by reference to comparable market price and apportioned on a pro rata basis in accordance with the volume of international calls handled by each of the Company and China Telecommunications Corporation; and (iv) the fee for the use of international telecommunications facilities and services of Independent Third Parties is based on actual costs incurred and apportioned on a pro rata basis in accordance with the volume of international calls handled by each of the Company and China Telecommunications Corporation.

The Centralised Services Agreement will expire on 31 December 2010 and can be renewed for further periods of one year unless the Company provides three months' advance written notification to China Telecommunications Corporation of its intention not to renew it.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Centralised Services Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Centralised Services Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

## **Property Leasing Framework Agreement**

The Property Leasing Framework Agreement relates to the lease of properties by the Company (including its subsidiaries) to China Telecommunications Corporation (including its subsidiaries), and vice versa.

The rental charges in respect of the properties which are subject to the Property Leasing Framework Agreement are determined based on market rates, with reference to amounts stipulated by local price bureaus, taking into consideration the specific needs of each party. The rental charges are subject to review every three years.

The Property Leasing Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of one year unless the Company provides three months' advance written notification to China Telecommunications Corporation of its intention not to renew it.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Property Leasing Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Property Leasing Framework Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

## **IT Services Framework Agreement**

The IT Services Framework Agreement relates to the provision of cross-provincial information technology services, such as office automation and software adjustment, by China Telecommunications Corporation and/or its associates to the Group and vice versa.

Each of the Group and China Telecommunications Corporation and/or its associates is entitled to participate in the bidding for the right to provide the other party with services under the IT Service Framework Agreement. The charges payable are determined by reference to market rates as reflected by prices obtained through the tender process. If the terms of an offer from either the Group or China Telecommunications Corporation and/or its associates are at least as favorable as that offered by other tenderers, the Group or China Telecommunications Corporation and/or its associates may award the tender to the other party.

The IT Services Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of one year unless the Company provides three months' advance written notification to China Telecommunications Corporation of its intention not to renew it.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the IT Services Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the IT Services Framework Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

## Supplies Procurement Services Framework Agreement

The Supplies Procurement Services Framework Agreement relates to the provision of cross-provincial comprehensive procurement services, including the sale and resale of telecommunications supplies, the management of tenders, verification of technical specifications and installation services, by China Telecommunications Corporation and/or its associates to the Group and vice versa. The scope of procurement services under the Supplies Procurement Services Framework Agreement includes (i) the import of telecommunications supplies and procurement of domestic telecommunications supplies and domestic non-telecommunications materials by China Telecommunications Corporation and/or its associates for the Group, including the provision of related agency services, sale of telecommunications supplies manufactured by China Telecommunications Corporation and/or its associates, resale of supplies purchased from Independent Third Parties, management of tenders, verification of technical specifications, storage, transportation and installation services; and (ii) the sale of telecommunications supplies manufactured by the Group and resale of supplies purchased from Independent Third Parties by the Group to China Telecommunications Corporation and/or its associates, including related agency services, storage, transportation and installation services. Payments made may be in the form of commission charges or in the case of resale, the contract value of the relevant supplies.

The charges payable for the above services are calculated at:

- (1) Where payments made in relation to the agency services for the provision of supplies procurement are in the form of commission charges:
  - (i) procurement services in respect of imported telecommunications supplies are provided at 1% of the contract value at the maximum;
  - (ii) procurement services in respect of domestic telecommunications supplies and other domestic non-telecommunications materials are provided at 3% of the contract value at the maximum;
- (2) Where payments made in relation to the sales/resale of telecommunications supplies are in the contract value of the relevant supplies:

the procurement services are provided at:

  - (i) the government-prescribed prices;
  - (ii) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply;
  - (iii) where there are neither government-prescribed prices nor government-guided prices, the market prices apply. The market price is defined as the price at which the same type of services are provided by Independent Third Parties in the ordinary course of business; or
  - (iv) where none of the above is applicable, the prices are to be agreed between the relevant parties for the provision of the above services, which shall be the reasonable costs incurred in providing the same plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The Supplies Procurement Services Framework Agreement will expire on 31 December 2010 and can be renewed for further periods of one year, unless the Company provides three months' advance written notification to China Telecommunications Corporation of its intention not to renew it.

