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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 proxy 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.

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中国通信服务
CHINA COMSERVICE

中國通信服務股份有限公司

CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

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

(Stock code: 552)

CONTINUING CONNECTED TRANSACTIONS

**Supplies Procurement Services Framework Agreement
and
2009 Supplemental Strategic Agreement**

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

 **廣發融資 (香港) 有限公司**
GF Capital (Hong Kong) Limited

A letter from the Board is set out from pages 5 to 15 of this Circular. A letter from the Independent Board Committee is set out on pages 16 to 17 of this Circular. A letter from GF Capital (Hong Kong) Limited, the Independent Financial Adviser, is set out on pages 18 to 27 of this Circular.

A notice convening an extraordinary general meeting of the Company to be held at 10 a.m. on 29 December 2009, at No. 19, Chaoyangmen Beidajie, Dongcheng District, Beijing, the PRC, is set out on pages 37 to 39 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 EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, Room 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

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DEFINITIONS

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 acquisition of the specialized telecommunications support businesses from 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 acquisition of the specialized telecommunications support businesses from 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
“2007 Supplemental Strategic Agreement”	the supplemental agreement between the Company and China Telecom Listco dated 15 June 2007 to amend the terms of the Strategic Agreement
“2008 Announcement”	the announcement of the Company dated 19 September 2008 in respect of, among others, the proposed renewal of the Agreements and proposed amendments to annual caps for transactions contemplated thereunder
“2008 Circular”	the circular of the Company dated 26 September 2008 in respect of, amongst others, the proposed renewal of the Agreements and proposed amendments to annual caps for transactions contemplated thereunder
“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
“2009 Supplemental Strategic Agreement”	the supplemental agreement between the Company and China Telecom Listco dated 29 October 2009 to extend the term of the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement) to 31 December 2012

DEFINITIONS

“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 first entered into between the Company and China Telecommunications Corporation on 16 November 2006 prior to the IPO, as amended or supplemented by the 2007 Supplemental Agreement and the 2008 Supplemental Agreement. Details of the Agreements are set out in the 2008 Circular
“Announcement”	the announcement of the Company dated 29 October 2009 in respect of the Continuing Connected Transactions
“Associate”	has the meaning given to it by the Listing Rules
“Board”	the board of directors of the Company
“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, 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
“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 Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement
“Directors”	the directors of the Company
“Existing Annual Caps”	the existing annual caps applicable to the continuing connected transactions under each of the Agreements for the three years ending on 31 December 2010, which were set out in the 2008 Circular and approved by the Independent Shareholders on 14 November 2008

DEFINITIONS

“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be convened on 29 December 2009
“Group” or “we”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“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
“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 and annual caps for the Supplies Procurement Services Framework Agreement and the terms of the 2009 Supplemental Strategic Agreement
“Independent Financial Adviser”	GF Capital (Hong Kong) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO
“Independent Shareholders”	Shareholders other than China Telecommunications Corporation and its Associates
“Independent Third Party”	an entity which is independent of and not connected to the Company or its connected persons, and which is not a connected person of the Company, and the term “Independent Third Parties” shall be construed accordingly
“IPO”	the initial public offering of the Company in 2006 and which comprises an international offering and a Hong Kong public offering
“Latest Practicable Date”	4 November 2009, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listed Service Areas”	the service regions of the Company prior to the Retained Business Acquisition and as disclosed in the Company’s Prospectus comprising Shanghai municipality and Zhejiang, Fujian, Hubei, Guangdong and Hainan provinces
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC Price Law”	the law promulgated on 29 December 1997 and effective from 1 May 1998 in relation to the standardization of the pricing behavior of market players in the PRC

DEFINITIONS

“Prospectus”	the prospectus dated 27 November 2006 issued by the Company in connection with its Hong Kong public offering
“Retained Business Acquisition”	the Company’s acquisition of certain retained specialized telecommunications support businesses from China Telecommunications Corporation. 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 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.

