THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Communications Services Corporation Limited, you should at once hand this circular and the accompanying forms of proxies to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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: 552)

Renewal and Amended Annual Caps of Continuing Connected Transactions

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

ING

A letter from the Board is set out from pages 7 to 26 of this Circular. A letter from the Independent Board Committee is set out on pages 27 to 28 of this Circular. A letter from ING N.V., the Independent Financial Adviser, is set out on pages 29 to 41 of this Circular.

A notice convening an extraordinary general meeting of the Company to be held at 10:00 a.m. on Friday, 14 November 2008 at No. 19, Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC, is set out on pages 50 to 51 of this Circular. Form of proxy for use at the Extraordinary General Meeting is enclosed with this Circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

26 September 2008

CONTENTS

Pages

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

"2007 Announcement"	the announcement of the Company dated 15 June 2007 in respect of, among others, the Retained Businesses Acquisition and certain continuing connected transactions with China Telecommunications Corporation and/or its Associates
"2007 Circular"	the circular of the Company dated 20 June 2007 in respect of, among others, the Retained Businesses Acquisition and certain continuing connected transactions with China Telecommunications Corporation and/or its Associates
"2007 Supplemental Agreement"	the supplemental agreement between the Company and China Telecommunications Corporation dated 15 June 2007 to, among others, renew the terms of each of the Agreements to 31 December 2009
"2008 Supplemental Agreement"	the supplemental agreement between the Company and China Telecommunications Corporation dated 19 September 2008 to renew the terms of each of the Agreements to 31 December 2010
"Agreements"	means the Engineering Framework Agreement, Ancillary Telecommunications Services Framework Agreement, Operation Support Services Framework Agreement, IT Application Services Framework Agreement, Centralized Services Agreement and the Property Leasing Framework Agreement entered into between the Company and China Telecommunications Corporation on 16 November 2006 prior to the IPO, as amended or supplemented from time to time. Details of the Agreements are set out in section 3 of the letter from the Board in this Circular headed "Continuing Connected Transactions under the Agreements"
"Announcement"	the announcement of the Company dated 19 September 2008 in respect the renewal of the Agreements by way of the 2008 Supplemental Agreement and the amendments to the Existing Annual Caps
"Associate(s)"	has the meaning given to it by the Listing Rules

"Board"	the board of directors of the Company
"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 Acquisitions"	China Telecom Listco's acquisition of the CDMA business from China Unicom Limited and China Telecommunications Corporation's acquisition of the CDMA network from China Unicom. Details of the acquisitions are set out in the announcements of China Telecom Listco dated 2 June 2008 and 28 July 2008
"CDMA business"	the business of providing, operating or marketing the provision of CDMA telecommunications business operated by China Unicom which is proposed to be acquired by China Telecom Listco Group
"CDMA network"	the CDMA cellular telecommunications network constructed by China Unicom which is proposed to be acquired by China Telecommunications Corporation
"China" or "PRC"	the People's Republic of China (excluding, for the purposes of this Circular, Hong Kong, Macau and Taiwan)
"China Telecom Group"	China Telecommunications Corporation and its subsidiaries, including China Telecom Listco Group but excluding the Group
"China Telecom Listco"	China Telecom Corporation Limited (中國電信股份有限公司), a company established under the laws of the PRC and whose shares are listed on the Stock Exchange
"China Telecom Listco Group"	China Telecom Listco and its subsidiaries
"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

"China Unicom"	China United Telecommunications Corporation (中國聯合通信有限公司), a company established under the laws of the PRC, and its subsidiaries (including China Unicom Limited)
"China Unicom Limited"	a subsidiary of China Unicom, a company whose shares are listed on the Stock Exchange
"CITCC"	China International Telecommunications Construction Corporation (中國通信建設集團有限公司), the entire entity of which was acquired by the Company by way of an equity transfer agreement dated 3 April 2008
"Company" or "we" or "us"	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
"Continuing Connected Transactions"	the connected transactions entered into between a member of the Group and China Telecommunications Corporation and its subsidiaries (excluding the Group) as governed by the Agreements, details of which are set out in section 3 of the letter from the Board in this Circular headed "Continuing Connected Transactions under the Agreements"
"Directors"	the directors of the Company
"Existing Annual Cap(s)"	the existing annual caps applicable to the Continuing Connected Transactions under each of the Agreements for the three years ending on 31 December 2009, which were announced in the 2007 Announcement and (in respect of the Non-exempt Connected Transactions and the Centralized Services Agreement) approved by the Independent Shareholders on 7 August 2007
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company to be convened on 14 November 2008
"Group" or "we"	the Company together with 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"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the committee of Directors, consisting of Wang Jun, Chan Mo Po, Paul, Zhao Chunjun, Wu Shangzhi and Hao Weimin, who are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps for the Non-exempt Connected Transactions
"Independent Financial Adviser"	ING Bank N.V., 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
"Independent Shareholders"	Shareholders other than China Telecommunications Corporation and its Associates
"IPO"	the initial public offering of the Company in 2006 which comprises an international offering and a Hong Kong public offering
"Latest Practicable Date"	16 September 2008, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Non-exempt Connected Transactions"	the Continuing Connected Transactions, excluding transactions under the Centralized Services Agreement and the Property Leasing Framework Agreement
"Original Service Areas"	the principal service regions of the Company within the PRC before completion of the Company's acquisition of CITCC in May 2008, comprising Shanghai municipality and Zhejiang, Fujian, Hubei, Guangdong, Hainan, Jiangsu, Anhui, Jiangxi, Hunan, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu and Qinghai provinces, and Guangxi Zhuang Autonomous Region, Chongqing municipality, and Xinjiang Uygur Autonomous Region.

"Proposed New Annual Cap(s)"	in respect of transactions under the Engineering Framework Agreement, the proposed amended annual cap for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010; in respect of transactions under the Ancillary Telecommunications Services Framework Agreement, the proposed amended annual cap for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010; in respect of transactions under the Operation Support Services Framework Agreement, the proposed amended annual cap for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010; in respect of transactions under the IT Application Services Framework Agreement, the proposed amended annual cap for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010; in respect of transactions under the Centralized Services Agreement, the proposed annual cap for the year ending 31 December 2010; and in respect of transactions under the Property Leasing Framework Agreement, the proposed amended annual cap for expenditures under the agreement for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010. Details of the Proposed New Annual Caps are described in section 3, "Continuing Connected Transactions under the Agreements" and summarized in section 6 "Hong Kong Listing Rules Applications" of the letter from the Board in this Circular
"Prospectus"	the prospectus dated 27 November 2006 issued by the Company in connection with its Hong Kong public offering

"Retained Businesses Acquisition"	the Company's acquisition of certain retained specialized telecommunications support businesses from China Telecommunications Corporation in 2007. Details of the acquisition were set out in the 2007 Announcement
"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

The Company would like to caution readers about the forward-looking nature of certain of the statements herein. These forward-looking statements are subject to uncertainties and assumptions, some of which are beyond its control. Potential risks and uncertainties include those concerning the continued growth of the telecommunications industry in China, the development of the regulatory environment, China Telecom Group's plan for its mobile telecommunications operation and other strategies and the Company's ability to successfully execute its business strategies. In addition, these forward-looking statements reflect the Company's current views with respect to future events but are not a guarantee of future performance. The Company does not intend to update these forward-looking statements. Actual result may differ materially from the information contained in the forward-looking statements as a result of a number of factors.

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: 552)

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

26 September 2008

To the Shareholders

Dear Sir or Madam,

Renewal and Amended Annual Caps of Continuing Connected Transactions

1. INTRODUCTION

Reference is made to the Announcement of the Company dated 19 September 2008 in relation to the 2008 Supplemental Agreement (for the extension of the terms of the Agreements) and the Proposed New Annual Caps for the Continuing Connected Transactions.

The Company announced on 19 September 2008 that after trading hours of the Stock Exchange it entered into the 2008 Supplemental Agreement with China Telecommunications

Corporation to renew the terms of the Agreements for one year to 31 December 2010, and proposed to amend the Existing Annual Caps for certain categories of the Continuing Connected Transactions in respect of the two years ending 31 December 2009 and set annual caps for the Continuing Connected Transactions for the year ending 31 December 2010.

China Telecommunications Corporation is the ultimate controlling shareholder of the Company. As such, China Telecommunications Corporation is a connected person of the Company and the renewal of the Continuing Connected Transactions by way of the 2008 Supplemental Agreement constitutes a connected transaction of the Company under the Listing Rules.

Based on the applicable percentage ratios under Chapter 14A of the Listing Rules for the forecast annual values of the Continuing Connected Transactions, the 2008 Supplemental Agreement (in respect of the extension of the relevant Agreements governing the Non-exempt Connected Transactions) and the Proposed New Annual Caps for the Non-exempt Connected Transactions are subject to approval by the Independent Shareholders.

An Independent Board Committee comprising all of the independent non-executive directors of the Company has been formed to advise the Independent Shareholders on the terms of the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and the Proposed New Annual Caps for the Non-exempt Connected Transactions. ING Bank N.V. has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the same.

The purpose of this Circular is to provide, amongst other things, further information about the Continuing Connected Transactions, letters from the Independent Board Committee and from ING Bank N.V. (the Independent Financial Adviser), and a notice to shareholders of the Company convening the Extraordinary General Meeting to approve, amongst other things, the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and the Proposed New Annual Caps for the Non-exempt Connected Transactions of the Company.

2. OVERVIEW

Reference is made to the Prospectus, the 2007 Announcement, 2007 Circular and the Announcement, in which the Company disclosed, among others, information in relation to the Continuing Connected Transactions between the Group and China Telecommunications Corporation and/or its Associates which are governed by the following Agreements:

(1) Engineering Framework Agreement;

(2) Ancillary Telecommunications Services Framework Agreement;

(3) Operation Support Services Framework Agreement;

(4) IT Application Services Framework Agreement;

(5) Centralized Services Agreement; and

(6) Property Leasing Framework Agreement.

