



中国通信服务
CHINA COMSERVICE

**CHINA COMSERVICE ACQUIRES ASSETS OF
CHINA TELECOMMUNICATIONS CORPORATION IN 13 PROVINCES**

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**ENHANCES MARKET POSITION
CREATES SYNERGIES FOR BUSINESSES AND VALUE FOR SHAREHOLDERS**

(Hong Kong, 18 June 2007) China Communications Services Corporation Limited (“China Comservice” or “the Company”) (stock code: 552.HK) announced its plans to acquire, from China Telecommunications Corporation, the Company’s controlling shareholder and promoter, companies and businesses which together comprise leading providers of specialized telecommunications services in 13 provinces in the PRC, as well as certain non-specialized assets (“Total Acquisition Assets”), at a total consideration of RMB4,630 million (equivalent to approximately HK\$4,735.6 million) (“The Acquisition”).

The Total Acquisition Assets comprise Target Business and Target Assets.

The Target Business mainly includes:-

- the companies and businesses which together comprise leading providers of specialized telecommunications support services, offering telecommunications infrastructure (“TIS”) services, business process outsourcing (“BPO”) services and applications and content and other (“ACO”) services to telecommunications operators 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 the PRC

The Target Assets mainly includes:-

- the non-specialized assets such as office buildings, equipment, leases and land in China Comservices’ listed service areas as well as the target service areas.

The consideration will be paid in cash within 60 days from the completion date of the Acquisition. The Company will finance the Acquisition using RMB1,200 million from the proceeds of its IPO, RMB1,430 million from its cash on hand and RMB2,000 million from debt financing on normal commercial terms. The purchase price for the Acquisition represents a multiple of approximately 16.4 times of the 2007 forecast combined net profit attributable to the owner of the Target Business, which is unlikely to be less than RMB283 million (equivalent to approximately HK\$289.5 million).

The unaudited combined revenue and net profit of the Target Business for the year ended 31 December 2006 were RMB5,129.9 million and RMB122.2 million respectively.

Mr. Li Ping, Vice Chairman & Chief Executive Officer of China Comservices, said, “As stated in the prospectus, the Company will seek to expand its business geographically in the domestic PRC market by pursuing selective acquisitions. The Acquisition, when completed, will increase the Company’s geographic service coverage from 6 provinces in the PRC to 19 provinces. The Acquisition will give the Company a powerful platform to immediately benefit from the booming mainland telecommunications industry and growing demand for specialized telecommunications support services.”

The Acquisition will benefit the Company in the following aspects:

Enhancement of market position and competitiveness

The acquisition of leading providers of specialized telecommunications support services in 13 provinces will enlarge the Company’s geographical footprint and boost its competitiveness. It is ready to provide nationwide integrated one-stop service to leading customers including China Telecom Group, China Mobile and China Unicom and will be able to allocate internal resources with great flexibility to facilitate quick response to market trends and customers’ sophisticated needs.

Improvement of growth prospects

The majority of the service providers joining the Company are located in the middle and western provinces where the PRC central government has implemented policies to promote economic development. These areas accounted for 32.8% of the total GDP of China, which had grown at a compound annual growth rate of 12.8% between 2003 and 2005. The booming economies and government’s policies to promote economic development are likely to stimulate spending on infrastructure construction, including telecommunications network infrastructure supporting existing operations and 3G rollout will give the Company significant growth impetus.

Realization of operating synergies

The Acquisition will enable the Company to enjoy economies of scale through sharing of resources and expertise across provinces and business areas and hence achieve operational efficiency and synergies. There will also be room for cost cutting when financial management, procurement and IT management can be centralized.

Rationalization of capital structure

The Acquisition is an important step made by the Company in optimizing its capital structure and in turn maximizing shareholder value. The Acquisition will be an all-cash transaction. RMB2,630 million of the consideration will come from the IPO proceeds and cash on hand, and the rest will come from debt financing. After the acquisition is completed, the Company will have a more rational capital structure.

Mr. Wang Xiaochu, Chairman of China Comservice, said, “China is the largest telecommunications market in the world today in terms of the number of fixed-line and mobile telephone subscribers, as a result of the country’s continuous economic growth over the past two decades and the PRC government’s policies of promoting telecommunications usage and orderly competition among telecommunications operators. We believe that the newly acquired business will not only bring us promising growth prospect and cost synergies, but will boost our ability to create value for our shareholders.”

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About China Comservice (HKSE code:552)

China Communications Services Corporation Limited (“China Comservice”) is a leading integrated provider of specialized telecommunications support services in the PRC. A subsidiary of China Telecommunications Corporation, China Comservice offers telecommunications infrastructure services, including design, construction, project supervision and management, business process outsourcing services, IT applications, Internet services and value-added voice services. Its shareholders include China Mobile, China Unicom, Cisco and IDG, in addition to its major shareholder, China Telecommunications Corporation. The Company has developed a strong customer base, which includes telecommunications operators, telecommunications equipment manufacturers and other large corporations.

For further information, please browse the Company’s website at: www.chinaccs.com.hk

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Forward-looking statements

This press release contains forward-looking statements and information relating to us and our operations and prospects that are based on current beliefs and assumptions as well as information currently available to us. The words “anticipate”, “believe”, “estimate”, “expect”, “plans”, “prospects”, “going forward” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions.

Should one or more of these risks or uncertainties materialize, or should any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statement. We do not intend to update these forward-looking statements other than our on-going disclosure obligations pursuant to the Hong Kong Listing Rules or other requirements of the Hong Kong Stock Exchange.