LETTER FROM THE BOARD



中国通信服务
CHINA COMSERVICE
中國通信服務股份有限公司
CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED

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

(Stock code: 552)

Executive Directors

Li Ping
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

12 November 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

**Supplies Procurement Services Framework Agreement
and
2009 Supplemental Strategic Agreement**

1. INTRODUCTION

Reference is made to the Announcement of the Company dated 29 October 2009 in relation to the Supplies Procurement Services Framework Agreement and 2009 Supplemental Strategic Agreement.

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The Company announced on 29 October 2009 after trading hours of the Stock Exchange that it entered into (i) the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation to govern the provision of comprehensive logistic services relating to facilities procurement between the Group and China Telecom Group, which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular, and (ii) the 2009 Supplemental Strategic Agreement with China Telecom Listco to renew the Strategic Agreement (as defined below) for three years ending 31 December 2012.

China Telecommunications Corporation is the ultimate controlling shareholder of both the Company and China Telecom Listco. As such, each of China Telecommunications Corporation and China Telecom Listco is a connected person of the Company, and the proposed Supplies Procurement Services Framework Agreement (together with the proposed annual caps for the two years ending 31 December 2010) and the renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement constitute continuing connected transactions of the Company under the Listing Rules.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and independent shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Listing Rules in respect of the Supplies Procurement Services Framework Agreement.

The renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement is also subject to the reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements.

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 Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and of the 2009 Supplemental Strategic Agreement. GF Capital (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the 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 GF Capital (Hong Kong) Limited (the Independent Financial Adviser), and a notice to shareholders of the Company convening the Extraordinary General Meeting to approve the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental Strategic Agreement.

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2. SUPPLIES PROCUREMENT SERVICES FRAMEWORK AGREEMENT

The Company entered into the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation on 29 October 2009 to govern the provision of comprehensive logistic services relating to facilities procurement between the Group and China Telecom Group which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular.

(a) Terms

Pursuant to the Supplies Procurement Services Framework Agreement, the Company has agreed to provide to China Telecommunications Corporation with comprehensive supplies procurement services, including, among others, (i) procurement of imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies; (ii) agency services of supplies procurement; (iii) sales of telecommunications supplies manufactured by the Group; (iv) resale of supplies purchased from Independent Third Parties; and (v) management of biddings, verification of technical specifications, warehousing, transportation and installation services. According to the same agreement, China Telecommunications Corporation has agreed to provide to the Company with comprehensive supplies procurement services, including, among others, (i) sales of telecommunications supplies manufactured by China Telecom Group, (ii) resale of supplies purchased from Independent Third Parties; (iii) agency services of supplies procurement; and (iv) warehousing, transportation and installation services. The scope of the Supplies Procurement Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries but excluding the Group), as may be applicable from time to time.

The pricing basis for the provision of the comprehensive logistic services relating to facilities procurement under the Supplies Procurement Services Framework Agreement is as follows:

- a. procurement services in respect of imported telecommunications supplies are provided at 1% of the contract value at the maximum;
- b. procurement services in respect of domestic telecommunications supplies and other domestic non-telecommunications materials are provided at 3% of the contract value at the maximum;
- c. other procurement services are provided at:
 - (i) the government-prescribed prices. The government-prescribed price is defined as the price prescribed by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
 - (ii) where there are no government-prescribed prices but where there are government-guided prices, the government-guided prices apply. The government-guided price is defined as the price determined by business operators on the basis of the benchmark price taking into account the floating percentage as guided by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;

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- (iii) where there are neither government-prescribed prices nor government-guided prices, the market prices apply. The market price is defined as the price determined by business operators which is formulated through market competition. The market price is determined at the sequence of (i) the price at which the same types of services are provided by Independent Third Parties in the ordinary course of business in the same areas or regions in close proximity thereto; or (ii) the price at which the same type of services are provided by Independent Third Parties in the ordinary course of business within China; or
- (iv) where none of the above is applicable, the prices are to be negotiated and agreed between the relevant parties for the provision of the above services on the basis of fairness, which shall be the reasonable costs incurred in providing the same plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The pricing basis and other applicable terms for each type of services under the Supplies Procurement Services Framework Agreement will be reviewed and amended where necessary by way of a supplemental agreement by the parties on 31 December each year.