Details of the transactions under the Agreements are set out in section 3 of this letter from the Board.

All of the Agreements were entered into between the Company and China Telecommunications Corporation on 16 November 2006 prior to the IPO, each with an initial term ending on 31 December 2008. In connection with the Retained Businesses Acquisition by the Company in 2007, the Agreements were amended by way of the 2007 Supplemental Agreement, pursuant to which the terms of the Agreements were renewed for one year to 31 December 2009. Both the 2007 Supplemental Agreement and the Existing Annual Caps for the Non-exempt Connected Transactions for the three years ending on 31 December 2009 were duly approved by the Independent Shareholders at an extraordinary general meeting of the Company held on 7 August 2007.

As the existing terms of the Agreements are due to expire on 31 December 2009, the Company entered into the 2008 Supplemental Agreement on 19 September 2008 after trading hours of the Stock Exchange to extend the term of each of the Agreements by one year to 31 December 2010. The terms of each Agreement remained unchanged.

Furthermore, with the continued development and expansion of the business of the Group, and based on our internal estimates of the demand by China Telecom Group for our relevant services under the Agreements following completion of its CDMA Acquisitions from China Unicom and the operating conditions of these Continuing Connected Transactions, the Directors note that the Existing Annual Caps in respect of certain categories of the Continuing Connected Transactions under the Agreements will not be sufficient for the Group's current requirements, and therefore propose that the relevant Existing Annual Caps be amended as set out in section 3 and section 6 of this letter from the Board.

3. CONTINUING CONNECTED TRANSACTIONS UNDER THE AGREEMENTS

Details of the transactions under the Agreements (as amended by the 2007 Supplemental Agreement) are set out below.

(a) Engineering Framework Agreement

Pursuant to the Engineering Framework Agreement, the Company has agreed to provide certain engineering related services, such as design, construction, project supervision and management for telecommunications infrastructure projects undertaken by China Telecom Group. The scope of the Engineering Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The current term of the Engineering Framework Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into the 2008 Supplemental Agreement to extend the current term of the Engineering Framework Agreement to 31 December 2010.

The charges payable for engineering related services rendered under the Engineering Framework Agreement shall be determined by reference to market rates or as reflected by prices obtained through the tender process. According to the relevant regulations and under the internal policy of China Telecom Group, whenever the value of any design and/or project supervision and management contracts exceeds RMB0.5 million, or the value of any construction contracts exceeds RMB2 million, the award of the relevant contract must be subject to a tender process (with a minimum of three parties tendering bids). The Company is to be accorded priority by China Telecom Group in the provision of the engineering related services except in the tender process, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favourable than those offered by us for the same services, and in return, the Company has undertaken to China Telecom Group that it shall not provide services to it on terms which are less favourable than those offered by the Company to independent third parties. The payment for engineering related services provided by us under the Engineering Framework Agreement is normally made in accordance with the progress of practical work following the general market practice in the industry.

The Existing Annual Cap for the service charges receivable by the Company from China Telecom Group under the Engineering Framework Agreement for the three years ending 31 December 2009 is RMB8,000 million. The total service charges received by the Company from China Telecom Group under the Engineering Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007, amounted to RMB6,380 million and RMB6,180 million, respectively. Based on the Company's management accounts, the total service charges received by the Company from China Telecom Group for engineering related services for the six months ended 30 June 2008 amounted to RMB2,529 million.

Based on the nature of the engineering related services, the historical level of services required by China Telecom Group, the existing scale of China Telecom Listco's capital expenditure on fixed-line telecommunications networks, and the estimated extent of engineering related services required by China Telecom Group in connection with the CDMA network to be acquired by it, the total amount receivable by the Company from China Telecom Group for the provision of engineering related services under the Engineering Framework Agreement for the year ending 31 December 2008 is estimated to be no more than approximately RMB9,500 million, and for the two years ending 31 December 2010 is estimated to be no more than approximately RMB12,500 million. Accordingly, the proposed amended annual caps for this connected transaction for the two years ending 31 December 2009 have been set at RMB9,500 million and RMB12,500 million, respectively, and the proposed annual cap for the year ending 31 December 2010 has been set at RMB12,500 million.

The increased transaction amount for the engineering related services is a result of (i) the increased demand for our services subsequent to the expected completion of the CDMA network acquisition by China Telecommunications Corporation in the second half of the year 2008; and (ii) the increased amount of engineering related services provided by us following our acquisition of CITCC in April 2008 (details of such acquisition are set out in the announcement of the Company dated 3 April 2008). The above factors are expected to lead to an annual transaction amount which would exceed the Existing Annual Cap and hence the proposed amended annual cap for the year ending 31 December 2008 has been increased. The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, we expect that the Existing Annual Cap (of RMB8,000 million) for the transaction amount under the Engineering Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval has been obtained from the Independent Shareholders for the proposed amended annual cap at the proposed EGM.

The proposed amended annual cap for the year ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010 have been substantially increased further as a result of the expected substantial increase in the demand for our engineering services by China Telecommunications Corporation in connection with the construction, re-configuration, and upgrade of the CDMA network following completion of the CDMA Acquisitions.

In view of the forecast annual values, the transactions under the Engineering Framework Agreement are continuing connected transactions on normal commercial terms subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, Independent Shareholders' approval for the renewal of this agreement and the Proposed New Annual Caps for this connected transaction is sought.

(b) Ancillary Telecommunications Services Framework Agreement

Pursuant to the Ancillary Telecommunications Services Framework Agreement, the Company has agreed to provide to China Telecom Group certain ancillary telecommunications services such as maintenance of network facilities including equipment, ducts and cables, equipment rooms and base stations; distribution of telecommunications products and services; provision of application, content and other services such as fixed-line value added services, wireless value added services, Internet value added services, and development of online gaming, certificate authentication and value added business platform of Internet cafes (the "**Ancillary Telecommunications Services**"). The 2007 Supplemental Agreement amended the Ancillary Telecommunications Services Framework Agreement to include the provision of comprehensive logistics services to China Telecom Group, which include purchase agency, warehousing, transportation, delivery, testing and inspection, logistics information management and distribution. The scope of the Ancillary

Telecommunications Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The current term of the Ancillary Telecommunications Services Framework Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into the 2008 Supplemental Agreement to extend the current term of the Ancillary Telecommunications Services Framework Agreement to 31 December 2010.

The Ancillary Telecommunications Services Framework Agreement stipulates that the Ancillary Telecommunications Services shall be provided at:

(1) government-prescribed price;

(2) where there is no government-prescribed price but where there is a government-guidance price, the government-guidance price applies;

(3) where there is neither a government-prescribed price nor a government-guidance price, the market price applies. 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 price is to be agreed between the relevant parties for the provision of the above services, which shall be the reasonable cost incurred in providing the same plus a reasonable profit (for this purpose, "reasonable costs" means the costs confirmed by both parties after negotiations, and "reasonable profits" means a profit ratio confirmed by both parties during the course of normal commercial negotiation, taking into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labour cost, local commodity prices and economic development levels).

The Company will be given priority by China Telecom Group in the provision of the Ancillary Telecommunications Services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favourable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecommunications Corporation that the Company and its subsidiaries shall not provide Ancillary Telecommunications Services to it on terms which are less favourable than those offered by the Company to independent third parties. Subject to the terms and conditions set out above, the payment for the Ancillary Telecommunications Services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Cap for the service charges receivable by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the three years ending 31 December 2009 is RMB3,660 million. The total service charges received by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB2,466 million and RMB3,125 million, respectively. Based on the Company's management accounts, the total service charges received by the Company from China Telecom Group for the Ancillary Telecommunications Services for the six months ended 30 June 2008 amounted to RMB2,256 million, accounting for more than 60% of the Existing Annual Cap for the year 2008.

Based on the historical service charges received, the operation and growth conditions of this connected transaction, and the estimated extent of the Ancillary Telecommunications Services required by China Telecom Group in connection with the provision of mobile telecommunications services following completion of its CDMA Acquisitions, the total annual amount receivable by the Company from China Telecom Group for our provision of the Ancillary Telecommunications Services under the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2008 and for the two years ending 31 December 2010 are estimated to be no more than approximately RMB4,700 million and RMB6,700 million, respectively. Accordingly, the proposed amended annual caps for this connected transaction for the two years ending 31 December 2009 have been set at RMB4,700 million and RMB6,700 million, respectively, and the proposed annual cap for the year ending 31 December 2010 has been set at RMB6,700 million.

The increased transaction amount for the Ancillary Telecommunications Services is a result of (i) the rapid growth of our revenue from provision of the Ancillary Telecommunications Services to China Telecom Group; (ii) the increased demand for the Ancillary Telecommunications Services by China Telecom Group subsequent to the expected completion of the CDMA Acquisitions; (iii) China Telecom Group's implementation of its strategy to further outsource the telecommunications related repair and maintenance service requirements; and (iv) the additional repair works required by China Telecom Group for ancillary telecommunications facilities damaged in the snowstorm and earthquake which occurred in the PRC in February and May 2008, respectively. The above factors are expected to lead to an annual transaction amount which will exceed the Existing Annual Cap for the year 2008 and hence the proposed amended annual cap for the year ending 31 December 2008 has been increased. The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, we expect that the Existing Annual Cap (of RMB3,660 million) for the service charges receivable by the Group under the Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval from the Independent Shareholders for the proposed amended annual cap has been obtained at the proposed EGM.

The proposed amended annual cap for the year ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010 have been substantially increased further as a result of the expected substantial increase in China Telecom Group's demand for our Ancillary Telecommunications Services in connection with enhancing China Telecom Group's market competitiveness in the mobile communications sector following completion of the CDMA Acquisitions and the further expansion of China Telecom Group's outsourcing strategy.

