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If you are in any doubt as to any aspect of this circular, or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in China Communications Services Corporation Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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 limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0552)

DISCLOSEABLE TRANSACTION

**Acquisition of
China International Telecommunications Construction Corporation**

*Financial Adviser to
China Communications Services Corporation Limited*



CICC

中国国际金融(香港)有限公司
CHINA INTERNATIONAL CAPITAL
CORPORATION (HONGKONG) LIMITED

China International Capital Corporation (Hong Kong) Limited

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DEFINITIONS

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

“Acquisition”	the proposed acquisition by the Company of the 100% equity interest of CITCC pursuant to the Equity Transfer Agreement, as further described in this circular
“Announcement”	the announcement of the Company dated 3 April 2008
“CICC”	China International Capital Corporation (Hong Kong) Limited, which is licensed by the Securities and Futures Commission for Types 1, 4, 6 and 9 regulated activities under the Securities and Futures Ordinance, being the financial adviser to the Company in respect of the Acquisition
“CITCC”	China International Telecommunications Construction Corporation* (中國通信建設集團有限公司, formerly known as “中國通信建設總公司”)
“CITCC Group”	CITCC and its subsidiaries
“Company”	China Communications Services Corporation Limited (中國通信服務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 30 August 2006, whose H Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“China Telecom Group”	China Telecommunications Corporation and its subsidiaries (excluding the Group)
“Date of Appraisal”	31 October 2007, being the benchmark date used in the appraisal of the net assets of CITCC
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 3 April 2008 between the Company and the Vendor relating to the Acquisition

DEFINITIONS

“Existing Primary Service Areas”	the primary service regions of the Company prior to the Acquisition comprising Shanghai Municipality, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province, Hubei Province, Hunan Province, Guangdong Province, Hainan Province, Guangxi Zhuang Autonomous Region, Chongqing Municipality, Sichuan Province, Guizhou Province, Yunnan Province, Shaanxi Province, Gansu Province, Qinghai Province and Xinjiang Uygur Autonomous Region in the PRC
“Expanded Primary Service Areas”	The Existing Primary Service Areas of the Company and the 10 Northern Provinces
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested shares in the Company’s issued share capital with a par value of RMB1.00 per share which are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18 April 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Vendor”	China National Postal and Telecommunications Appliances Corporation* (中國郵電器材集團公司)
“10 Northern Provinces”	Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province, Inner Mongolia Province, Liaoning Province, Jilin Province, Heilongjiang Province, Shandong Province and Henan Province

* *For identification purpose only*

LETTER FROM THE BOARD



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 limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0552)

Executive Directors

Li Ping (Chairman)
Zhang Zhiyong
Yuan Jianxing

Non-executive Directors

Liu Aili
Zhang Junan

Independent Non-executive Directors

Wang Jun
Chan Mo Po, Paul,
Zhao Chunjun
Wu Shangzhi
Hao Weimin

Registered office

Level 5
No. 2 and B
Fuxingmen South Avenue
Xicheng District
Beijing
PRC

Place of business in Hong Kong

Room 3203-3205
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

23 April 2008

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

Acquisition of

China International Telecommunications Construction Corporation

1. INTRODUCTION

The Company announced, by way of the Announcement, that the Company was successful in its bid for the 100% equity interest of China International Telecommunications Construction Corporation (“CITCC”) and entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Group agreed to purchase, and the Vendor agreed to sell, the 100% equity interest of CITCC for a consideration of RMB505.46 million.

LETTER FROM THE BOARD

As the relevant percentage ratios involved in the Acquisition under Rule 14.06 of the Listing Rules are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

The purpose of this circular is to provide you with details of the Acquisition and more information about the Company.

2. THE ACQUISITION

(a) CITCC

The Company submitted a bid on 3 April 2008 for the acquisition of the 100% equity interest of CITCC which was put to open tender on the China Beijing Equity Exchange (北京產權交易所) by the Vendor on 7 March 2008. The Board was pleased to announce that the Company's bid for CITCC was successful and the Company entered into the Equity Transfer Agreement with the Vendor on 3 April 2008, pursuant to which the Company agreed to purchase, and the Vendor agreed to sell, the 100% equity interest of CITCC for a consideration of RMB505.46 million.

CITCC is a limited liability company incorporated under PRC law and wholly owned by the Vendor. Upon Completion, CITCC will become a wholly owned subsidiary of the Company.