The Company and China Telecommunications Corporation have entered into a supplemental agreement on 25 August 2010 to renew the Supplies Procurement Services Framework Agreement in accordance with its provisions for a further term of two years expiring on 31 December 2012. The parties agree that the Company may renew the Supplies Procurement Services Framework Agreement for such further periods as the parties may agree, by 30 days' written notification to China Telecommunications Corporation.

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

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

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

## ANNUAL CAPS

Under Rule 14A.35(2) of the Listing Rules, in respect of a continuing connected transaction which is not fully exempted, a cap must be set and disclosed. The Annual Caps for the years ending 31 December 2011 and 2012, for each of the transactions contemplated under the Agreements are set out below:

Agreements	Audited historical amount for the period from 1 January to 31 December 2009	Unaudited historical amount for the period from 1 January to 30 June 2010	Annual Caps for the year ending 31 December 2010	Annual Caps for the year ending 31 December 2011	Annual Caps for the year ending 31 December 2012
Telecom CDMA Lease	RMB7,220 million (equivalent to HKD8,205 million)	RMB5,902 million (equivalent to HKD6,707 million)	RMB35,000 million (equivalent to HKD39,773million)	RMB21,000 million (equivalent to HKD23,864 million)	RMB33,000 million (equivalent to HKD37,500 million)
Interconnection Settlement Agreement	RMB598 million (equivalent to HKD680 million)	RMB264 million (equivalent to HKD300 million)	Not applicable	RMB1,000 million (equivalent to HKD1,136 million)	RMB1,000 million (equivalent to HKD1,136 million)
Engineering Framework Agreement	RMB5,970 million (equivalent to HKD6,784 million)	RMB2,600 million (equivalent to HKD2,955 million)	RMB7,052 million (equivalent to HKD8,014 million)	RMB8,800 million (equivalent to HKD10,000 million)	RMB8,800 million (equivalent to HKD10,000 million)
Ancillary Telecommunications Services Framework Agreement	RMB6,044 million (equivalent to HKD6,868 million)	RMB3,234 million (equivalent to HKD3,675 million)	RMB7,700 million (equivalent to HKD8,750 million)	RMB9,000 million (equivalent to HKD10,227 million)	RMB9,000 million (equivalent to HKD10,227 million)
Community Services Framework Agreement	RMB2,324 million (equivalent to HKD2,641 million)	RMB971 million (equivalent to HKD1,103 million)	RMB2,900 million (equivalent to HKD3,295 million)	RMB2,900 million (equivalent to HKD3,295 million)	RMB2,900 million (equivalent to HKD3,295 million)
Centralised Services Agreement	RMB534 million (equivalent to HKD607 million)	RMB206 million (equivalent to HKD234 million)	RMB800 million (equivalent to HKD909 million)	RMB800 million (equivalent to HKD909 million)	RMB800 million (equivalent to HKD909 million)
Property Leasing Framework Agreement	RMB410 million (equivalent to HKD466 million)	RMB200 million (equivalent to HKD227 million)	RMB510 million (equivalent to HKD580 million)	RMB600 million (equivalent to HKD682 million)	RMB600 million (equivalent to HKD682 million)
IT Services Framework Agreement	Amount payable by the Group: RMB520 million (equivalent to HKD591 million)	Amount payable by the Group: RMB170 million (equivalent to HKD193 million)	Amount payable by the Group: RMB850 million (equivalent to HKD966 million)	Amount payable by the Group: RMB1,200 million (equivalent to HKD1,364 million)	Amount payable by the Group: RMB1,200 million (equivalent to HKD1,364 million)
	Amount payable by China Telecommunications Corporation and/or its associates: RMB249 million (equivalent to HKD283 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB152 million (equivalent to HKD173 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB300 million (equivalent to HKD341 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB500 million (equivalent to HKD568 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB500 million (equivalent to HKD568 million)
Supplies Procurement Services Framework Agreement	Amount payable by the Group: RMB1,956 million (equivalent to HKD2,223 million)	Amount payable by the Group: RMB812 million (equivalent to HKD923 million)	Amount payable by the Group: RMB2,600 million (equivalent to HKD2,955 million)	Amount payable by the Group: RMB3,800 million (equivalent to HKD4,318 million)	Amount payable by the Group: RMB3,800 million (equivalent to HKD4,318 million)
	Amount payable by China Telecommunications Corporation and/or its associates: RMB940 million (equivalent to HKD1,068 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB390 million (equivalent to HKD443 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,150 million (equivalent to HKD1,307 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,150 million (equivalent to HKD1,307 million)	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,150 million (equivalent to HKD1,307 million)