The Supplies Procurement Services Framework Agreement has a term expiring on 31 December 2010, 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 Group will be given priority by China Telecom Group in the provision of comprehensive logistic 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 supplies procurement related comprehensive logistic 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 procurement of related comprehensive logistic services is made at the time when relevant services are provided in the manner set forth in each specific contract entered into between the parties. Settlement of payment shall be made at least once every 60 days.

(b) Background, reasons and benefits

In line with (i) the commencement and rapid development of mobile telecommunications related business by China Telecom Group following its acquisition of such business as a result of the restructuring of the telecommunications industry in 2008, and (ii) the grant of 3G license to China Telecom Listco and other telecommunications operators in the PRC in January 2009, there has been increasing demand for services relating to sales and procurement of both telecommunications and non-telecommunications facilities from telecommunications operators, ultimate customers and other end users. The Company expects that this will result in substantial increase of transaction amounts for provision of comprehensive logistic services for facilities procurement between the Group and China Telecom Group. In light of this trend, the Company discussed and entered into a Supplies Procurement Services Framework Agreement with China Telecommunications Corporation to govern such connected

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transactions separately. The Board is of the view that this will help strengthen the Company's management of continuing connected transactions by adopting a more practical approach to categorise transactions and will further improve transparency in disclosure of such transactions in the future.

As a result, the provision of comprehensive logistic services was split off from the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement. No amendments to these two agreements were made other than the above-described adjustment to their scope as a result of the entering into the Supplies Procurement Services Framework Agreement. As the transaction amounts for the provision of such services were very small historically, the consequential adjustment to the scope of the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement will not affect the Existing Annual Caps applicable to transactions contemplated thereunder as approved by the Independent Shareholders (details of which were set out in the 2008 Circular). Based on the Company's unaudited consolidated accounts for the two years ended 31 December 2008 and the six months ended 30 June 2009, the transaction amounts for the provision of comprehensive logistic services by the Group to China Telecom Group were RMB408.83 million, RMB358.87 million and RMB686.62 million, respectively, and the expenditure payable to China Telecom Group by the Company was nil, nil and RMB352.66 million, respectively.

(c) Proposed annual caps

For the year ending 31 December 2009, the proposed annual caps (including the value of comprehensive logistic services between the Group and China Telecom Group occurred during 2009 prior to the date of the Announcement) are RMB2,000 million and RMB800 million for the amounts payable by China Telecom Group and the Group, respectively. For the year ending 31 December 2010, the proposed annual caps are RMB2,800 million and RMB900 million for the amounts payable by China Telecom Group and the Group, respectively. In determining the proposed annual caps, the Board has considered the historical transaction amounts, the operation and growth conditions of our businesses in this area, and the estimated extent of the comprehensive logistic services required by China Telecom Group in connection with its provision of mobile telecommunications services and related business, including the manufacturing and sale or resale of 3G related supplies and purchase of 3G related facilities. The Board is of the view that the monetary limits are set so as to (i) not hinder the ability of the Group to conduct its business in the ordinary and usual course and (ii) allow the Group to benefit from future growth of telecommunications industry in China and the mobile telecommunications related services of China Telecom Group in particular.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and Independent shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Listing Rules in respect of the Supplies Procurement Services Framework Agreement and the proposed annual caps for transactions thereunder.

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3. 2009 SUPPLEMENTAL STRATEGIC AGREEMENT

In order to strengthen the Company's well-established relationship with China Telecom Listco and to bring forth further strategic mutual benefits, the Company entered into a Strategic Agreement dated 30 August 2006 with China Telecom Listco (on behalf of its six wholly-owned subsidiaries in the Listed Service Areas and their respective subsidiaries) for a period of three years commencing from 1 January 2007 until 31 December 2009, renewable by mutual agreement and extendable in geographical areas (the "Strategic Agreement"). Accordingly, the Company and China Telecom Listco entered into the 2009 Supplemental Strategic Agreement on 29 October 2009 to renew the Strategic Agreement for another period of three years ending 31 December 2012. Following an internal organisation adjustment of China Telecom Listco Group in 2008, provincial branches of China Telecom Listco substitute wholly-owned subsidiaries of China Telecom Listco to accept services provided by the Company under the 2009 Supplemental Strategic Agreement.

