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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: 0728)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

SUMMARY

Reference is made to the Announcement, in which the Company has announced, among others, the renewal of certain continuing connected transactions of the Company. Such continuing connected transactions are governed by the Agreements the terms of which will expire on 31 December 2007.

The Board announces that the Agreements, which were entered into between the Company and China Telecommunications Corporation, have been renewed on 26 December 2007 for further terms of one year expiring on 31 December 2008. The annual caps applicable to the renewed Agreements are set out below.

As China Telecommunications Corporation is the Company's controlling shareholder (such term as defined under the Hong Kong Listing Rules), the transactions contemplated under the Agreements constitute continuing connected transactions of the Company for the purposes of Chapter 14A of the Hong Kong Listing Rules. As each of the percentage ratios (other than the profits ratio) of each of the transactions contemplated under the Agreements is, on an annual basis, above 0.1% but less than 2.5%, they therefore fall under Rule 14A.34 of the Hong Kong Listing Rules. Accordingly, the Company is subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules in respect of the Agreements, but is exempt from the requirements of independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

Reference is made to the Announcement, in which the Company announced, among others, the renewal of certain continuing connected transactions which are governed by the following agreements between the Company and China Telecommunications Corporation:

1. Centralized Services Agreement;
2. Comprehensive Services Framework Agreement;

3. Property Leasing Framework Agreement;
4. IT Services Framework Agreement;
5. Community Services Framework Agreement; and
6. Ancillary Telecommunications Services Framework Agreement.

The Agreements will expire on 31 December 2007. As disclosed in the Announcement, the Company will, upon any variation or renewal of the Agreements, comply in full with all applicable requirements set out in Chapter 14A of the Hong Kong Listing Rules.

The Board announces that the Agreements have been renewed in accordance with their respective provisions on 26 December 2007, invariably for further terms of one year to 31 December 2008. The terms of each Agreement (except for the Centralized Services Agreement) have remained substantially unchanged.

CONNECTION BETWEEN THE PARTIES

The Agreements were entered into between the Company and China Telecommunications Corporation. As China Telecommunications Corporation is the Company's controlling shareholder (such term as defined under the Hong Kong Listing Rules), holding 70.89% of the issued share capital of the Company, the transactions contemplated under the Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Hong Kong Listing Rules.

AGREEMENTS

Centralized Services Agreement

The Centralized Services Agreement relates to the provision of centralized services, such as the Company's provision of business management services to customers of China Telecommunications Corporation, and the Company's use of international telecommunications facilities and venues of China Telecommunications Corporation. The Centralized Services Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which 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.

Pursuant to the Centralized Services Agreement, the apportionment of the aggregate costs incurred for the provision of business management services and the use of venues is on a pro rata basis in accordance with the revenues generated by each party. The apportionment of costs incurred for the use of international telecommunications facilities is on a pro rata basis in accordance with the volume of international calls handled by each party.

The Centralized Services Agreement has been renewed in accordance with its provisions on 26 December 2007 for a further term of one year expiring on 31 December 2008. The Company and China Telecommunications Corporation entered into a supplemental agreement in relation to the Centralized Services Agreement on 26 December 2007 (the "Supplemental Agreement"). The Supplemental Agreement adjusted the basis of determination of the fee for the use of venues as

stipulated by the Centralized Services Agreement. In view of the fluctuation in market value of office buildings in the PRC, both parties would negotiate and determine the fee for the use of venues based on comparable market price, and make the payment with reference to the actual apportioned used areas on the venues. The adjustment was made on a fair and reasonable basis, and in line with market practice under normal commercial terms. Except for the abovementioned adjustment, other major terms and conditions of the original Centralized Services Agreement remain unchanged.