The principal businesses of the CITCC Group are the provision of telecommunications infrastructure ("TIS") services and business process outsourcing ("BPO") services. Details of CITCC Group's principal services are as follows:

- TIS services: the CITCC Group offers comprehensive telecommunications infrastructure services, including construction and engineering, design and project supervision for both fixed-line and mobile telecommunications network related projects.
- BPO services: the CITCC Group offers a range of BPO services to customers, including the maintenance of telecommunications networks and facilities, and procurement of telecommunications equipment upon demand from customers.

CITCC was one of the first providers of telecommunications infrastructure services in the PRC and holds top tier regulatory qualifications for communications project construction contractors (通信工程施工總承包一級資質). To date, CITCC has received 11 top-tier national awards and 43 provincial awards for telecommunications infrastructure projects. CITCC has also been involved in the formulation of various industry standards, such as the Acceptance Specifications for Long-Haul Optical Fiber Cable Line Project (YD 5121-2005) (長途通信光纜線路工程驗收規範) and the Acceptance Specification for SDH Local Network Optical Fiber Cable Transmission Project (YD/T 5149 – 2007) (SDH本地網光纜傳輸工程驗收規範), both officially issued by the Ministry of Information Industry of the PRC.

LETTER FROM THE BOARD

(b) Consideration and payment

The total consideration for the Acquisition is RMB505.46 million. The consideration is principally determined with reference to the appraised value of CITCC's net assets of RMB505.46 million on the Date of Appraisal as provided by the PRC appraiser and various other factors, including, among others, the quality of the assets, the financial and operational indicators of CITCC Group, and the reasons and benefits of the Acquisition as set out in Section 3 below.

The consideration shall be paid in cash within 30 days from execution of the Equity Transfer Agreement. The Company made a deposit of RMB50.00 million upon submitting the bid for CITCC which will be applied to the total consideration for the Acquisition. The Company will fund the consideration for the Acquisition from the Company's internal resources, including proceeds from the placing of new H shares as disclosed in the announcement of the Company dated 28 March 2008.

The Equity Transfer Agreement was entered into and consideration has been reached through an open tender process and subsequent arm's length negotiations and on normal commercial terms. The Board is of the view that the consideration payable and payment method for the Acquisition and the other terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is in the best interest of the Company and its shareholders taken as a whole.

(c) Conditions precedent to Completion of the Acquisition

Completion of the Acquisition is conditional upon the following:

- (i) approval of the Acquisition by the Company and the Vendor respectively in accordance with their corporate constitutional documents;
- (ii) obtaining all necessary approvals from the relevant governmental and regulatory authorities; and
- (iii) there being no material adverse change to the financial condition, business operations or prospects of the CITCC Group.

Moreover, the Company is entitled to terminate the Acquisition prior to Completion if the representations and warranties made by the Vendor under the Equity Transfer Agreement are discovered to be untrue or inaccurate.

The parties to the Equity Transfer Agreement agreed that Completion will take place as soon as practicable after satisfaction of the above conditions precedent.

LETTER FROM THE BOARD

3. REASONS AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition provides an opportunity for the Company to enhance its market position and competitiveness, optimise its customer base, further expand in overseas markets and realize operational synergies. The Board believes that the Acquisition would be in line with the Company's objective of creating long-term value for its shareholders.

(a) Enhancement of domestic market position and competitiveness

CITCC is one of the principal service providers in the TIS market, including TD-SCDMA (one of the 3G technology standards) construction projects, and has an established market reputation. The Acquisition will boost the Group's market share, and enhance the Group's market position and competitiveness domestically.

(b) Good complement to the Group's current businesses

The Acquisition is expected to help optimise the Company's customer base and geographic coverage.

CITCC has a diversified customer base, which includes both telecommunications operators and other large-scale enterprises and government agencies. The Acquisition will enable the Company to increase the percentage of revenue from clients other than China Telecom Group. The Company believes that an optimised customer base will enable it to capture more growth opportunities.

CITCC also has particular advantages in the TIS market of the 10 Northern Provinces. The Acquisition will enable the Group to better provide services in the Expanded Primary Service Areas.

(c) Benefits to the Group's overseas expansion

The Acquisition will also benefit the Group in its further expansion in overseas markets. CITCC has established representative offices in 11 countries and regions, including among others, Tanzania and the Democratic Republic of Congo. The Acquisition will enable the Group to further leverage on its own overseas market resources to accelerate its overseas business development, and enhance the Group's market position and competitiveness abroad.

