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CHINA RESOURCES PEOPLES TELEPHONE COMPANY LIMITED

(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 331)

CONTINUING CONNECTED TRANSACTION

On 29 August 2005, China Resources Peoples Telephone Company Limited (the “Company”) entered into a Service Agreement (the “Service Agreement”) with Telepaging Limited (“Telepaging”) under which Telepaging has agreed to provide call service to the Company for promoting the Company’s business to its customers upon the terms and conditions therein contained.

Telepaging is approximately 33.3 per cent. owned by Mr. Leung Kai Hung, Michael (“Mr. Leung”) (an Executive Director of the Company) and approximately 33.3 per cent. owned by China Resources (Holdings) Company Limited (“China Resources”) (a substantial shareholder of the Company). Both Mr. Leung and China Resources are substantial shareholders of the Company, and therefore connected persons of the Company under the Listing Rules.

Since the total annual charges are expected to be less than 2.5 per cent. of the applicable percentage ratios of the Company and are less than HK\$10 million, no independent shareholders’ approval is required. Particulars of the transaction are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

INTRODUCTION

On 29 August 2005, the Service Agreement was entered into between the Company and Telepaging. Under the Service Agreement, the Company has agreed to appoint Telepaging and Telepaging has agreed to accept the appointment as the Company’s agent to provide call service, making outbound operator calls to and accepting inbound operator calls from customers, for promoting the Company’s business to such customers as the Company shall from time to time decide to offer (“Transaction”).

PARTICULARS OF THE SERVICE AGREEMENT

Date:	29 August 2005
Parties:	The Company and Telepaging
Term:	Three years commencing on 29 August 2005 to 28 August 2008.
Service Fees:	The service fees are charged based on the qualitative and quantitative requirements for the implementation by Telepaging in each program designed and assigned by the Company subject to the ordinary course of business of the Company and on normal commercial terms negotiated on an arm's length basis. The charges shall be calculated with reference to the amount of work done by Telepaging based on the size of the call list; the reach and success rate for outbound calls; the abandoned rate for inbound calls and the time frame during each inbound call shall be answered. The service fees are not less favourable than the price available to the Company from independent third parties.

ANNUAL CAP

The parties have estimated that the annual service fees payable by the Company will not exceed HK\$10 million, such amount being determined, or estimated on an upside scenario, by reference to, inter alia, previous figures which were recorded and reflected by the Company in its respective published information. The Company has been using the call service provided by Telepaging since November 2004 and service fees paid for the period ended 30 June 2005 amounted to approximately \$790,000.

The respective aggregate value caps of the Transaction for the period from 29 August 2005 to 31 December 2005, 1 January 2008 to 28 August 2008 and the annual caps of the Transaction for the period from 1 January 2006 to 31 December 2007 (collectively the "Caps") would be as follows:—

	Aggregate Value Cap For the period from 29 August 2005 to 31 December 2005 (HK\$'000)	Annual Cap For the year ending 31 December 2006 (HK\$'000)	Annual Cap For the year ending 31 December 2007 (HK\$'000)	Aggregate Value Cap For the period from 1 January 2008 to 28 August 2008 (HK\$'000)
Call service	<u>3,000</u>	<u>9,200</u>	<u>9,500</u>	<u>6,300</u>

REASONS FOR THE SERVICE AGREEMENT

The Company is one of the primary providers of the mobile voice and data communications services in Hong Kong. Telepaging is engaged in, inter alia, providing and operating paging service in Hong Kong.

In view of the increasing competition in the market, the Company believes that it is important to strengthen customer communication and retention. Outsourcing of call services to appropriate vendor is one of the most flexible approaches to achieve this in a timely manner. After careful consideration of the pricing and services offered from Telepaging, the Company believes that the Transaction would enhance customer loyalty and generate operating efficiencies.

The Directors, including the Independent Non-executive Directors, of the Company are of the opinion that the terms of the Service Agreement (including the Caps) is entered into in the ordinary course of business of the Company, on normal commercial terms, and are fair and reasonable and in the interests of the shareholders of the Company as a whole after due negotiations on an arm's length basis with reference to prevailing market conditions.

CONTINUING CONNECTED TRANSACTION

Telepaging is approximately 33.3 per cent. owned by Mr. Leung (an Executive Director of the Company) and approximately 33.3 per cent. owned by China Resources (a substantial shareholder of the Company). Both Mr. Leung and China Resources are the substantial shareholders of the Company, and therefore connected persons, of the Company under the Listing Rules and therefore, constitute the continuing connected transaction of the Company under the Listing Rules.

As the relevant percentage ratios for the continuing connected transaction are on an annual basis less than 2.5 per cent. of the applicable percentage ratios of the Company, the continuing connected transaction is only subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules and annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules, but is exempt from the independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules. Particulars of the Continuing Connected Transaction will be disclosed in the annual report and accounts of the Company in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

By Order of the Board
China Resources Peoples Telephone Company Limited
Kong Kin Sing, James
Company Secretary

Hong Kong, 30 August 2005

As at the date of this announcement, the Board of Directors of the Company comprises:

Chairman & Non-executive Director:

Mr. Jiang Wei

Executive Vice Chairman & Executive Director:

Mr. Leung Kai Hung, Michael

Executive Directors:

Mr. Henshaw Charles Guy (*Chief Executive Officer*)

Mr. Wong Man Kwan, Willie

Ms. Wong Leung Ka On, Charlotte

Non-executive Directors:

Dr. Huang Zhi Jian

Mr. Li Fu Zuo

Mr. Sinn Chung Ming, Anthony

Mr. Wu Jun

Mr. Yan Biao

Independent Non-executive Directors:

Professor Chen Kwan Yiu, Edward

Mr. Lam Kwong Yu

Mr. Ma Chiu Cheung, Andrew

Mr. Tan Henry

Please also refer to the published version of this announcement in The Standard.