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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

(a joint stock company incorporated in the People’s Republic of China with limited liability)

(Stock Code: 0552)

**PLACING OF NEW H SHARES
AND RESUMPTION OF TRADING**

Placing Agent



中国国际金融香港证券有限公司
CHINA INTERNATIONAL CAPITAL CORPORATION
HONG KONG SECURITIES LIMITED

China International Capital Corporation Hong Kong Securities Limited

Following suspension of trading of its H shares effective from 2:30 p.m. on 28 March 2008, China Communications Services Corporation Limited (the “**Company**”) entered into a placing and underwriting agreement (the “**Underwriting Agreement**”) with China International Capital Corporation Hong Kong Securities Limited (the “**Placing Agent**”), as the placing agent, in relation to the placing (the “**Placing**”) of an aggregate of 359,365,600 new overseas-listed foreign-invested shares of RMB1.00 each (“**H Shares**”) in the capital of the Company (the “**Placing Shares**”) at a price of HK\$5.25 per Placing Share (the “**Purchase Price**”).

The Placing Shares comprise of (1) 326,696,000 H Shares (the “**New Shares**”) to be allotted and issued by the Company in connection with the Placing, and (2) 32,669,600 H Shares to be allotted and issued by the Company upon the conversion of the same number of existing domestic legal person shares by the National Council for the Social Security Fund of the PRC (the “**NSSF**”, and such H Shares, the “**NSSF Shares**”).

The New Shares represent 20.00% of the existing issued H share capital of the Company and 16.39% of the issued H share capital of the Company as enlarged by the Placing Shares. The Placing Shares represent 22.00% of the existing issued H share capital of the Company and 18.03% of the issued H share capital of the Company as enlarged by the Placing Shares.

The net proceeds of the Placing of the New Shares by the Company will be approximately HK\$1,668 million after deducting the commission and expenses of the Placing.

Trading in the H Shares on the Stock Exchange was suspended from 2:30 p.m. on 28 March 2008 at the request of the Company, and an application has been made to the Stock Exchange to resume trading in the H Shares with effect from 9:30 a.m. on 31 March 2008.

The Underwriting Agreement

Date: 28 March 2008

Parties: (1) The Company
(2) The Placing Agent

Placing

The Placing Agent agrees to procure, as agent for the Company, purchasers to purchase, or to purchase itself from the Company, the Placing Shares.

Placees

The Placing Shares will be sold to professional and institutional investors who are independent of and not connected persons of, nor acting in concert with, any promoter, director, supervisor, chief executive or substantial shareholder of the Company or its subsidiaries or any of their respective associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)). The number of placees will not be less than six. No placee will become a substantial shareholder (as defined in the Listing Rules) of the Company subsequent to the Placing.

Independence of the Placing Agent

The Placing Agent is not a connected person (as defined in the Listing Rules) of the Company and is independent of and not connected with any promoter, supervisor, director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates.

Number of Placing Shares

The Placing Shares of 359,365,600 H Shares comprise of (1) 326,696,000 New Shares, and (2) 32,669,600 NSSF Shares to be allotted and issued by the Company upon the conversion of the same number of existing domestic legal person shares by the NSSF.

The New Shares represent 20.00 per cent. and 6.00 per cent., respectively, of the existing issued H share capital and the registered capital of the Company prior to the Placing and 16.39 per cent. and 5.66 per cent., respectively, of the existing issued H share capital and the registered capital of the Company as enlarged by the Placing Shares.

The Placing Shares represent 22.00 per cent. and 6.60 per cent., respectively, of the existing issued H share capital and the registered capital of the Company prior to the Placing and 18.03 per cent. and 6.23 per cent., respectively, of the existing issued H share capital and the registered capital of the Company as enlarged by the Placing Shares.

Purchase Price

HK\$5.25 per Placing Share, representing:

- (i) a discount of approximately 6.75 per cent. to the trading price of HK\$5.63 per H Share in the morning trading session on the Stock Exchange on 28 March 2008, being the last quoted price prior to the suspension of trading of the H Shares;
- (ii) a discount of approximately 0.57 per cent. to the closing price of HK\$5.28 on 27 March 2008, being the last full day of trading (the “**Last Full Trading Day**”) in the H Shares on the Stock Exchange prior to the date of this announcement;
- (iii) a discount of approximately 0.19 per cent. to the average closing price of HK\$5.26 per H Share for the last five trading days on the Stock Exchange up to and including the Last Full Trading Day; and
- (iv) a discount of approximately 5.91 per cent. to the average closing price of HK\$5.58 per H Share for the last ten trading days on the Stock Exchange up to and including the Last Full Trading Day.

The Purchase Price was agreed after arm’s length negotiation between the Company and the Placing Agent, and was determined by reference to the recent closing prices of the H Shares.

Commission

The total amount of commission in respect of the Placing is HK\$49,000,000, which will be shared between the Company and NSSF in proportion to the number of the New Shares and the NSSF Shares.

Conditions of the Placing

The Placing is conditional upon, *inter alia*, the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing Shares and the Underwriting Agreement not having been terminated by the either party to it in accordance with the terms thereof, such as on the grounds of a breach of the representations, warranties and undertakings of the Company given in the Underwriting Agreement or the occurrence of certain *force majeure* events.

Sale by NSSF

Pursuant to the approval of the State-owned Assets Supervision and Administration Commission (the “SASAC”) dated 31 January 2008, SASAC has approved, as part of the Placing, the allocation of the NSSF Shares from China Telecommunications Corporation to the NSSF in accordance with applicable laws and regulations of the PRC. The NSSF has entrusted the Company to effect a sale of the NSSF Shares as part of the Placing, and to remit the net proceeds of the sell-down to the NSSF.