LETTER FROM THE BOARD

(d) Realization of operating synergies

The Board believes that the Acquisition represents an opportunity to create shareholder value through potential operating synergies. The Acquisition of CITCC will enable the Company to further benefit from economies of scale through sharing of resources and expertise across the Expanded Primary Service Areas, ultimately benefiting the Company's clients and Shareholders. There is room for cost-cutting following the Acquisition of CITCC. The Company intends to apply the same measures to CITCC that have been successfully used for the Group, including centralized financial management, procurement and IT management systems, to achieve cost efficiencies. Cost synergies are also reflected in the shared research and development spending, corporate management resources, and understanding of key customers' needs. The best business practices and revenue models can be readily replicated in all of the Expanded Primary Service Areas of the Group.

4. FINANCIAL INFORMATION

According to CITCC's consolidated management accounts prepared in accordance with the PRC GAAP, CITCC's profit before and after tax and extraordinary items for the year ended 31 December 2006 was approximately RMB31.43 million and RMB20.16 million respectively, and for the year ended 31 December 2007 was approximately RMB45.95 million and RMB29.46 million respectively; the book value of CITCC's net assets as at 31 October 2007 was approximately RMB469.07 million.

Upon Completion, CITCC will become a subsidiary of the Company, and its financial results will be consolidated thereafter into the accounts of the Company. It is expected that the Acquisition will not have any material impact on the earnings, total assets and liabilities of the Group.

5. OTHER PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

The parties to the Equity Transfer Agreement agreed that the Vendor will be entitled to any increase of the net assets of the CITCC Group resulting from its profits between the Date of Appraisal and the date of Completion as determined in accordance with the PRC GAAP, and that the Vendor shall also make up for any decrease in the net assets of the CITCC Group resulting from any loss sustained by it between the Date of Appraisal and the date of Completion.

The relevant subsidiaries of CITCC entered into certain property sale and purchase agreements with the relevant subsidiaries of the Vendor prior to the date of the Equity Transfer Agreement to acquire certain properties necessary for the daily business operation of the CITCC Group (the "Property Acquisition(s)"). The total preliminary appraisal value of the properties involved in the Property Acquisition(s) was RMB192.54 million and the total consideration for the Property Acquisition(s) will be determined with reference to the final results of an appraisal of the properties to be conducted by an independent third party valuer

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in accordance with applicable PRC rules. Completion of the Property Acquisition(s) is subject to fulfillment of the conditions under the relevant property acquisition agreement(s) including, among others, the Vendor's relevant subsidiaries having obtained all necessary title certificates under PRC laws and regulations for the properties. The assets acquired and the consideration (namely, RMB505.46 million) given in respect of the Equity Transfer Agreement is only related to the Acquisition of the 100% Equity Interest of CITCC, and does not include those of the Property Acquisition(s). The Company may consider further capital investment in CITCC or other appropriate means in order for the CITCC's subsidiaries to fulfill the payment obligations under the Property Acquisition(s).

6. INFORMATION OF THE GROUP AND VENDOR

The Company is principally engaged in the provision of specialised telecommunications support services to telecommunications operators in the PRC, offering telecommunications infrastructure services (including design, construction and project supervision and management), business process outsourcing services and applications, content and other services. The Group operates countrywide, with 19 provinces and municipalities as its Existing Primary Service Areas.

The Vendor is a large state-owned enterprise established under the laws of the PRC managed by the State Assets Supervision and Administration Commission of the State Council, PRC. The Vendor's principal businesses include the sales and logistics support for communications terminals, international trade and exhibition, and telecommunications infrastructure services (before the sale of the 100% equity interest of CITCC by the Vendor).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are all third parties independent of the Company and the Company's connected persons.

7. FINANCIAL ADVISER

CICC is the financial adviser to the Company in respect of the Acquisition.