The areas for the strategic business cooperation between the parties included engineering related services in connection with design, construction, project supervision and management businesses; maintenance and management services including but not limited to network maintenance and facilities management; and certain business process outsourcing services such as integrated information solution and call centres; and provision of applications, content and other services such as system integration and value added services.

In connection with the Retained Business Acquisition by the Group, the Company and China Telecom Listco entered into the 2007 Supplemental Strategic Agreement to expand the geographic scope of cooperation between the Company and China Telecom Listco to 19 provinces (municipalities and autonomous regions) of our primary service areas immediately following such acquisition. Details of the acquisition and the amendment were set out in the 2007 Circular.

Pursuant to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement), in relation to the Company's provision of engineering related services in design, construction, project supervision and management businesses, provided that our terms and conditions for the provision of the engineering related services are no less favourable than those offered by any independent third parties, China Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than 10.6% of the total annual capital expenditure of the relevant provincial branches of China Telecom Listco to purchase such services provided by the Company. In relation to the Company's provision of maintenance and management services including but not limited to our network maintenance and facilities management businesses, provided that our terms and conditions for the provision of the maintenance and management services are no less favourable than those offered by any Independent Third Parties, China Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than RMB1,780 million to purchase such services provided by the Company.

The Company shall offer at least 5% discount for the engineering-related services to be provided to the relevant provincial branches of China Telecom Listco based on the applicable standard prices. Such discount is on normal commercial terms and it is in-line with market practice to give a discount as favourable treatment offered to large enterprise customers which are able to commit to a minimum

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purchase volume per annum. The percentage discount depends on a number of factors, such as the committed minimum purchase volume, competition and so on. In relation to our provision of maintenance and management services including but not limited to our network maintenance and facilities management businesses, we have undertaken to fully utilize our competitive edge on having established professional operation with economies of scales to assist China Telecom Listco to achieve the goals of lowering its costs and expenditure.

In relation to the Company's provision of business process outsourcing services, integrated information solutions, call centre and other services such as system integration and value-added services, China Telecom Listco has undertaken to use its best endeavours to grant us business opportunities, provided that our terms and conditions for the provision of such services are no less favourable than those offered by any Independent Third Parties. In return, the Company will utilize its capacities and resources to support the strategic transformation of China Telecom Listco into an integrated information service provider.

Services rendered under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall comply with relevant national standards of China or standards agreed between the parties, and shall be no less favourable than same or similar services provided to any Independent Third Parties. Without breaching any PRC laws or regulations, in respect of the same services, where the terms and conditions of services provided by either party to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) are the same as those provided by an Independent Third Party, such party under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall have the priority to be appointed as the service provider by the other party.

The relevant services provided under the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement) shall be provided at an applicable standard price determined in the following order:

1. the government-prescribed prices if available. The government-prescribed price is defined as the price prescribed by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
2. the government-guided prices if available. The government-guided price is defined as the price determined by business operators on the basis of the benchmark price taking into account the floating percentage as guided by the pricing department or other relevant department of the government subject to its pricing authority in accordance with the PRC Price Law;
3. where there are neither government-prescribed prices nor government-guided prices, the market prices apply if available. The market price is defined as the price determined by business operators which is formulated through market competition. The market price is determined at the sequence of (i) the price at which the same types of services are provided by Independent Third Parties in the ordinary course of business in the same areas or regions in close proximity thereto; or (ii) the price at which the same types of services are provided by Independent Third Parties in the ordinary course of business within China; or

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4. where none of the above is applicable, the prices are to be negotiated and agreed between the relevant parties for the provision of the above services on the basis of fairness, which shall be the reasonable costs incurred in providing the same plus reasonable profit margin (for this purpose, “reasonable costs” means such costs as confirmed by both parties after negotiations).

The annual caps for the provision of the relevant services contemplated under the Strategic Agreement have already been subsumed respectively under the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement and the IT Application Services Framework Agreement details of which were set out in the 2008 Circular and, where applicable, had been approved by the then Independent Shareholders at the extraordinary general meetings held on 7 August 2007 and/or 14 November 2008, respectively. Therefore, no separate annual caps shall be applied to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement). The Strategic Agreement is subject to the reporting, announcement and independent shareholders’ approval under the Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements. Correspondingly, independent shareholders’ approval for the 2009 Supplemental Strategic Agreement is sought.