As far as the Directors are aware, none of the Annual Caps for the year ending 31 December 2010 has been exceeded as at the date of this announcement. Each of the Annual Caps of the Agreements for the two years ending 31 December 2011 and 31 December 2012 have been determined by reference to the nature of the transactions contemplated under the respective Agreements, the existing scale and operations of the Company's business, and the business plan of the Company for the years ending 31 December 2011 and 31 December 2012. The consideration under each of the Agreements will be satisfied in cash and no payment will be made on a deferred basis.

Since the Company commenced operations of the CDMA Service using the CDMA Network leased from China Telecommunications Corporation in October 2008, the CDMA operation has undergone robust growth and the scale of operations continues to expand. The mobile subscribers increased by 18.43 million in the first half of 2010 and the total number has reached 74.52 million, an increase of 77.7% from the previous year with mobile service revenue amounted to RMB22,770 million. It is anticipated that the continuing rapid growth of the scale and revenue of the CDMA Service will lead to a sharp increase of the lease fee for the Capacity under the CDMA Network accordingly.

Previously the Company has obtained from the Stock Exchange a waiver from strict compliance with Rule 14A.35(2) of the Listing Rules and no cap has been proposed in respect of the settlement of interconnection charges under the Interconnection Settlement Agreement for the following reasons:

- (i) the Company's revenue depends on growth in call revenue and in its customer base for its various services. Any growth in the domestic long distance service and local service will necessarily result in increased transaction volumes under the Interconnection Settlement, which the Company might not be able to control as it depends entirely on customer usage. Any limits on these transactions might therefore potentially limit the Company's ability to conduct or expand its business in the ordinary course; and
- (ii) the tariffs payable under the Interconnection Settlement Agreement are prescribed by the MIIT and are subject to change from time to time.

The above waiver is subject to the following conditions:

- (i) the Company will comply with all other relevant requirements under Chapter 14A of the Listing Rules including the reporting and announcement requirements and the independent shareholders' approval requirements; and
- (ii) the transactions contemplated under the Interconnection Settlement Agreement including the fact that no caps be proposed for such transactions will be conditional upon the transactions being approved by the Independent Shareholders at an extraordinary general meeting.

For the year ending 31 December 2009, the net interconnection settlement charges amounted to RMB598 million (equivalent to approximately HKD680 million). Following the remarkable progress in its full services operations in the recent years, and in anticipation of policy stability regarding interconnection settlement fees, the Company is now in a better position to estimate the Annual Caps applicable under the Interconnection Settlement Agreement based on the historical transaction volume. The Company has therefore decided not to apply the above waiver for the transactions under the Interconnection Settlement Agreement from 1 January 2011 and comply with all the relevant requirements under Chapter 14A of the Listing Rules. The Company expects each of the applicable percentage ratios (other than the profits ratios) of the transactions contemplated

under the Interconnection Settlement Agreement for the years ending 31 December 2011 and 31 December 2012 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 and announcement requirements, but are exempt from the independent shareholders' approval requirement under Rule 14A of the Listing Rules.