In view of the forecast annual values, the transactions under the Ancillary Telecommunications Services Framework Agreement are continuing connected transactions on normal commercial terms subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, Independent Shareholders' approval for the renewal of this agreement and the Proposed New Annual Caps for this connected transaction is sought.

(c) Operation Support Services Framework Agreement

The Operation Support Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of operation support services. Pursuant to this agreement, the Company agreed to provide operation support services, including but not limited to facilities management and renovation, network facilities management in relation to buildings used for telecommunications purposes, human resources management, equipment maintenance, advertisement, conferencing services, vehicles, and certain repair and leasing of equipment to China Telecom Group. Under the same agreement, China Telecom Group agreed to provide operation support services such as logistics services, warehousing, medical care, food and beverages, educational, hotel and travelling services, labour services and so on to us. The scope of the Operation Support Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The current term of the Operation Support Services Framework Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into the 2008 Supplemental Agreement to extend the current term of the Operation Support Services Framework Agreement to 31 December 2010.

Each of the parties to the Operation Support Services Framework Agreement will accord priority to the other party in the provision of the operation support services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favourable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favourable than those offered to independent third parties.

The operation support services under the Operation Support Services Framework Agreement are provided in accordance with the same pricing policy as that of the Ancillary Telecommunications Services Framework Agreement. Subject to the terms and conditions set out above, the payment for the operation support services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Cap for the service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the three years ending 31 December 2009 is RMB1,750 million. The total service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB1,301 million and RMB1,528 million, respectively. Based on the Company's management accounts, the total service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the six months ended 30 June 2008 amounted to RMB735 million.

Based on the historical service charges received by the Group and the estimated extent of operation support services required by China Telecom Group in connection with the provision of mobile telecommunications services following completion of the CDMA Acquisitions, the total annual amount of service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the three years ending 31 December 2010 is estimated to be no more than approximately RMB1,910 million, respectively. Accordingly, the proposed amended annual caps for this connected transaction for the two years ending 31 December 2009 and the proposed annual cap for the year ending 31 December 2010 have been set at RMB1,910 million, respectively.

The increased demand for our services under the Operation Support Services Framework Agreement is a result of (i) the increased demand for relevant operation support services by China Telecom Group following completion of the CDMA Acquisitions; and, to a lesser extent, (ii) China Telecom Group's implementation of its strategy to further outsource operation support services required in order to further enhance operation efficiency. The above factors are expected to lead to an annual amount of service charges receivable by the Group which will exceed the Existing Annual Cap and hence the proposed amended annual cap for the year ending 31 December 2008 has been increased. The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, expects that the Existing Annual Cap (of RMB1,750 million) for the service charges receivable under the Operation Support Services Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval from the Independent Shareholders for the proposed amended annual cap has been obtained.

The Existing Annual Cap for the service charges payable by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the three years ending 31 December 2009 is RMB260 million. The total service charges paid by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB190 million and RMB246 million, respectively. Based on the Company's management accounts, the total service charges paid by the Company to China Telecom Group for the operation support services received under the Operation Support Services Framework Agreement for the six months ended 30 June 2008 amounted to RMB188 million, accounting for more than 70% of the Existing Annual Cap.

Based on the nature of the operation support services received, the historical service charges paid and the estimated increase of market rate for such services, the Company proposes to increase the Existing Annual Caps for the two years ending 31 December 2009 to RMB470 million, and set the same amount as the proposed annual cap for the year ending 31 December 2010.

The increase in the amount of service charges payable was mainly attributable to the increase of market rates for the services provided to us under this agreement such as the logistics services, warehousing, medical care, food and beverages, educational, hotel and travelling services, and labour services. The Company expects that the annual amount of service charges payable by us under the Operation Support Services Framework Agreement will exceed the Existing Annual Cap.

The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, and we expect that the Existing Annual Cap (of RMB260 million) for the service charges payable under the Operation Support Services Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval from the Independent Shareholders for the proposed amended annual cap has been obtained at the proposed EGM.

In view of the forecast annual values, the transactions under the Operation Support Services Agreement are continuing connected transactions on normal commercial terms subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, Independent Shareholders' approval for the renewal of this agreement and the Proposed New Annual Caps for this connected transaction is sought.

(d) IT Application Services Framework Agreement

The IT Application Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of IT application services. Pursuant to the IT Application Services Framework Agreement, the

Company agreed to provide China Telecom Group with telecommunications network support services, software and hardware development and other related IT services. China Telecom Group has also agreed to provide to us certain IT application services including but not limited to, basic telecommunications services such as voice and data, value added services and information application services. The scope of the IT Application Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The current term of the IT Application Services Framework Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into the 2008 Supplemental Agreement to extend the current term of the IT Application Services Framework Agreement to 31 December 2010.

The charges payable for such IT application services under the IT Application Services Framework Agreement shall be determined by reference to market rates, for example, rates as reflected by prices obtained through the tender process (with a minimum of three parties tendering bids). The party receiving the relevant services will accord priority to the party providing such services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favourable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favourable than those offered to independent third parties. Subject to the terms and conditions set out above, the payment for the IT applications services is made in the manner provided for in each specific contract entered into between the parties by reference to the market practices.

The Existing Annual Cap for the service charges receivable by the Company from China Telecom Group under the IT Application Services Framework Agreement for the three years ending 31 December 2009 is RMB700 million. The total service charges received by the Company from China Telecom Group under the IT Applications Services Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB252 million and RMB649 million, respectively. Based on the Company's management accounts, the total service charges received by the Company from China Telecom Group for the IT application services under the IT Application Services Framework Agreement for the six months ended 30 June 2008 amounted to RMB160 million.

Based on the historical service charges received, the current growth and operation conditions of this connected transaction and the estimated level of IT application services required by China Telecom Group under the IT Application Services Framework Agreement, the total amount of service charges receivable by the Company from China Telecom Group for our provision of IT application services for the three years ending 31

December 2010 is estimated to be no more than approximately RMB1,000 million, RMB1,300 million and RMB 1,600 million, respectively. Accordingly, the proposed amended annual caps for the service charges receivable under the IT Applications Services Framework Agreement for the two years ending 31 December 2009 have been set at RMB1,000 million and RMB1,300 million, respectively, and the proposed annual cap for the year ending 31 December 2010 has been set at RMB1,600 million.

The increased demand for our IT application services is a result of (i) China Telecom Group subcontracting its contracts obtained from clients for IT application services such as software and hardware development, system integration services and other related IT services; (ii) IT application services required by China Telecom Group to develop its own operation software and hardware platforms (such as MSS, BSS and OSS); and (iii) the Group's focus on further developing our applications, contents and technology services business in general. The Company expects that the above factors will lead to an annual amount of service charges receivable which will exceed the Existing Annual Cap and hence the proposed amended annual cap for the year ending 31 December 2008 has been increased. The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, we expect that the Existing Annual Cap (of RMB700 million) for the service charges receivable under the IT Application Services Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval from the Independent Shareholders for the proposed amended annual cap has been obtained at the proposed EGM.

The Existing Annual Cap for the service charges payable by the Company to China Telecom Group under the IT Application Services Framework Agreement for the three years ending 31 December 2009 is RMB210 million. The total service charges paid by the Company to China Telecom Group under the IT Application Services Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB183 million and RMB182 million, respectively. Based on the Company's management accounts, the total service charges paid by the Company to China Telecom Group for the IT application services received under the IT Application Services Framework Agreement for the six months ended 30 June 2008 amounted to RMB85 million.

Based on the historical amount of service charges payable to China Telecom Group for IT application services received by the Group, the increase in the Group's demand for IT application services following the Company's acquisition of CITCC, and the Group's increased demand for telecommunications services such as voice and data value added services and broadband internet access in order to improve our overall information technology system to achieve operation efficiency, the Company expects that the annual amount of expenditure under the IT Application Services Framework Agreement will exceed the Existing Annual Cap and hence proposes to increase the Existing Annual Cap for the two years ending 31 December 2009 to RMB230 million and set the same amount as the proposed annual cap for the year ending 31 December 2010.

The Company has been closely monitoring this connected transaction and, based on an estimation of the progress of contract performance and the materialization of the above factors, we expect that the Existing Annual Cap (of RMB210 million) for service charges payable under the IT Application Services Framework Agreement for the year ending 31 December 2008 will not be exceeded before approval from the Independent Shareholders for the proposed amended annual cap has been obtained at the proposed EGM.

In view of the forecast annual values, the transactions under the IT Application Services Agreement are continuing connected transactions on normal commercial terms subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Accordingly, Independent Shareholders' approval for the renewal of this agreement and the Proposed New Annual Caps for this connected transaction is sought.

(e) Centralized Services Agreement

The current terms of the Centralized Services Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into the 2008 Supplemental Agreement to extend the current term of the Centralized Services Agreement to 31 December 2010. The scope of the Centralized Services Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The centralized services to be provided by the Company to China Telecommunications Corporation include:

1. the corporate headquarters management function to manage assets of China Telecommunications Corporation's certain retained specialized telecommunications support businesses in the PRC other than the Group and any remaining assets, such as hotels, manufacturing plants, schools and hospitals which are not in association with the specialized telecommunications support businesses in the Original Service Areas of the Group; and

2. the provincial headquarters management function to manage remaining assets of China Telecommunications Corporation in the Original Service Areas of the Group.

Except as otherwise agreed by the parties, the aggregate administrative expenses incurred by the Company for the provision of the centralized services referred to above (all expenses incurred in connection with the above-mentioned headquarters management functions except remuneration for Directors, share appreciation rights and provision of bad debts) will be apportioned pro rata between the Company and China Telecommunications Corporation according to a ratio based on the net asset value of each of the relevant parties. Settlement of such reimbursement between us and China Telecom Group has been made every three months unless the parties agree otherwise.