The Board considers that it is in the interest of the Company to renew the Strategic Agreement in order to further strengthen the cooperation between the Company and China Telecom Listco Group and benefit the Company’s future growth and development. Such cooperation will provide a stable revenue source to the Company. All the continuing connected transactions as contemplated under the Strategic Agreement 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.

The independent shareholders of China Telecom Listco have passed a resolution at an extraordinary general meeting dated 7 August 2007 to approve the 2007 Supplemental Strategic Agreement. The 2009 Supplemental Strategic Agreement is also conditional upon China Telecom Listco having obtained the requisite independent shareholders’ approval under Chapter 14A of the Listing Rules. China Telecom Listco has, on 29 October 2009, made an announcement in relation to the 2009 Supplemental Strategic Agreement and will be convening an extraordinary general meeting to obtain the approval of its independent shareholders for the 2009 Supplemental Strategic Agreement.

4. INFORMATION ABOUT THE COMPANY, CHINA TELECOMMUNICATIONS CORPORATION AND CHINA TELECOM LISTCO

The Company is principally engaged 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.

LETTER FROM THE BOARD

China Telecom Listco is a company established under the laws of PRC engaged in the basic telecommunications businesses such as the provision of fixed and mobile telecommunications services as well as value-added telecommunications businesses such as Internet connection services business and information service business.

As of the Latest Practicable Date, China Telecommunications Corporation directly and indirectly owned 52.60% and 70.89% of the issued share capital of the Company and China Telecom Listco, respectively.

5. HONG KONG LISTING RULES IMPLICATIONS

As of the Latest Practicable Date, China Telecommunications Corporation is a substantial shareholder of the Company and China Telecom Listco is its Associate, each being a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the proposed Supplies Procurement Services Framework Agreement (together with the proposed annual caps for the two years ending 31 December 2010) and the renewal of the Strategic Agreements by way of the 2009 Supplemental Strategic Agreement constitute continuing connected transactions of the Company and will require approval of the Independent Shareholders. China Telecommunications Corporation and its Associates will abstain from voting at the EGM to be held to approve such transactions. The votes of the Independent Shareholders at the EGM shall be taken by poll.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and independent shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Listing Rules in respect of the Supplies Procurement Services Framework Agreement.

The renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement is also subject to the reporting, announcement and independent shareholders' approval under the Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements.

The Directors (including the independent non-executive Directors) are of the opinion that the Supplies Procurement Services Framework Agreement (including the proposed annual caps) and the 2009 Supplemental Strategic Agreement 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 Company confirms that none of the independent non-executive Directors has any interests in the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement.

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.

LETTER FROM THE BOARD

6. EXTRAORDINARY GENERAL MEETING

A notice of the Extraordinary General Meeting to be held at 10 a.m. on 29 December 2009 at No. 19, Chaoyangmen Beidajie, Dongcheng District, Beijing, PRC, is set out on pages 37 to 39 of this Circular at which ordinary resolutions will be proposed to approve the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental Strategic Agreement. 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 52.60% 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 the 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, 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.

7. CONCLUSIONS AND RECOMMENDATIONS

GF Capital (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental Strategic Agreement.

GF Capital (Hong Kong) Limited considers that the entering into of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement is in the ordinary and usual course of business and that the terms thereof 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, GF Capital (Hong Kong) Limited 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.

The Independent Board Committee, after taking into account, among other things, the advice of GF Capital (Hong Kong) Limited, concurs with the views of GF Capital (Hong Kong) Limited and considers that the entering into of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement is in the ordinary and usual course of business and that the terms thereof 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 EGM to approve the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental

LETTER FROM THE BOARD

Strategic Agreement. The text of the letter from the Independent Board Committee is set out on pages 16 to 17 of this Circular. No member of the Independent Board Committee has any material interest in the Continuing Connected Transactions.

8. OTHER INFORMATION

Your attention is drawn to the letter from GF Capital (Hong Kong) Limited 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 set out in the appendices to this Circular and the EGM notice.