The increase in the Annual Caps for the years ending 31 December 2011 and 31 December 2012 in relation to the Engineering Framework Agreement is mainly attributable to the increase in expected capital expenditure level for the telecommunication network and facilities in these two years and the accompanying growth of engineering projects.

The increase in the Annual Caps for the years ending 31 December 2011 and 31 December 2012 in relation to the Ancillary Telecommunications Services Framework Agreement is mainly attributable to the continuing expansion of the Company's operation along with the further development of the Company's mobile service, and also the anticipated increase in expenditures on customers service, repair and maintenance services.

The increase in the Annual Caps for the years ending 31 December 2011 and 31 December 2012 in relation to the Property Leasing Framework Agreement is mainly attributable to the anticipated increase in demand for property leasing services resulting from the expansion of the Company's business scale.

The increase in the Annual Caps for the years ending 31 December 2011 and 31 December 2012 in relation to the IT Services Framework Agreement, including the provision of, among others, information technology services by the Group to China Telecommunications Corporation and/or its associates and vice versa, is mainly attributable to the anticipated increase in demand for IT services of the parties as a result of the continuing deepening of the business transformation of the Company and the expansion of its informatisation services.

The increase in the Annual Caps for the years ending 31 December 2011 and 31 December 2012 in relation to the services to be provided by China Telecommunications Corporation and/or its associates to the Group under the Supplies Procurement Services Framework Agreement is mainly attributable to the anticipated increase in capital expenditure level in the future two years and the resulting growing demand for telecommunications supplies and procurement services.

## **CONNECTION BETWEEN THE PARTIES AND LISTING RULES IMPLICATIONS**

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

As the proposed Annual Caps for the transactions contemplated under the Telecom CDMA Lease are expected to exceed the 5% threshold under Rule 14A of the Listing Rules, such continuing connected transactions will fall under Rule 14A.35 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements contained in Rule 14A of the Listing Rules.

As each of the percentage ratios (other than the profits ratio) of the transactions contemplated under the Interconnection Settlement Agreement, the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement for the years ending 31 December 2011 and 31 December 2012 are 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 and announcement requirements, but are exempt from the independent shareholders' approval requirement under Rule 14A of the Listing Rules.

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

## **BOARD OPINION**

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

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

## **THE EGM**

The EGM will be convened to consider and, if thought fit, to approve the continuing connected transactions contemplated under the Telecom CDMA Lease and the Annual Caps applicable thereto. Pursuant to Rule 14A.54 of the Listing Rules, any connected person and any shareholder and its associates with a material interest in relevant continuing connected transactions are required to abstain from voting on the relevant resolution at the EGM. Accordingly, China Telecommunications Corporation and its associates are required to abstain from voting on the resolution at the EGM.

An Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, has been formed to advise the Independent Shareholders in respect of the Telecom CDMA Lease. The Company has appointed ING Bank N.V. to advise the Independent Board Committee and the Independent Shareholders in respect of the Telecom CDMA Lease.

A circular containing, amongst other things, (i) details of the Telecom CDMA Lease; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Telecom CDMA Lease; (iii) a letter from the Independent Financial Adviser, ING Bank N.V. containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Telecom CDMA Lease; and (iv) a notice of the EGM, will be despatched to the shareholders of the Company on or before 15 September 2010.