The Existing Annual Cap for the management fee income (in the form of reimbursed apportioned cost received) of the Group for the centralized services provided to China Telecom Group under the Centralized Services Agreement for the three years ending 31 December 2009 is RMB350 million. The total management fee income received by the Company from China Telecom Group for the two years ended 31 December 2006 and 2007 amounted to RMB45 million and RMB139 million, respectively. Based on the Company's management accounts, the management fee received by the Company under the Centralized Services Agreement for the six months ended 30 June 2008 amounted to RMB90 million. The Company expects that the future management fee income under the Centralized Services Agreement will remain stable and hence proposes to set the proposed annual cap for the year ending 31 December 2010 at the same level of the Existing Annual Cap, being RMB350 million.

In view of the forecast annual values, the transactions under the Centralized Services Agreement are continuing connected transactions on normal commercial terms subject to the reporting, announcement requirements, but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules as the applicable percentage ratios under the Listing Rules are expected on an annual basis to be more than 0.1% but less than 2.5%. As such, the renewal of the term of this agreement and the Proposed New Annual Cap for the transactions thereunder are not subject to Independent Shareholders' approval.

(f) Property Leasing Framework Agreement

The Property Leasing Framework Agreement governs the arrangements with respect to mutual leasing of properties between the Group and China Telecom Group. China Telecom Group currently lease from the Company and its subsidiaries certain properties use as business premises, offices, equipment storage facilities and sites for network equipment. The Company and its subsidiaries also lease from the China Telecom Group certain properties for use as business premises, offices and equipment storage facilities. These arrangements fall within the Property Leasing Framework Agreement.

The current terms of the Property Leasing Framework Agreement will expire on 31 December 2009, automatically renewable for further periods of no more than three years (subject to shareholders' approval, if applicable) unless terminated earlier by either party with three months' prior written notice. The Company has entered into a 2008 Supplemental Agreement to extend the current term of the Property Leasing Framework Agreement to 31 December 2010. The scope of the Property Leasing Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries), as may be applicable from time to time.

The rental charges in respect of each property are based on market rates. Rental charges are payable monthly in arrears, except as otherwise agreed by the parties, and subject to review every three years by both parties confirming after negotiations whether to adjust the rental charges and the amount of such adjustment.

The Existing Annual Cap for the Group's revenue from property leasing to China Telecom Group for the three years ending 31 December 2009 is RMB76 million. The revenue for transactions under the Property Leasing Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB50 million and RMB52 million, respectively. Based on the Company's management accounts, the revenue under the Property Leasing Framework Agreement received by the Group for the six months ended 30 June 2008 amounted to RMB32 million. The Company expects that the future revenue from property leasing under the Property Leasing Framework Agreement will remain stable in the next three years and hence proposes to set the proposed annual cap for the year ending 31 December 2010 at the same level of the Existing Annual Cap, being RMB76 million.

The Existing Annual Cap for the Group's expenditure on property leasing under the Property Leasing Framework Agreement for the three years ending 31 December 2009 is RMB106.5 million. The Group's annual expenditure for property leasing under the Property Leasing Framework Agreement for the two years ended 31 December 2006 (as restated in respect of the Retained Businesses Acquisition by the Group) and 2007 amounted to RMB56 million and RMB94 million, respectively. Based on the Company's management accounts, the expenditure of the Group under the Property Leasing Framework Agreement for the six months ended 30 June 2008 amounted to RMB45 million. The Company expects that the Group's expenditure for property leasing under the Property Leasing Framework Agreement will grow as a result of our need for more properties for uses such as offices, distribution premises and warehouses to provide comprehensive logistics services in connection with the procurement, warehousing and distribution of CDMA mobile telecommunications related equipment and end-user products following completion of the CDMA Acquisitions by China Telecom Group, and the Company expects that the Group's expenditure for property leasing under the Property Leasing Framework Agreement for the year ending 31 December 2008 will exceed the Existing Annual Cap and hence proposes to increase the Existing Annual Caps for the two years ending 31 December 2009 to, and set the proposed annual cap for the year ending 31 December 2010 at, RMB120 million, respectively.

In view of the forecast annual values, the transactions under the Property Leasing Framework Agreement are continuing connected transactions on normal commercial terms subject to the reporting and announcement requirements but exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules as the applicable percentage ratios under the Listing Rules are expected on an annual basis to be more than 0.1% but less than 2.5%. As such, the extension of the current term of this agreement and the Proposed New Annual Caps for this connected transaction are not subject to the approval of the Independent Shareholders.

4. REASONS AND BENEFITS FOR TRANSACTIONS UNDER THE AGREEMENTS

China Telecom Group is one of the largest telecommunications operators in the PRC. The Group is the leading specialized telecommunications support services provider in the PRC and has been providing such services to China Telecom Group on a long-term basis which are currently governed by the Engineering Framework Agreement, Ancillary Telecommunications Services Framework Agreement, Operation Support Services Framework Agreement and the IT Application Services Framework Agreement.

In addition, as part of the pre-IPO reorganisation process of the Group, China Telecom Group and the Group leased from each other certain properties essential to their operation under the Property Leasing Framework Agreement, and the Group has also been providing to China Telecommunications Corporation certain centralized management services and operation support services in respect of the businesses and assets retained by China Telecommunications Corporation as governed by the Centralized Services Agreement and the Operation Support Services Framework Agreement, respectively.

The Board considers that it is in the interest of the Company to continue with the Continuing Connected Transactions under the Agreements in order to benefit the Company's future growth and development, as they would provide a stable revenue source from one of the largest telecommunications operators in the PRC, and all the Continuing Connected Transactions were entered into in the ordinary and usual course of business of the Group on normal commercial terms which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

5. INFORMATION ABOUT THE COMPANY AND CHINA TELECOMMUNICATIONS CORPORATION

The Company is engaged in the investment holding of companies primarily involved in the provision of specialized 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. China Telecommunications Corporation is a state-owned enterprise engaged in the investment holding of companies primarily involved in the provision of telecommunications services, the provision of specialized telecommunications support services and other business.

As of the Latest Practicable Date, China Telecommunications Corporation directly and indirectly owned 65.47% of the Company's issued share capital.

6. HONG KONG LISTING RULES APPLICATIONS

As of the Latest Practicable Date, China Telecommunications Corporation directly and indirectly owns and is entitled to exercise control of 65.47% of the voting rights in respect of the issued share capital of the Company and is hence a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the proposed renewal of the terms of the Agreements by way of the 2008 Supplemental Agreement and the Proposed New Annual Caps constitute continuing connected transactions of the Company.

Under Rule 14A.35(2) of the Listing Rules, in respect of a continuing connected transaction which is not fully exempted from the reporting, announcement and independent shareholders' approval requirements, an annual cap must be set and disclosed. As far as the Company is aware, none of the Existing Annual Caps has been exceeded as at the Latest Practicable Date.

The table below summarized the Existing Annual Caps for the Continuing Connected Transactions for the year 2008 and 2009 and the Proposed New Annual Caps for the year 2008 to 2010.

Transactions		Existing Annual Caps 2008	2009	Proposed New Annual Caps 2008	2009	2010
		(RMB in million)				
1. Engineering Framework Agreement	Revenue	8,000	8,000	9,500	12,500	12,500
2. Ancillary Telecommunications Services Framework Agreement	Revenue	3,660	3,660	4,700	6,700	6,700
3. Operation Support Services Framework Agreement	Revenue	1,750	1,750	1,910	1,910	1,910
	Expenditure	260	260	470	470	470
4. IT Application Services Framework Agreement	Revenue	700	700	1,000	1,300	1,600
	Expenditure	210	210	230	230	230
5. Centralized Services Agreement	Reimbursed apportioned cost	350	350	350[(1)]	350[(1)]	350
6. Property Leasing Framework Agreement	Revenue	76	76	76[(1)]	76[(1)]	76
	Expenditure	106.5	106.5	120	120	120

[(1)] Existing Annual Caps in respect of the relevant Continuing Connected Transactions.

The Board is of the view that the Proposed New Annual Caps above are set so as to not hinder the ability of the Group to conduct its business in the ordinary and usual course and allow the Group to benefit from future growth.

Each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules for the Continuing Connected Transactions under each of the Agreements (other than the Centralized Services Agreement and the Property Leasing Agreement) is on an annual basis higher than 2.5%. As such, the 2008 Supplemental Agreement as well as the Proposed New Annual Caps for the Non-exempt Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Centralized Services Agreement and the Property Leasing Framework Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement.

The Directors (including the independent non-executive directors) are of the opinion that the Continuing Connected Transactions have been entered into, and will be carried out, in the ordinary and usual course of business of the Group and on normal commercial terms which are fair and reasonable so far as the interests of the Shareholders are concerned. The Directors consider that the Proposed New Annual Caps for the Continuing Connected Transactions are fair and reasonable. There are no prior transactions of the Group with China Telecommunications Corporation and/or its Associates which require aggregation under Rule 14A.25 of the Listing Rules.

China Telecommunications Corporation and its Associates being connected persons to the Company, will abstain from voting at the EGM on the ordinary resolutions to approve the terms of 2008 Supplement Agreement and the Proposed New Annual Caps for the Non-exempt Connected Transactions. Any vote of the Independent Shareholders at the EGM shall be taken by poll. The Company confirms that none of the independent non-executive directors has any interests in the 2008 Supplemental Agreement and the Proposed New Annual Caps.

The Company undertakes to comply with the rules in relation to annual review of continuing connected transactions set out in the Listing Rules. The Company specifically undertakes upon any further material variation or renewal of the above relevant agreements, the Company will comply in full with all applicable requirements set out in Chapter 14A of the Listing Rules.