Comprehensive Services Framework Agreement

The Comprehensive Services Framework Agreement relates to the provision of comprehensive services by China Telecommunications Corporation to the Company, including the procurement of telecommunications equipment such as optic fibers, network designs, software upgrade, system integration, manufacture of calling cards and so on. The Comprehensive Services Framework Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which 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 comprehensive services under the Comprehensive Services Framework Agreement are provided at:

- (1) the government-prescribed prices;
- (2) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply;
- (3) 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
- (4) 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 Comprehensive Services Framework Agreement has been renewed in accordance with its provisions on 26 December 2007 for a further term of one year expiring on 31 December 2008.

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 Property Leasing Framework Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which 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 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 has been renewed in accordance with its provisions on 26 December 2007 for a further term of one year expiring on 31 December 2008.

IT Services Framework Agreement

The IT Services Framework Agreement relates to the provision of certain information technology services, such as office automation and software adjustment, by China Telecommunications Corporation and/or its associates to certain subsidiaries of the Company. The IT Services Framework Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which 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.

China Telecommunications Corporation and/or its associates have the right to participate in the bidding for the right to provide the Group with services under the IT Service Framework Agreement, and the charges payable are determined by reference to market rates as reflected by prices obtained through the tender process. Where the terms of an offer from China Telecommunications Corporation and/or its associates are at least as favorable as that offered by another bidder which is an Independent Third Party, the Group may award the tender to China Telecommunications Corporation and/or its associates.

The IT Services Framework Agreement has been renewed in accordance with its provisions on 26 December 2007 for a further term of one year expiring on 31 December 2008.

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 Framework Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which can be renewed for further periods of three years unless terminated by either party with at least three months' advance written notification to the other party.

The community services under the Community Services Framework Agreement are provided in accordance with the same pricing policy as the above Comprehensive Services Framework Agreement.

The Community Services Framework Agreement has been renewed on 26 December 2007 for a further term of one year expiring on 31 December 2008.

Ancillary Telecommunications Services Framework Agreement

The Ancillary Telecommunications Services Framework Agreement relates to the provision of certain repair and maintenance services, including the repair of certain telecommunications equipment, the maintenance of fire prevention equipment and telephone booths and other customers' services by China Telecommunications Corporation and/or its associates to the Group. The Ancillary Telecommunications Services Framework Agreement, renewed on 30 August 2006, has a term expiring on 31 December 2007, which can be renewed for further periods of three years unless terminated by either party with at least three months' advance written notification to the other party.

The ancillary telecommunications services under the Ancillary Telecommunications Services Framework Agreement are provided in accordance with the same pricing policy as the above Comprehensive Services Framework Agreement.

The Ancillary Telecommunications Services Framework Agreement has been renewed on 26 December 2007 for a further term of one year expiring on 31 December 2008.

REASONS FOR THE TRANSACTIONS

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 specialized teams dedicated to serving the Group, and made proactive initiatives and technical preparations customized for the development of the Group, with a view to providing the Group with more systematic and efficient services.

Leveraging complementary resources advantage, the Company may use China Telecommunications Corporation and/or its associates' communication engineering resources, technical advantage, professional qualification, rich experience in network support, long-term experience and ability in providing out-sourcing services for operators to provide the Company with a comprehensive, all-encompassing, one stop shop of telecommunications operation support services covering network design, facilities management and end-user sales.

ANNUAL CAPS

The maximum aggregate annual values for the year ended 31 December 2007 and 2008 (the "Annual Caps"), for each of the transactions contemplated under such agreements are set out below:

Agreements	Unaudited historical amount for the period from 1 January to 30 September 2007	Annual Caps for the year ending 31 December 2007	Annual Caps for the year ending 31 December 2008
Centralized Services Agreement	RMB218 million (equivalent to HKD230 million)	RMB560 million (equivalent to HKD592 million)	RMB500 million (equivalent to HKD528 million)
Comprehensive Services Framework Agreement	RMB790 million (equivalent to HKD835 million)	RMB1,440 million (equivalent to HKD1,522 million)	RMB1,600 million (equivalent to HKD1,691 million)
Property Leasing Framework Agreement	RMB293 million (equivalent to HKD310 million)	RMB590 million (equivalent to HKD624 million)	RMB510 million (equivalent to HKD539 million)
IT Services Framework Agreement	RMB198 million (equivalent to HKD209 million)	RMB490 million (equivalent to HKD518 million)	RMB490 million (equivalent to HKD518 million)
Community Services Framework Agreement	RMB1,578 million (equivalent to HKD1,668 million)	RMB3,110 million (equivalent to HKD3,287 million)	RMB2,500 million (equivalent to HKD2,642 million)
Ancillary Telecommunications Services Framework Agreements	RMB2,447 million (equivalent to HKD2,586 million)	RMB3,900 million (equivalent to HKD4,122 million)	RMB4,340 million (equivalent to HKD4,587 million)