## DEFINITIONS

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

“Agreements”	the Telecom CDMA Lease, the Interconnection Settlement Agreement, the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement and the Supplies Procurement Services Framework Agreement
“Ancillary Telecommunications Services Framework Agreement”	the Ancillary Telecommunications Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 29 October 2009 with expiration on 31 December 2010
“Annual Caps”	the maximum aggregate annual values
“ARPU”	average revenue per user
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Capacity”	capacity on the constructed CDMA Network required by the Company to operate the CDMA Service measured in terms of the 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 by the Company

“CDMA Service Revenue”	the service revenue generated by the Company in the course of operating its CDMA communication 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
“Centralised Services Agreement”	the Centralised Services Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 16 December 2009 with expiration on 31 December 2010
“China Telecommunications Corporation”	China Telecommunications Corporation (中國電信集團公司), a state-owned enterprise established under the laws of the PRC on 17 May 2000 and the controlling shareholder of the Company, with its principal business being the investment holding of companies primarily involved in the provision of telecommunications services in the PRC, the provision of specialised telecommunication support services and other businesses
“Community Services Framework Agreement”	the Community Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 29 October 2009 with expiration on 31 December 2010
“Company”	China Telecom Corporation Limited(中國電信股份有限公司), a joint stock limited company, listed on the main board of the Stock Exchange, incorporated in the PRC with limited liability on 10 September 2002 and whose principal business includes basic telecommunications businesses such as the provision of fixed telecommunications services and mobile telecommunications services, and value-added telecommunications businesses such as Internet connection services business and information service business
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to consider and, if thought fit, to approve the continuing connected transactions contemplated under the Telecom CDMA Lease and its supplemental agreement and the Annual Caps applicable thereto

“Engineering Framework Agreement”	the Engineering Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 29 October 2009 with expiration on 31 December 2010
“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 HK\$1.00 = RMB0.88. Such translation should not be construed as representations that the amounts in one currency actually represent, or could be converted into, the amounts in another currency at the rate indicated, or at all
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Wu Jichuan, Mr. Qin Xiao, Mr. Tse Hau Yin, Aloysius, Madam Cha May Lung, Laura and Mr. Xu Erming, formed to advise the Independent Shareholders in respect of the Telecom CDMA Lease
“Independent Shareholders”	shareholders of the Company other than China Telecommunications Corporation and its associates
“Independent Third Party”	an entity which is independent of and not connected to the Company or its connected persons, and which is not a connected person of the Company
“ING” or “Independent Financial Adviser”	ING Bank N.V., acting as the independent financial adviser, a registered institution under the SFO, registered to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Interconnection Settlement Agreement”	the interconnection settlement agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 27 July 2008 with expiration on 31 December 2010
“IT Services Framework Agreement”	the IT Services Framework Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 16 December 2009 with expiration on 31 December 2010
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Listed Service Areas”	Guangdong, Jiangsu, Zhejiang, Fujian, Liaoning, Shandong, Anhui, Hebei, Hubei, Jilin, Heilongjiang, Jiangxi, Henan, Shaanxi, Sichuan, Shanxi, Hunan, Hainan, Yunnan, Guizhou, Gansu and Qinghai 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
“MIIT”	Ministry of Industry and Information Technology of the PRC
“MOU”	minutes of usage
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region, 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 16 December 2009 with expiration on 31 December 2010
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies Procurement Services Framework Agreement”	the Supplies Procurement Services Agreement between the Company and China Telecommunications Corporation, as amended by its supplemental agreements from time to time and as renewed on 16 December 2009 with expiration on 31 December 2010
“Telecom CDMA Lease”	the CDMA network capacity lease agreement dated 27 July 2008 signed between the Company and China Telecommunications Corporation

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

Beijing, PRC, 25 August 2010

## **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 consists of Mr. Wang Xiaochu as the chairman and chief executive officer, Mr. Shang Bing as the president and chief operating officer, Madam Wu Andi as the executive vice president and chief financial officer, Mr. Zhang Jiping, Mr. Zhang Chenshuang, Mr. Yang Xiaowei, Mr. Yang Jie, and Mr. Sun Kangmin as the executive vice presidents, Mr. Li Jinming 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.