7. EXTRAORDINARY GENERAL MEETING

A notice of the Extraordinary General Meeting to be held at 10:00 a.m. on Friday, 14 November 2008 at No.19, Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC, is set out on pages 50 to 51 of this Circular at which ordinary resolutions will be proposed to approve the 2008 Supplemental Agreement (in respect of the extension of the Non-exempt Connected Transactions to 31 December 2010) and the Proposed New Annual Caps for the Non-exempt Connected Transactions. The vote of the Independent Shareholders at the Extraordinary General Meeting on the ordinary resolutions shall be taken by a poll. In accordance with the

Listing Rules, China Telecommunications Corporation, the ultimate controlling shareholder of the Company holding 65.47% of the total issued share capital of the Company as at the Latest Practicable Date, and its Associates, will abstain from voting on the ordinary resolutions at the Extraordinary General Meeting.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not Shareholders are able to attend the Extraordinary General Meeting, they are requested to complete and return the enclosed form of proxy to (i) for domestic Shareholders, the Office of the Board of the Company, No.19, Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC; and (ii) for holders of H Shares, Computershare Hong Kong Investor Services Limited, Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable and in any event by no later than 24 hours before the time appointed for holding the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

8. CONCLUSIONS AND RECOMMENDATIONS

ING Bank N.V. has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and the Proposed New Annual Caps for the Non-exempt Connected Transactions.

ING Bank N.V. considers that the entering into of the 2008 Supplemental Agreement is in the ordinary course of business of the Group and that the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps in respect of the Non-exempt Connected Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned. Accordingly, ING Bank N.V. would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions as set out in the notice of the Extraordinary General Meeting at the end of the Circular.

The Independent Board Committee, after taking into account, among other things, the advice of ING Bank N.V., concurs with the views of ING Bank N.V. and considers that the entering into of the 2008 Supplemental Agreement is in the ordinary course of business and that the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps in respect of the Non-exempt Connected Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extraordinary General Meeting to approve the 2008 Supplemental Agreement (in respect of the extension of the Non-exempt Connected Transactions to 31 December 2010) and the Proposed New Annual Caps for the Non-exempt

Connected Transactions. The text of the letter from the Independent Board Committee is set out on pages 27 to 28 of this Circular. No member of the Independent Board Committee has any material interest in the Non-exempt Connected Transactions.

9. OTHER INFORMATION

Your attention is drawn to the letter from ING Bank N.V. which contains its advice to the Independent Board Committee and the Independent Shareholders, the letter from the Independent Board Committee which sets out its recommendation to the Independent Shareholders, the additional information and the EGM notice set out in the appendices to this Circular.

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

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: 552)

26 September 2008

To the Independent Shareholders

Dear Sir or Madam,

Renewal and Amended Annual Caps of the Non-exempt Connected Transactions

We refer to the circular issued by the Company to Shareholders dated 26 September 2008 (the "Circular") of which this letter forms part. The terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

On 19 September 2008, the Board announced (i) the 2008 Supplemental Agreement extending the term of the Agreements and (ii) the Proposed New Annual Caps for the Continuing Connected Transactions. Further details are contained in the Letter from the Board set out on pages 7 to 26 of the Circular.

The Independent Board Committee was formed to make a recommendation to the Independent Shareholders as to whether, in its view, (i) the terms of the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and (ii) the Proposed New Annual caps of the Non-exempt Connected Transactions are fair and reasonable in so far as the Independent Shareholders are concerned.

ING Bank N.V. has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regards to (i) the terms of the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and (ii) the Proposed New Annual Caps for the Non-exempt Connected Transactions as described in the Circular. The text of the letter of advice from ING Bank N.V. containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 29 to 41 of this Circular.

The Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the Letter from the Board contained in the Circular as well as the additional information set out in the appendices to the Circular.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for (i) the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and (ii) the Proposed New Annual Caps for the Non-exempt Connected Transactions; and the basis upon which the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps have been determined. We have also considered the key factors taken into account by ING Bank N.V. in arriving at its opinion regarding (i) the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and (ii) the Proposed New Annual Caps for the Non-exempt Connected Transactions.

The Independent Board Committee concurs with the view of ING Bank N.V. and considers that (i) the terms of the 2008 Supplemental Agreement (in respect of the extension of the term of the relevant Agreements governing the Non-exempt Connected Transactions) and (ii) the Proposed New Annual Caps for the Non-exempt Connected Transactions are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Our view related to fairness and reasonableness is necessarily based on the information, facts and circumstances currently prevailing. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the Extraordinary General Meeting at the end of this Circular.

Yours faithfully
For and on behalf of
Independent Board Committee
Wang Jun
Chan Mo Po, Paul
Zhao Chunjun
Wu Shangzhi
Hao Weimin

The following is the full text of the letter from ING Bank N.V. to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.

ING
39/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong

26 September 2008

To the Independent Board Committee and Independent Shareholders of
China Communications Services Corporation Limited

Dear Sirs,

Renewal and Amended Annual Caps of Non-exempt Connected Transactions

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps in respect of the Non-exempt Connected Transactions (the "Transactions"). The details of the Transactions are set out in the circular of the Company dated 26 September 2008 (the "Circular"), of which this letter forms part.

This letter sets out our evaluation of the Transactions and our recommendation in relation thereon to the Independent Board Committee and the Independent Shareholders, and is prepared for inclusion in the Circular. Unless otherwise defined, all terms defined in the Circular shall have the same meanings herein.

China Telecommunications Corporation is the controlling shareholder of the Company, holding 65.47% of the issued share capital of the Company. Accordingly, China Telecommunications Corporation is a connected person of the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules for the Non-exempt Connected Transactions is on an annual basis higher than 2.5% for the three years ending 31 December 2010, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will convene the Extraordinary General Meeting for the Shareholders to consider and, if deemed fit, approve the resolutions in respect of the Transactions. Any vote of the Independent Shareholders at the Extraordinary General Meeting shall be taken by a poll. In accordance with the Listing Rules, China Telecommunications Corporation and its Associates will abstain from voting on the resolutions in respect of the Transactions at the Extraordinary General Meeting.

ING Bank N.V. is independent from, and not connected with, the Company or any of its substantial shareholders, directors, or chief executive, or any of their respective associates, and is accordingly considered qualified to give independent advice to the Independent Board Committee and the Independent Shareholders.

We were neither a party to the negotiations entered into by the Company in relation to the Transactions, nor were we involved in the deliberations leading up to the decision of the Directors to enter into the Transactions. We do not, by this letter, warrant the merits of the Transactions, other than to form an opinion, for the purpose of Chapter 14A of the Listing Rules, on whether the terms of the Transactions are fair and reasonable and that the entering into of the Transactions is in the ordinary and usual course of business, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

BASIS OF ADVICE

In formulating our opinion and recommendation with regards to the Transactions, we have reviewed, among others, the Circular, the 2008 Supplemental Agreement and historical financial statements of the Group. We have considered information, statements, opinions and representations, given in writing and orally, by the management of the Company (the “Management”). We also reviewed research studies, market data and relevant publicly available information as we deemed necessary. We have relied, without assuming any responsibility for independent verification, on the information and the facts about the Agreements relating to the Non-exempt Connected Transactions and the Company as supplied by the Management, as well as research studies, market data and publicly available information. We have assumed that all statements, information, opinions and representations made to us or contained or referred to in the Circular provided by the Company are true, accurate, and complete in all material respects at the time they were made and continue to be so as at the date hereof and that we have relied on the same.

We have been advised by the Management that all material relevant information has been supplied to us and believe that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We have assumed that all statements of belief, opinion and intention made by the Management as set forth in the Circular were reasonably made after due and careful enquiries and that there are no other facts or representations, the omission of which would make any statement, information, opinion or representation in the Circular, including this letter, misleading in any material respects.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We are not aware of, and have no reason to suspect that, any facts or circumstances, which would render the information provided or the representations made to us untrue, inaccurate or misleading in any material respects, nor do we suspect that any material facts have been omitted or withheld from the information supplied in the Circular. We have not, however, carried out any independent verification of the information provided to us by the Management, or conducted any form of investigation into the businesses and affairs of the Group, China Telecommunications Corporation and their respective associates.

Our opinion is necessarily based upon the financial, economic, market, regulatory, legal and other conditions as they exist on, and the facts, information and opinions made available to us as at, the date of this letter. We disclaim any undertaking or obligation to advise any person of any change or subsequent development in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the date hereof and we do not have any obligation to update, revise, or reaffirm this letter.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the terms of the Transactions, we have considered the following principal factors and reasons:

1. Historical Relationship between China Telecommunications Corporation and the Company

The Company and its subsidiaries are principally engaged in the provision of specialised telecommunications support services to telecommunications operators in the PRC, offering telecommunications infrastructure ("**TIS**") services (including design, construction and project supervision and management), business process outsourcing ("**BPO**") services and applications, content and others ("**ACO**") services. The Company was incorporated in the PRC on 30 August 2006 as a joint stock company with limited liability. Pursuant to a restructuring agreement between China Telecommunications Corporation and the Company, China Telecommunications Corporation transferred its specialised telecommunications support business in the Shanghai Municipality, Guangdong Province, Zhejiang Province, Fujian Province, Hubei Province and Hainan Province to the Company in consideration for the Company's shares. The Company was subsequently listed on the Stock Exchange in December 2006. The Company completed the acquisition from China Telecommunications Corporation companies and businesses (which were principally providing TIS, BPO and ACO services) in Jiangsu Province, Anhui Province, Jiangxi Province, Hunan 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 August 2007.

China Telecommunications Corporation is a state-owned enterprise established under the laws of the PRC on 17 May 2000. Its principal business is the investment holding of companies involved in the provision of telecommunication services in the PRC, the provision of specialised telecommunication support services and other business. As at the Latest Practicable Date, China Telecommunications Corporation is the controlling shareholder of the Company, holding 65.47% of the issued share capital of the Company. China Telecommunications Corporation and its subsidiaries are also major customers of the Group, accounting for approximately 49% and 42% of total revenue of the Group for the year ended 31 December 2007 and six months ended 30 June 2008, respectively.