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



中國通信服務
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)

12 November 2009

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

Supplies Procurement Services Framework Agreement and 2009 Supplemental Strategic Agreement

We refer to the circular issued by the Company to the Shareholders dated 12 November 2009 (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 29 October 2009, the Board announced that the Company entered into (i) the Supplies Procurement Services Framework Agreement and (ii) the 2009 Supplemental Strategic Agreement. Further details are contained in the Letter from the Board set out on pages 5 to 15 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 and proposed annual caps of the Supplies Procurement Services Framework Agreement and (ii) the terms of 2009 Supplemental Strategic Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

GF Capital (Hong Kong) Limited 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 and proposed annual caps of the Supplies Procurement Services Framework Agreement and (ii) the terms of 2009 Supplemental Strategic Agreement as described in the Circular. The text of the letter of advice from GF Capital (Hong Kong) Limited containing their recommendation and the principal factors they have taken into account in arriving at their recommendation are set out from pages 18 to 27 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 Supplies Procurement Services Framework Agreement (in respect of the terms and proposed annual caps) and (ii) the 2009 Supplemental Strategic Agreement, and the basis upon which the terms of the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental Strategic Agreement have been determined. We have also considered the key factors taken into account by GF Capital (Hong Kong) Limited in arriving at its opinion regarding (i) the terms and proposed annual caps of the Supplies Procurement Services Framework Agreement and (ii) the terms of 2009 Supplemental Strategic Agreement.

The Independent Board Committee concurs with the view of GF Capital (Hong Kong) Limited and considers that the Continuing 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from GF Capital (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in respect of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement.



Suites 2301-5 & 2313, COSCO Tower
183 Queen's Road Central

12 November 2009

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

Supplies Procurement Services Framework Agreement and 2009 Supplemental Strategic Agreement

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 Supplies Procurement Services Framework Agreement and its proposed annual caps and the 2009 Supplemental Strategic Agreement. Details of the Supplies Procurement Services Framework Agreement and its annual caps and the 2009 Supplemental Strategic Agreement are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 12 November 2009 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 October 2009, the Company entered into the following continuing connected transactions:

- the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation to govern the provision of comprehensive logistic services relating to facilities procurement between the Group and China Telecom Group, which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular; and
- the 2009 Supplemental Strategic Agreement with China Telecom Listco to renew the Strategic Agreement (as defined in the Letter from the Board) for three years ending 31 December 2012.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, China Telecommunications Corporation holds approximately 52.60% of the issued share capital of the Company. Accordingly, China Telecommunications Corporation is a substantial shareholder of the Company and China Telecom Listco is its Associate, each being a connected person of the Company as defined under Rule 14A.11 of the Listing Rules. Accordingly, the proposed Supplies Procurement Services Framework Agreement (together with the proposed annual caps for the two years ending 31 December 2010) and the renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratio of the transactions contemplated under the Supplies Procurement Services Framework Agreement is, on an annual basis, above 2.5%, they therefore fall under Rule 14A.35 of the Listing Rules. Accordingly, the Company is subject to the reporting, announcement and independent shareholders' approval requirements set out under Rules 14A.45 to 14A.48 of the Listing Rules in respect of the Supplies Procurement Services Framework Agreement.

The renewal of the Strategic Agreement by way of the 2009 Supplemental Strategic Agreement is also subject to the reporting, announcement and independent shareholders' approval under the Chapter 14A of the Listing Rules as the annual cap for the transactions under the Strategic Agreement are subsumed under certain framework agreements subject to these requirements.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive directors of the Company, namely Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin, has been established to advise the Independent Shareholders in respect of the Supplies Procurement Services Framework Agreement, the proposed annual caps for transactions under the Supplies Procurement Services Framework Agreement, and the 2009 Supplemental Strategic Agreement.