As far as the Company is aware, none of the Annual Caps for the year ending 31 December 2007 has been exceeded as at the date of this announcement. Each of the Annual Caps for the year ending 31 December 2008 has been determined by reference to the nature of the transactions contemplated under the Agreements, the existing scale and operations of the Company's business, and the business plan of the Company for the year ending 31 December 2008. The consideration under each of the Agreements will be satisfied in cash and no payment will be made on a deferred basis. The Board (including the independent non-executive directors of the Company) is of the view that the Agreements have been entered into in the ordinary and usual course of business of the Group, that they are (i) on normal commercial terms; or (ii) should there be no comparable terms, on such terms which shall be no less favorable than that provided to Independent Third Parties or (if applicable) that provided by Independent Third Parties, that they have been implemented in accordance with the terms contained therein, that they are in the interests of the Company's shareholders as a whole, and that they, as well as the annual caps for the year ending 31 December 2008, are fair and reasonable.

HONG KONG LISTING RULES IMPLICATIONS

As each of the percentage ratios (other than the profits ratio) of each of the transactions contemplated under the above agreements is, on an annual basis, above 0.1% but less than 2.5%, they therefore fall under Rule 14A.34 of the Hong Kong Listing Rules. Accordingly, the Company is subject to the reporting and announcement requirements set out under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules in respect of the Agreements, but is exempt from the requirements of independent shareholders' approval under Chapter 14A of the Hong Kong 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 Hong Kong Listing Rules.

DEFINITIONS

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

"Agreements"	the Centralized Services Agreement, the Comprehensive Services Framework Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement, the Community Services Framework Agreement, and Ancillary Telecommunications Services Framework Agreement
"Announcement"	the announcement dated 30 August 2006 issued by the Company in relation to, among others, renewal of certain continuing connected transactions of the Company
"Board"	as of the date of this announcement, the board of directors of the Company consists of Mr. Wang Xiaochu as the chairman and chief executive officer, Mr. Leng Rongquan 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. Li Ping, Mr. Yang Jie, and Mr. Sun Kangmin as the executive vice presidents, Mr. Li Jinming as the non-executive director, and Mr. Zhang Youcai, Mr. Lo Hong Sui, Vincent, Mr. Shi Wanpeng, Mr. Xu Erming and Mr. Tse Hau Yin, Aloysius as the independent non-executive directors
"China Telecommunications Corporation"	China Telecommunications Corporation (中國電信集團公司), a state-owned enterprise established under the laws of the PRC on 17 May 2000 and the controlling shareholder of the Company, with its principal business being the investment holding of companies primarily involved in the provision of telecommunications services in the PRC, the provision of specialized telecommunication support services and other businesses
"Company"	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company, listed on the main board of The Stock Exchange of Hong Kong Limited, incorporated in the

PRC with limited liability on 10 September 2002 and whose principal business includes the provision of telecommunications services in the business regions within the PRC as authorized by the relevant regulatory department of the PRC, such as the operation of domestic and international fixed telecommunications networks and facilities, and voice, data, image and multimedia communications on fixed telecommunications networks and information services

"connected person"	as defined under Hong Kong Listing Rules
"Group"	the Company, together with all of its subsidiaries
"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 = RMB0.94618. 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
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"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, and the term "Independent Third Parties" shall be construed accordingly
"PRC"	the People's Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau, and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC

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

Beijing, PRC, 26 December 2007