2. CITCC acquisition

In May 2008, the Company completed the acquisition of the entire interest in CITCC by way of an equity transfer agreement. The principal businesses of CITCC are the provision of the TIS services and the BPO services. CITCC is one of the principal service providers in the TIS market, including TD-SCDMA (one of the 3G technology standards) construction projects. It has a diversified customer base, including telecommunications operators, other large-scale enterprises and government agencies. As CITCC has particular strengths in the TIS market in the Beijing Municipality, Tianjin Municipality, Hebei Province, Shanxi Province, Inner Mongolia Province, Liaoning Province, Jilin Province, Heilongjiang Province, Shandong Province and Henan Province, the acquisition enables the Group to expand its coverage to 29 out of the total 31 provinces, municipalities and autonomous regions (excluding the Xizang Autonomous Region and the Ningxia Hui Autonomous Region) in the PRC. The CITCC acquisition also further expands the Group's presence in overseas markets as CITCC has established representative offices in 11 countries and regions.

3. CDMA Acquisition

On 24 May 2008, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Finance jointly issued the Announcement on Deepening the Reform of the Structure of the Telecommunications Sector. As stated in the joint announcement, the PRC government would reform the structure of the telecommunications sector and encourage the formation of three market competitors with relatively comparable strength and scale, each with a nation-wide network and full service capabilities. On 27 July 2008, China Telecom Listco (being a subsidiary of China Telecommunications Corporation), China Unicom Limited and China Unicom Corporation Limited entered into an acquisition agreement, pursuant to which China Telecom Listco shall acquire, among others, the CDMA business owned and operated by China Unicom. On the same date, China Telecommunications Corporation entered into an agreement to acquire the CDMA network on which the CDMA business operates from China Unicom. It was reported that China Telecommunications Corporation planned to finalise the capital expenditure plans for the CDMA network after China Telecom Listco obtaining relevant approvals for the acquisition of the CDMA business.

4. Agreements in respect of the Non-exempt Connected Transactions

The Agreements in respect of the Non-exempt Connected Transactions were entered into between the Company and China Telecommunications Corporation in November 2006 prior to the IPO. They set out the terms of the mutual provision of ongoing specialised telecommunications support services between the Group and the China Telecom Group. The following table sets forth a summary of the Agreements in relation to the Non-exempt Connected Transactions:

Agreement	Description
Engineering Framework Agreement	The Company agreed to provide to the China Telecom Group certain engineering related services, such as design, construction, project supervision and management, for telecommunications infrastructure projects undertaken by the China Telecom Group.
Ancillary Telecommunications Services Framework Agreement	The Company agreed to provide to the China Telecom Group certain ancillary telecommunications services such as maintenance of network facilities, distribution of telecommunications products and services, and the provision of application, content and other services.
Operation Support Services Framework Agreement	The Company agreed to provide to the China Telecom Group operation support services including, but not limited to, facilities management and renovation, network facilities management in relation to buildings used for telecommunications purposes, human resources management, equipment maintenance, advertisement, conferencing services, vehicles and certain repair and leasing of equipment. The China Telecom Group agreed to provide to the Company operation support services such as logistics, warehousing, medical care, food and beverages, educational, hotel and travelling services, and labour services.

IT Application Services Framework Agreement	The Company agreed to provide to the China Telecom Group telecommunications network support, software and hardware development, and other related information technology ("**IT**") services. The China Telecom Group agreed to provide to the Company certain IT application services including, but not limited to, basic telecommunications, value added and information application services.

5. The 2008 Supplemental Agreement

As set out in "Letter from the Board" of the Circular, the Company proposes to enter into the 2008 Supplemental Agreement to extend the term of each of the Agreements governing the Non-exempt Connected Transactions. Details of the terms of the Agreements as amended by the 2007 Supplemental Agreement and the 2008 Supplemental Agreement are set out in the "Letter from the Board" of the Circular.

The 2008 Supplemental Agreement also extends the terms of the Centralised Services Agreement and the Property Leasing Agreement, which are exempt from the independent shareholders' approval requirement.

5.1 Extension of the terms of the relevant framework agreements governing the Non-exempt Connected Transactions

The 2008 Supplemental Agreement provides that the terms of the Agreements be extended from 31 December 2009 to 31 December 2010.

We note that the terms of the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement and the IT Application Services Framework Agreement were all renewed in the 2007 Supplemental Agreement, which will expire on 31 December 2009. The 2008 Supplemental Agreement therefore provides for an extension of the terms of these agreements by an additional year. The Agreements provide that they are automatically renewable for further periods of no more than three years upon expiry (subject to shareholders' approval, if applicable) unless terminated earlier by either China Telecommunications Corporation or the Company with three months' prior notice.

5.2 Other terms

Save for those set out in Sections 5.1 above, there are no changes to the other terms of the Agreements in relation to the Non-exempt Connected Transactions, including the pricing standards and principal terms.

6. The Annual Caps

As set out in the "Letter from the Board" contained in the Circular, the Company proposes to amend the existing annual caps for each of the two years ending 31 December 2008 and 2009 and set new caps for the year ending 31 December 2010 for the Agreements in relation to the Non-exempt Connected Transactions.

6.1 Actual amount incurred, existing annual caps, amended annual caps, new annual caps and respective percentage increase in those caps

Set out below are the actual amount incurred for the year ended 31 December 2007 and the six months ended 30 June 2008, the existing annual caps for each of the two years ending 31 December 2008 and 2009 (the "**2008 Existing Cap(s)**", the "**2009 Existing Cap(s)**", and together the "**Existing Caps**"), the proposed amended annual caps for each of the two years ending 31 December 2008 and 2009 (the "**2008 Amended Cap(s)**", the "**2009 Amended Cap(s)**", and together the "**Amended Caps**"), the proposed annual cap for the year ending 31 December 2010 (the "**2010 Cap(s)**") and respective percentage increase in those caps in relation to the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement and the IT Application Services Framework Agreement:

		Actual amount incurred		**Existing Cap**		**Amended Cap**		**2010 Cap**
Agreement	**Basis of Measurement (% of increase)**	**For the year ended 31 December 2007**	**For the six months ended 30 June 2008**	**For the year ending 31 December 2008**	**For the year ending 31 December 2009**	**For the year ending 31 December 2008**	**For the year ending 31 December 2009**	**For the year ending 31 December 2010**
					(RMB million)			
Engineering Framework Agreement	Revenue	6,180	2,529	8,000	8,000	9,500	12,500	12,500
	(% of increase)					19%[1]	32%[2]	0%[3]
Ancillary Telecommunications Services Framework Agreement	Revenue	3,125	2,256	3,660	3,660	4,700	6,700	6,700
	(% of increase)					28%[1]	43%[2]	0%[3]
Operation Support Services Framework Agreement	Revenue	1,528	735	1,750	1,750	1,910	1,910	1,910
	(% of increase)					9%[1]	0%[2]	0%[3]
	Expenditure	246	188	260	260	470	470	470
	(% of increase)					81%[1]	0%[2]	0%[3]
IT Application Services Framework Agreement	Revenue	649	160	700	700	1,000	1,300	1,600
	(% of increase)					43%[1]	30%[2]	23%[3]
	Expenditure	182	85	210	210	230	230	230
	(% of increase)					10%[1]	0%[2]	0%[3]

Notes:

1. The percentage increase in the 2008 Amended Cap is with reference to the 2008 Existing Cap
2. The percentage increase in the 2009 Amended Cap is with reference to the 2008 Amended Cap
3. The percentage increase in the 2010 Cap is with reference to the 2009 Amended Cap

6.2 Basis of the Proposed New Annual Caps

In determining whether the Proposed New Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole, the Management has provided us with information on the basis for setting the Proposed New Annual Caps.

6.2.1 Engineering Framework Agreement

There is an approximate 19% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, an approximate 32% increase in the 2009 Amended Cap as compared to the 2008 Amended Cap and no increase in the 2010 Cap as compared to the 2009 Amended Cap.

The Management has confirmed that the increase in the 2008 Amended Cap in this regard is mainly attributable to (i) the increased demand for the Group's services subsequent to the expected completion of the CDMA network acquisition by China Telecommunications Corporation in the second half of 2008; and (ii) the increased amount of engineering related services provided by the Group following the completion of the Company's acquisition of CITCC in May 2008. As advised by the Management, the 2009 Amended Cap and the 2010 Cap are determined with reference to the expected increase in the demand for the Group's engineering services by China Telecommunications Corporation in connection with the construction, re-configuration and upgrade of the CDMA network following completion of the CDMA Acquisition.

In addition, as advised by the Company, the revenue generated by the Group from the China Telecom Group for the provision of engineering related services under the Engineering Framework Agreement is partly determined by the size of China Telecom Listco's capital expenditures on the fixed-line telecommunications network. We note that China Telecom Listco reported total capital expenditures of RMB45,558 million for the year ended 31 December 2007. In addition, as stated in its 2007 Annual Report, China Telecom Listco expects to incur RMB960 million of capital expenditures in relation to the repairs of its facilities damaged by the snow storm which occurred in the PRC in February 2008.

We are of the view that the assumptions made by the Management in setting the Proposed New Annual Caps in relation to the Engineering Framework Agreement are fair and reasonable. We are also of the view that the increases in the Proposed New Annual Caps in relation to the Engineering Framework Agreement reflect the normal business needs of the Group, the recent CITCC acquisition and the CDMA network acquisition.

6.2.2 Ancillary Telecommunications Services Framework Agreement

We note that there is an approximate 28% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, an approximate 43% increase in the 2009 Amended Cap as compared to the 2008 Amended Cap and no increase in the 2010 Cap as compared to the 2009 Amended Cap.

The Management has confirmed that the increase in the 2008 Amended Cap in this regard is mainly attributable to (i) the rapid growth of the Group's revenue from provision of the Ancillary Telecommunications Services to the China Telecom Group; (ii) the increased demand for the Ancillary Telecommunications Services by the China Telecom Group subsequent to the expected completion of the CDMA Acquisition; (iii) the China Telecom Group's implementation of its strategy to further outsource the telecommunications related repair and maintenance service requirements; and (iv) the additional repair works required by the China Telecom Group for ancillary telecommunications facilities damaged in the snowstorm and earthquake which occurred in the PRC in February and May 2008, respectively.