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

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. All the Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, so far as was known to, or can be ascertained after reasonable enquiry by, the Directors or the chief executive of the Company, the persons (not being a Director or chief executive of the Company) having interests or short positions in 5% or more in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV, and required to be recorded in the register of interests and short positions required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name of shareholder	Number of shares held	Type of shares	Percentage of interests in the respective type of shares	Percentage of interests in the issued share capital of Company	Capacity
China Telecommunications Corporation ⁽¹⁾⁽²⁾	3,778,831,800	Domestic shares	100.00%	65.47%	Beneficial Owner
China Mobile Communications Corporation ⁽²⁾	506,880,000	Domestic shares	13.41%	8.78%	Beneficial Owner
China United Telecommunications Corporation ⁽²⁾	236,300,000	Domestic shares	6.25%	4.09%	Beneficial Owner

Name of shareholder	Number of shares held	Type of shares	Percentage of interests in the respective type of shares	Percentage of interests in the issued share capital of Company	Capacity
Guangdong Telecom Industry Group Corporation ⁽¹⁾	236,313,086	Domestic shares	6.25%	4.09%	Beneficial Owner
Cisco Systems International B.V.	250,576,000 (L)	H shares	12.57%	4.34%	Beneficial Owner
Commonwealth Bank of Australia	166,203,809 (L)	H shares	8.34%	2.88%	Interest in an entity controlled by a significant shareholder
Invesco Hong Kong Limited in its capacity as manager/ advisor of various accounts	143,279,000 (L)	H shares	7.18%	2.48%	Investment Manager
Mirae Asset Global Investments (Hong Kong) Limited	116,306,000 (L)	H shares	5.84%	2.02%	Investment Manager

Remark: (L) Long Position

(1) Since China Telecommunications Corporation indirectly holds 100% of the shares in Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation, the 236,313,086 and 87,664,532 domestic shares held by Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation respectively are considered and aggregated into the equity interest held by China Telecommunications Corporation.

(2) Pursuant to the equity transfer arrangements entered into between China Telecommunications Corporation, and China Mobile Communications Corporation and China United Telecommunications Corporation, China Telecommunications Corporation agreed to transfer 506,880,000 and 236,300,000 domestic shares to China Mobile Communications Corporation and China United Telecommunications Corporation respectively. China Telecommunications Corporation will hold the said portion of shares until the date on which the conditions precedent to the equity transfer are met. The equity transfer is conditional upon, amongst others, the lapse of at least one year from the listing date, the transfer having been approved by the State-Owned Assets Supervision and Administration Commission of the PRC and the name of the transferee being registered in the Company's share register. Details of the equity transfer arrangements are disclosed in the Company's prospectus dated 27 November 2006.

Save as stated above, as at the Latest Practicable Date, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

As at the Latest Practicable Date, the interests of persons who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group are as follows:

Name of non-wholly owned subsidiary	Substantial shareholder	Percentage of interests in the issued share capital
Shenzhen Telecom Engineering Co., Ltd. 深圳市電信工程有限公司	ShenDa Telephone Co., Ltd 深大電話有限公司	40%
Shanghai Telephone Communication Engineering Construction Supervision Co., Ltd 上海電話通信工程建設監理有限公司	Shanghai Post and Telecommunications Engineering Business Division 上海郵電電信工程業務部	10%
Zhejiang Bell Technology Co., Ltd 浙江貝爾技術有限公司	Shanghai Bell-Alcatel Co., Ltd 上海貝爾阿爾卡特股份有限公司	40%
Zhejiang Freeland Communication Technology Co., Ltd 浙江沸藍通信科技有限公司	Jiaxing Technology Incubator Co., Ltd 嘉興科技創業園有限責任公司	20%

Save as stated above, as at the Latest Practicable Date, no other persons are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not terminable by the employer within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors was interested in any business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

5. QUALIFICATIONS OF EXPERTS

The following is the qualification of CICC, the financial adviser to the Company relating to the Acquisition:

China International Capital Corporation (Hong Kong) Limited	licensed by the Securities and Futures Commission for Types 1, 4, 6 and 9 regulated activities under the SFO
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As at the Latest Practicable Date, CICC was not beneficially interested in any share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and not had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, being the date of the latest published audited financial statements of the Company.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or arbitration of material importance and there was no material litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. MISCELLANEOUS

- (a) The Company's registered office is at Level 5, No. 2 and B, Fuxingmen South Avenue, Xicheng District, Beijing, PRC and its principal place of business in Hong Kong is at Room 3203-3205, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.
- (b) The qualified accountant and the Company Secretary is Mr. Chung Wai Cheung, Terence, a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) Unless otherwise stated and save as the names of the companies established in the PRC and mentioned in this circular, the English text of this circular shall prevail over its Chinese text.