We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement are in the ordinary and usual course of business of the Company and that the terms of the Supplies Procurement Services Framework Agreement, the relevant proposed annual caps in respect of transactions contemplated under the Supplies Procurement Services Framework Agreement and the terms of the 2009 Supplemental Strategic Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole as far as the Company and the Independent Shareholders are concerned.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives, its management (the "Management") and the directors of the Company for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives, the Management and the directors of the Company as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

Our review and analyses were based upon the information provided by the Company which include, among others, the Supplies Procurement Services Framework Agreement, the 2009 Supplemental Strategic Agreement, 2007 Announcement, 2007 Circular, 2008 Announcement, 2008 Circular, annual reports of the Company for the years ended 2007 and 2008.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We, however, have not conducted any independent in-depth investigation into nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Supplies Procurement Services Framework Agreement and its proposed annual caps and the 2009 Supplemental Strategic Agreement, we have considered the following principal factors and reasons:

1. Historical Relationship between China Telecommunications Corporation and the Company; and between China Telecom Listco and the Company

The Company and its subsidiaries are principally engaged 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 others services.

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

China Telecom Listco is a company established under the laws of PRC and is engaged in the basic telecommunications businesses such as the provision of fixed and mobile telecommunications services as well as value-added telecommunications businesses such as Internet connection services business and information service business.

As of the Latest Practicable Date, China Telecommunications Corporation directly and indirectly owned 52.60% and 70.89% of the issued share capital of the Company and China Telecom Listco respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A strategic cooperation agreement was entered into between the Company and China Telecom Listco on 30 August 2006 to establish the terms upon which there could be strategic business cooperation between both parties in the areas of the Company's engineering related services, maintenance and management services, certain business process outsourcing services and the provision of application, content and other related services.

In connection with the Retained Business Acquisition by the Group, the Company and China Telecom Listco entered into the 2007 Supplemental Strategic Agreement to expand the geographic scope of cooperation between the Company and China Telecom Listco to 19 provinces immediately following such acquisition.

2. The Supplies Procurement Services Framework Agreement

The Company entered into the Supplies Procurement Services Framework Agreement with China Telecommunications Corporation on 29 October 2009 to govern the provision of comprehensive logistic services relating to facilities procurement between the Group and China Telecom Group which were previously part of the transactions covered by the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement, details of which were set out in the 2008 Circular.

(i) Subject matter and the terms of the Supplies Procurement Services Framework Agreement

Pursuant to the Supplies Procurement Services Framework Agreement, the Company has agreed to provide to China Telecommunications Corporation with comprehensive supplies procurement services, including, among others, (i) procurement of imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies; (ii) agency services of supplies procurement; (iii) sales of telecommunications supplies manufactured by the Group; (iv) resale of supplies purchased from Independent Third Parties; and (v) management of bidding, verification of technical specifications, warehousing, transportation and installation services. According to the same agreement, China Telecommunications Corporation has agreed to provide to the Company with comprehensive supplies procurement services, including, among others, (i) sales of telecommunications supplies manufactured by China Telecom Group, (ii) resale of supplies purchased from Independent Third Parties; (iii) agency services of supplies procurement; and (iv) warehousing, transportation and installation services. The scope of the Supplies Procurement Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecommunications Corporation (and its subsidiaries but excluding the Group), as may be applicable from time to time.

(ii) The reasons and benefits of entering into the Supplies Procurement Services Framework Agreement

As stated in the Letter from the Board, the Company expects a substantial increase of transaction amounts for provision of comprehensive logistic services for facilities procurement between the Group and China Telecom Group as a result of (i) the commencement and rapid development of mobile telecommunications related business by China Telecom Group following its acquisition of such business as a result of the restructuring of the telecommunications industry in 2008, and (ii) the grant of 3G license to China Telecom Listco and other telecommunications operators in the PRC in January 2009. In view of the above, we concur the view of the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Management that there has been increasing demand for services relating to sales and procurement of both telecommunications and non-telecommunications facilities from telecommunications operators, ultimate customers and other end users. Moreover, as advised by the Management, China Telecom Listco has split off its logistic services into a new management unit so as to manage the logistic services in a centralized manner. We consider that by entering into the Supplies Procurement Services Framework Agreement, it allows the Company to manage the comprehensive logistic services in an effective and categorized manner with a view to meet the customer's need. In corporate governance aspect, as advised by the Management, by entering into the Supplies Procurement Services Framework Agreement, it will help strengthening the Company's management of continuing connected transactions by adopting a more practical approach to categorize transactions and will further improve transparency in disclosure of such transactions in the future. We concur with the view of the Management in these regards.