As mentioned in Section 6.2.1, China Telecom Listco, in its 2007 Annual Report, expects to incur additional capital expenditure of RMB960 million in relation to the repairs of its facilities damaged by the snowstorm which occurred in the PRC in February 2008. China Telecom Listco, in its circular dated 1 August 2008, proposed to increase its annual cap for its Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2008 from RMB4,340 million to RMB4,850 million for similar reasons mentioned in the preceding paragraph.

As advised by the Company, the 2009 Amended Cap and the 2010 Cap are determined with reference to the expected increase in the China Telecom Group's demand for the Group's Ancillary Telecommunications Services in connection with enhancing China Telecom Group's market competitiveness in the mobile communications sector following completion of the CDMA Acquisition and further expansion of its outsourcing strategy.

We note that China Telecom Listco, in its circular dated 1 August 2008, proposed to set its annual cap for its Ancillary Telecommunications Services Framework Agreement for the year ending 31 December 2009 at RMB6,800 million for similar reasons mentioned in the preceding paragraph. The increase of RMB2,000 million of the 2009 Amended Cap over the 2008 Amended Cap is almost equal to the increase of RMB1,950 million of the relevant cap proposed by China Telecom Listco over the same period.

We are of the view that the assumptions made by the Management in setting the Proposed New Annual Caps in relation to the Ancillary Telecommunications Services Framework Agreement are fair and reasonable. We are also of the view that the increases in the Proposed New Annual Caps in relation to the Ancillary Telecommunications Services Framework Agreement reflect the normal business needs of the Company, the CDMA Acquisition, the expansion of the China Telecom Group's outsourcing strategy and the additional repair works resulting from the snowstorm and the earthquake.

6.2.3 Operation Support Services Framework Agreement

For the service charges receivable by the Group from the China Telecom Group under the Operation Support Services Framework Agreement, there is an approximate 9% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, and no further increase in the 2009 Amended Cap and the 2010 Cap.

The Management has confirmed that the increases in the Proposed New Annual Caps in this regard are mainly attributable to (i) the increased demand for relevant operation support services by the China Telecom Group following the completion of the CDMA Acquisition; and (ii) the China Telecom Group's implementation of its strategy to further outsource the requirements for operation support services.

For the service charges payable by the Group to the China Telecom Group under the Operation Support Services Framework Agreement, there is an approximate 81% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, and no further increase in the 2009 Amended Cap and the 2010 Cap.

The Management has confirmed that the increases in the Proposed New Annual Caps in this regard are mainly attributable to the increase of market rates for the services provided to the Group under this agreement such as the logistics services, warehousing, medical care, food and beverages, educational, hotel and travelling services, and labour services.

We are of the view that the assumptions made by the Management in setting the Proposed New Annual Caps in relation to the Operation Support Services Framework Agreement are fair and reasonable. We are also of the view that the increases in the Proposed New Annual Caps in relation to service charges receivable by the Group under the Operation Support Services Framework Agreement are the results of increased demand following the completion of the CDMA Acquisition and the expansion of the China Telecom Group's outsourcing strategy while the increases in the Proposed New Annual Caps in relation to service charges payable by the Group reflect the higher market rates for the services provided.

6.2.4 IT Application Services Framework Agreement

For the service charges receivable by the Group from the China Telecom Group under the IT Application Services Framework Agreement, there is an approximate 43% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, an approximate 30% increase in the 2009 Amended Cap as compared to the 2008 Amended Cap and an approximate 23% increase in the 2010 Cap as compared to the 2009 Amended Cap.

The Management has confirmed that the increases in the Proposed New Annual Caps in this regard are mainly attributable to (i) the China Telecom Group's subcontracting its contracts obtained from clients for IT application services such as software and hardware development, system integration services and other related IT services; (ii) IT application services required by China Telecom Group to develop its own operation software and hardware platforms (such as MSS, BSS and OSS); and (iii) the Group's focus on further developing its applications, contents and technology services business in general.

For the service charges payable by the Group to the China Telecom Group under the IT Application Services Framework Agreement, there is an approximate 10% increase in the 2008 Amended Cap as compared to the 2008 Existing Cap, and no further increase in the 2009 Amended Cap and the 2010 Cap.

The Management has confirmed that the increases in the Proposed New Annual Caps are mainly attributable to (i) the increase in the Group's demand for IT application services following the Company's acquisition of CITCC; and (ii) the Group's increased demand for basic telecommunications services such as voice and data value added services and broadband internet access in order to improve the operational efficiency of the IT system.

We are of the view that the assumptions made by the Management in setting the Proposed New Annual Caps in relation to the IT Application Services Framework Agreement are fair and reasonable. We are also of the view that the increases in the Proposed New Annual Caps in relation to the service charges receivable by the Group under the IT Application Services Framework Agreement reflect the normal business needs of the Company, China Telecom Group's subcontracting its contracts obtained from clients for IT application services, the IT application services required by China Telecom Group, and the Group's focus on further developing its applications, contents and technology services business in general while the increases in the Proposed New Annual Caps in relation to service charges payable by the Group reflect the increased demand by the Group for IT application services after the CITCC acquisition and basic telecommunications services.

7. Annual Review of Non-exempt Connected Transaction

Under the Listing Rules, the independent non-executive directors of the Company must each year review the Non-exempt Connected Transactions and confirm in the Company's annual report and accounts that the Non-exempt Connected Transactions have been entered into:

(1) in the ordinary and usual course of business;

(2) either on normal commercial terms or, where there was no available comparison to judge whether they are on normal commercial terms, are on terms no less favourable than those available to or (if applicable) from independent third parties; and

(3) on terms that are fair and reasonable so far as the overall interests of the independent shareholders of the Company are concerned.

The Company will also be required to comply with all other continuing obligations under the Listing Rules, including its auditors' confirmation that the Non-exempt Connected Transactions have not exceeded their respective annual caps. In addition, in respect of the written agreements to be entered into, to the extent that the terms are materially different from those of the existing written agreements, the Company will publish an announcement and will re-comply with the reporting, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

RECOMMENDATION

Having analysed and considered the principal factors as set out in this letter above, we would draw your attention to the following key factors, which should be read in conjunction with and interpreted in the full context of the Circular, in arriving at our conclusion:

(i) the Non-exempt Connected Transactions are in the ordinary course of business of the Group which are principally engaged in the provision of specialised telecommunications support services to telecommunications operators in the PRC;

(ii) the Company seeks to extend the terms of the Agreements from 31 December 2009 to 31 December 2010. The duration of the term of each of the Agreements as amended by the 2007 Supplemental Agreement and the 2008 Supplemental Agreement in relation to the Non-exempt Connected Transaction will not exceed three years;

(iii) the Proposed New Annual Caps relating to the Engineering Framework Agreement have been increased and determined after taking into account, among others, the recent CITCC acquisition and the CDMA network acquisition;

(iv) the Proposed New Annual Caps relating to the Ancillary Telecommunications Services Framework Agreement have been increased and determined after taking into account, among others, the CDMA Acquisitions, the expansion of the China Telecom Group's outsourcing strategy and the additional repair works resulting from the snowstorm and the earthquake;

(v) the Proposed New Annual Caps relating to the Operation Support Services Framework Agreement have been increased and determined after taking into account, among others, the CDMA Acquisitions, the expansion of the China Telecom Group's outsourcing strategy and the increase of market rate for the services provided by the China Telecom Group to the Group;

(vi) the Proposed New Annual Caps relating to the IT Application Services Framework Agreement have been increased and determined after taking into account, among others, China Telecom Group's subcontracting its contracts obtained from clients for IT application services, the IT application services required by China Telecom Group, the Group's focus on further developing its applications, contents and technology services business in general and the increased demand for IT application services by the Group after the CITCC acquisition and basic telecommunications services; and

(vii) the services in relation to the Non-exempt Connected Transactions will be subject to annual review by the independent non-executive Directors who will confirm whether they are carried out in the ordinary and usual course of business of the Company, on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties, and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Based on the above, we are of the opinion that the entering into of the 2008 Supplemental Agreement is in ordinary course of business and that the terms of the 2008 Supplemental Agreement and the Proposed New Annual Caps in respect of the Non-exempt Connected Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole so far as the Company and the Independent Shareholders are concerned. Accordingly, we would advise the Independent Shareholders, as well as recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions as set out in the notice of the EGM at the end of the Circular.

Yours faithfully,
For and on behalf of
ING Bank N.V.
Un-Hun Khor
Managing 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. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, none of the Directors, supervisors and chief executive of the Company had any interest or short position in any shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of the SFO) (1) 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 (2) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) 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.

As at the Latest Practicable Date, the Company had not granted its Directors or supervisors, or their respective spouses or children below the age of 18 any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right.

No contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors or supervisors had any interest, direct or indirect, in any asset which since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no benefit given or agreed to be given to any Director as compensation for loss of office or otherwise in connection with the renewal of the Continuing Connected Transactions and the amendment to the Existing Annual Caps.

Save for the positions held by Mr. Li Ping and Mr. Zhang Zhiyong at China Telecommunications Corporation, the position held by Mr. Liu Aili at China Mobile Communications Corporation, and the position held by Mr. Zhang Junan at China United Telecommunications Corporation as at the Latest Practicable Date, none of the Directors was a director or an employee of any shareholders of the Company or a company which has an interest or short position in shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any Director and any other person which is conditional on/or dependent upon the outcome of the renewal of the Continuing Connected Transactions and the amendment to the Existing Annual Caps or otherwise connected with the renewal of the Continuing Connected Transactions and the amendment to the Existing Annual Caps.

As at the Latest Practicable Date, none of the Directors or supervisors was materially interested in any contract or arrangement to which any member of the Group was a party and which was significant to the business of the Group.