Completion of the Placing

Completion is expected to take place on or about 9 April 2008 or such other time or date as the Company and the Placing Agent may agree (the “Completion Date”).

Shareholding Structure of the Company

The following table sets out the shareholding structure of the Company on the date of the Underwriting Agreement and on the Completion Date:

Holder of Domestic Shares or H Shares	As at the date of the Underwriting Agreement		After completion of the Placing	
	No. of shares	Percentage of issued share capital (%)	No. of shares	Percentage of issued share capital (%)
China Telecommunications Corporation	3,811,501,400 <small>(Note 1)</small>	70.00	3,778,831,800	65.47
Public	1,633,484,600 <small>(Note 2)</small>	30.00	1,992,850,200	34.53
	5,444,986,000	100.00	5,771,682,000	100.00

⁽¹⁾ Such shares include shares held through wholly owned subsidiaries of China Telecommunications Corporation. As disclosed in the Company’s prospectus dated 27 November 2006 (the “Prospectus”), China Telecommunications Corporation has arrangements with China Mobile Communications Corporation (“China Mobile”) and China United Telecommunications Corporation (“China Unicom”) to transfer certain shares of the Company to China Mobile and China Unicom, and China Telecommunications Corporation continues to hold such shares until the transfers become effective.

⁽²⁾ The NSSF Shares were allocated from China Telecommunications Corporation as approved by SASAC.

General Mandate to Issue the New Shares

The New Shares will be allotted and issued under the general mandate (the “General Mandate”) granted to the board of directors (the “Board”) of the Company at the last annual general meeting of the Company held on 11 June 2007, authorizing the allotment and issue of up to 326,696,920 H Shares. The Board did not utilize the General Mandate before the Placing.

As disclosed in the Company’s Prospectus, the allotment and issue of the NSSF Shares does not require any class shareholder voting as provided in the Company’s articles of association.

Regulatory Approvals

The Company has obtained all relevant PRC regulatory approvals for the Placing, being approvals from the CSRC, SASAC, NSSF as well as the General Mandate and Board approval. The issue of the Placing Shares was approved by the China Securities Regulatory Commission (the “CSRC”) on 28 March 2008.

United States Selling Restrictions

The Placing Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined under Regulation S of the U.S. Securities Act) unless the Placing Shares are registered under the U.S. Securities Act, or an exemption from the registration requirements of the U.S. Securities Act is available. This Placing will be conducted pursuant to Regulation S of the U.S. Securities Act and, with respect to that portion of the Placing Shares to be sold within the United States or to U.S. Persons, pursuant to Rule 144A of the U.S. Securities Act.

Ranking and Dividend

The Placing Shares will rank *pari passu* in all respects with the existing H Shares in issue on the Completion Date, including the right to receive all dividends and distributions declared or made after the Completion Date.

Lock-up Undertaking

The Company has undertaken to the Placing Agent that (except for the sale of the Placing Shares) until the date which is 180 days after the date of the Underwriting Agreement, it will not (without the prior written consent of the Placing Agent), (1) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any H Shares or any interests in the H Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any H Shares or interest in the H Shares of the Company; (2) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (1) above; or (3) announce any intention to enter into or effect any such transaction described in paragraphs (1) or (2) above.

Use of Proceeds

The net proceeds of the placing of New Shares by the Company will be approximately HK\$1,668 million after deducting the commission and expenses of the Placing. The Company intends to use the net proceeds from the placing of New Shares by the Company for its capital expenditure and working capital needed for the Company’s business, including but not limited to, funds required in the further expansion of the Group’s telecommunications-related design, construction and maintenance businesses both in and outside the PRC, development of business capabilities associated with 3G technology and applications to capture further business opportunities in 3G deployment, and any potential selective domestic and/or international acquisitions that may be made by the Company, but no specific funds allocation has been made as of the date of this announcement. The Company may consider submitting a bid for the 100% equity interest of China International Telecommunications Construction Corporation which was put to open tender on the China Beijing Equity Exchange (北京產權交易所) by its owner on 7 March 2008. In the event the Company enters into any agreements in respect of such acquisitions, it will comply with the relevant requirements under the Listing Rules.

The entire net proceeds from the sale of the NSSF Shares will be remitted to the NSSF.

The Company has not raised any funds from the issuance of equity securities in the 12 months immediately preceding the date of this announcement.

Suspension and Resumption of Trading

Trading in the H Shares on the Stock Exchange was suspended from 2:30 p.m. on 28 March 2008 at the request of the Company, and an application has been made to the Stock Exchange to resume trading in the H Shares with effect from 9:30 a.m. on 31 March 2008.

Application for Listing

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Placing Shares on the Stock Exchange.

By Order of the Board
China Communications Services Corporation Limited
Li Ping
Executive Director

Beijing, PRC, 28 March 2008

As at the date of this announcement, our Chairman and non-executive director is Wang Xiaochu, our Vice Chairman, Chief Executive Officer and executive director is Li Ping, our Executive Vice President, Chief Operating Officer and executive director is Mr. Zhang Zhiyong, our Executive Vice President, Chief Financial Officer and executive director is Mr. Yuan Jianxing, our non-executive directors are Liu Aili and Zhang Junan, and our independent non-executive directors are Wang Jun, Chan Mo Po, Paul, Zhao Chunjun, Wu Shangzhi and Hao Weimin.