China Telecommunications Corporation and its Associates being connected persons to the renewal of the Continuing Connected Transactions and the amendment to the Existing Annual Caps, will abstain from voting on the ordinary resolutions to approve the terms of the renewal of the Non-exempt Connected Transactions by way of the 2008 Supplemental Agreement and the Proposed New Annual Caps. Save for such regulatory requirements, none of the Shareholders had, prior to the Latest Practicable Date, in any form irrevocably committed itself to vote in favour of or against the relevant resolutions in relation to the renewal of the Continuing Connected Transactions and the amendment to the Existing Annual Caps for the Continuing Connected Transactions.

3. MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Name of shareholder	Type of shares	Capacity	Number of shares held	Percentage of the respective type of shares *(%)*	Percentage of the total number of shares in issue *(%)*
China Telecommunications Corporation[(1) (2)]	Domestic shares	Beneficial owner	3,778,831,800	100.00	65.47
China Mobile Communications Corporation[(2)]	Domestic shares	Beneficial owner	506,880,000	13.30	8.78
Guangdong Telecom Industry Group Corporation[(1)]	Domestic shares	Beneficial owner	236,313,086	6.25	4.09
China United Telecommunications Corporation[(2)]	Domestic shares	Beneficial owner	236,300,000	6.20	4.09
Cisco Systems International B.V.	H shares	Beneficial owner	250,576,000*(L)*	12.57	4.34
	H shares	Beneficial owner	9,500,000*(S)*	0.48	0.16
Commonwealth Bank of Australia	H shares	Interest of corporation controlled by the substantial shareholder	184,913,809*(L)*	9.28	3.20
Morgan Stanley	H shares	Interest of corporation controlled by the substantial shareholder	164,521,539*(L)*	8.26	2.85
	H shares	Interest of corporation controlled by the substantial shareholder	150,786,867*(S)*	7.57	2.61

Name of shareholder	Type of shares	Capacity	Number of shares held	Percentage of the respective type of shares (%)	Percentage of the total number of shares in issue (%)
JPMorgan Chase & Co.	H shares	Beneficial owner	19,557,500*(L)*		
	H shares	Custodian corporation/ approved lending agent	119,486,000*(L)*		
			139,043,500*(L)*	6.98	2.41
	H shares	Beneficial owner	16,604,000*(S)*	0.83	0.29
	H shares	Custodian corporation/ approved lending agent	119,486,000*(P)*	6.00	2.07
Invesco Hong Kong Limited	H shares	Investment manager	135,877,000*(L)*	6.82	2.35

* *Remarks: (L)-Long Position, (S)-Short Position, (P)-Lending Pool*

(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, 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 State Council 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 for the aforesaid Shareholders, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person who had, or was deemed to have, an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. SUBSTANTIAL SHAREHOLDER IN SUBSIDIARIES

As at the Latest Practicable Date, so far as is known to the Directors and chief executive, the following entities were 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 member of the Group.

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary *RMB'000*	Percentage of shareholder's interest in registered 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	16,000	40%
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	44,180	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	12,500	20%
Zhejiang Feilan New Media Network Co., Ltd. 浙江沸藍新媒體網絡有限公司	Renchi Limited Company 人氣有限公司	2,588.25 *(US$'000)*	29.999%
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	5,000	10%

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person who was, 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 member of the Group.

5. SERVICE AGREEMENTS

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

As at the Latest Practicable Date, there was no service contract entered into, commenced, or amended within six months before the date of the Announcement and up to the date of this Circular.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and supervisors 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.

7. 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.

8. 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.

9. QUALIFICATION OF EXPERT

The following are the qualifications of the ING Bank N.V. who has given their advice, letters or reports for the inclusion in this Circular:

Name	Qualification
ING Bank N.V.	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

10. CONSENT

(a) ING Bank N.V. issued a letter dated 26 September 2008 for the purpose of incorporation in this Circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.

(b) ING Bank N.V. has given and has not withdrawn its written consents to the issue of this Circular with the inclusion of its advice, letters, reports and references to its names and logos in the form and context in which it appears.

(c) As at the Latest Practicable Date, ING Bank N.V. held 1,187,300 H Shares as a custodian on behalf of its clients, representing 0.02% of the total issued share capital of the Company. Save as disclosed above, as at the Latest Practicable Date, ING Bank N.V. was not beneficially interested in the 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 did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2007 (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.

11. GENERAL

(a) Mr. Chung Wai Cheung, Terence is Company Secretary and Qualified Accountant of the Company.

(b) 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.

(c) The Company's share registrar and transfer office 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.

12. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the articles of association of the Company, a general voting shall be made at a Shareholders meeting by a show of hands. However, (i) the chairman of the meeting, (ii) at least two Shareholders or proxies of such Shareholders with voting rights, and (iii) one or more Shareholders including proxy or proxies of such Shareholders accounting individually or jointly for 10% or more of the Company's shares with voting right(s), shall have the right to request for a voting by poll before or after a voting by a show of hands.

A poll demanded on the election of the chairman of the meeting or on a question of adjournment of the meeting, shall be taken forthwith. Other issues shall be voted by poll at the time to be decided by the chairman, and the meeting can go on with discussion of other matters. The result of such voting shall also be regarded as the resolution adopted at the meeting. A person who has made a request for voting by poll can withdraw such a request.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer in Hong Kong at 11th Floor, Two Exchange Square, Central, Hong Kong during normal business hours from the date of this Circular up to and including the date of the EGM and at the EGM:

(a) the articles of association of the Company;

(b) the Engineering Framework Agreement, Ancillary Telecommunications Services Framework Agreement, Operation Support Services Framework Agreement, IT Application Services Framework Agreement, Centralized Services Agreement and Property Leasing Framework Agreement;

(c) the 2008 Supplemental Agreement;

(d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders the text of which is set out in the section headed “Letter from the Independent Financial Adviser” of this Circular; and

(e) the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from the Independent Board Committee” of this Circular.

(f) the written consent referred to in the section headed “Consent” in this Appendix.

14. MISCELLANEOUS

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.

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: 552)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Communications Services Corporation Limited (the "Company") will be held at 10:00 a.m. on Friday, 14 November 2008 at No. 19, Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC, to consider and, if thought fit, pass the following businesses:

ORDINARY RESOLUTIONS

1. **THAT** the 2008 Supplemental Agreement (in respect of the extension of the Non-exempt Connected Transactions to 31 December 2010) with China Telecommunications Corporation as described in the circular of the Company dated 26 September 2008 (the "Circular") and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed and that any Director of the Company be and is hereby authorized to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of such agreement.

2. **THAT** the Proposed New Annual Caps for each of the Engineering Framework Agreement, Ancillary Telecommunications Services Framework Agreement, Operation Support Services Framework Agreement, and IT Application Services Framework Agreement with China Telecommunications Corporation for the three years ending 31 December 2008, 2009 and 2010, as described in the Circular, be and are hereby approved, ratified and confirmed.

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

Beijing, PRC
26 September 2008

Notes:

(1) Buyers who submit the share transfer application forms to the Company's share registrar before 4:30 p.m. on Tuesday, 14 October 2008 and then register as shareholders on the register of members of the Company are entitled to attend the extraordinary general meeting.

(2) Each shareholder entitled to attend and vote at the extraordinary general meeting may appoint one or more proxies to attend and vote on his behalf at the extraordinary general meeting. A proxy need not be a shareholder. Each shareholder who wishes to appoint one or more proxies should first review the Circular, which is expected to be dispatched to shareholders at around 26 September 2008.

To be valid, the form of proxy together with the power of attorney or other authorization document (if any) signed by the authorized person or notarially certified power of attorney must be delivered to the Office of the Board of the Company for holders of domestic shares or to the Computershare Hong Kong Investor Services Limited for holders of H shares not less than 24 hours before the designated time for the holding of the extraordinary general meeting. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the extraordinary general meeting if he so wishes.

The address of the share registrar for the Company's H shares is as follows:

Computershare Hong Kong Investor Services Limited
1806-1807, 18/F., Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

(3) China Telecommunications Corporation and its Associates, being connected persons to the Company with material interests in 2008 Supplemental Agreement and the Proposed New Annual Caps, will abstain from voting on the ordinary resolutions to approve the terms of the 2008 Supplemental Agreement for the renewal of the Non-exempt Connected Transactions and the Proposed New Annual Caps for such transactions as described in the Circular and in this notice. Any vote of the Independent Shareholders at the EGM shall be taken by poll as required under Listing Rules.

(4) The registration procedure for attending the extraordinary general meeting:

(a) shareholders attending the extraordinary general meeting in person or by proxy shall present their identity certification. If the attending shareholder is a corporation, its legal representative or person authorized by its board or other decision making authority shall present a copy of the relevant resolution of its board or other decision making authority in order to attend the extraordinary general meeting.

(b) shareholders intending to attend the extraordinary general meeting shall return the attendance slip via hand delivery, mail or fax to the Office of the Board of the Company on or before Friday, 24 October 2008.

(5) Closure of the register of members:

The register of members of the Company will be closed from Wednesday, 15 October 2008 to Friday, 14 November 2008 (both days inclusive).

(6) The extraordinary general meeting is expected to last for half a day and shareholders (in person or by proxy) attending the extraordinary general meeting shall be responsible for their own transport and accommodation expenses.

(7) The address of the Office of the Board is as follows:

No. 19, Chaoyangmen Beidajie
Dongcheng District, Beijing 100010, PRC
Contact person: Chung Wai Cheung, Terence
Telephone: (8610) 5850 2290
Facsimile: (8610) 5850 1534

(8) All proposed resolutions in this notice shall be voted as a single resolution only.

(9) As at the date of this notice our executive directors are Li Ping (Chairman), Zhang Zhiyong (President) and Yuan Jianxing (Executive Vice President and Chief Financial Officer), 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.