In view of the above, we consider that the Supplies Procurement Services Framework Agreement is of assistance to the Company to capture the huge business opportunity and strengthen the strategic relationship with China Telecom Group. In addition, we are of the view that the entering into of the Supplies Procurement Services Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

(iii) The pricing basis of the Supplies Procurement Services Framework Agreement

As stated in the Letter from the Board, the pricing basis under the Supplies Procurement Services Framework Agreements is determined as below: (i) 1% of the contract value at maximum for procurement services relating to imported telecommunications supplies; (ii) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials; and (iii) for other procurement services under the Supplies Procurement Services Framework Agreement, pricing basis is determined by reference to (a) government-prescribed prices; (b) if there is no government-prescribed price, then the government-guided prices; (c) if there are no government-prescribed price and government-guided prices, then market prices; and (d) if there are no applicable prices as mentioned in (a), (b) and (c), then the reasonable costs plus reasonable profit margin as negotiated between two parties. We also noted that the pricing basis for the procurement services under the Supplies Procurement Services Framework Agreement is subject to review and amend by both parties when necessary on 31 December each year. In addition, we further noted that the payment term for the related procurement services is no longer than 60 days. As advised by the Management, such payment term is in line with the credit policy of the Company. In view of the above, we consider that the Supplies Procurements Services Framework Agreement is on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iv) *Historical amounts and the proposed annual caps*

The table set out below illustrates the historical transaction amounts and the proposed annual caps for the comprehensive logistic services occur between the Group and the China Telecom Group:

	Year ended	Year ended	Six months	Proposed	Proposed
	2007	2008	ended	annual caps	annual caps
			30 June	for the year	for the year
			2009	ending 2009	ending 2010
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	(“Annual	(“Annual
	<i>million</i>	<i>million</i>	<i>million</i>	Caps 2009”)	Caps 2010”)
				<i>RMB</i>	<i>RMB</i>
				<i>million</i>	<i>million</i>
Comprehensive logistic services provided by the Group to China Telecom Group	408.83	358.87	686.62	2,000	2,800
Comprehensive logistic services provided by China Telecom Group to the Group	NIL	NIL	352.66	800	900

For the comprehensive logistic services provided by the Group to China Telecom Group, the transaction amount for the six months ended 30 June 2009 was approximately RMB686.62 million and the Annual Caps 2009 for such services is RMB2,000 million. For comprehensive logistic services provided by China Telecom Group to the Group, the transaction amount for the six months ended 30 June 2009 was approximately RMB352.6 million and the Annual Caps 2009 for such services is RMB800 million. We noted that the estimated transaction amount of the above mentioned services for the second half of 2009 are higher than those of the first half of 2009. As advised by the Management, such differences are mainly due to (i) there is an industry characteristic in the telecommunications that the revenues and expenses in the second half of a year is usually larger than those in first half of a year and (ii) the forecast transaction amounts made by the Company.

The Management also advised that the increase in the Annual Caps 2009 is mainly attributable to (i) the rapid growth of the Group’s revenue from the provision of the comprehensive logistic services to China Telecom Group; (ii) the increased demand for the comprehensive logistic services by China Telecom Group after the successful acquisition and transition of the CDMA business; and (iii) the grant of 3G license to China Telecom Listco that lead to an increasing demand for comprehensive logistic services by China Telecom Group.

We also noted from the 2009 interim report of China Telecom Listco that it has constructed the largest scale 3G network for the earliest commercial use in China. By the end of July 2009, the 3G network coverage accomplished to 342 cities. Accordingly, we consider that China Telecom

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group is one of the leading 3G operators in the development and operation of the 3G network and as such, it may enhance the market competitiveness of the China Telecom Group in the mobile communications sector and hence, generate a huge demand for the comprehensive logistic services of the Group under the Supplies Procurement Services Framework Agreement.

For the comprehensive logistic services provided by the Group to China Telecom Group, there is an approximately 40.00% increase in the annual caps for the year ending 31 December 2010 as compared with that in 2009. For comprehensive logistic services provides by China Telecom Group to the Group, there is an approximately 12.50% increase in the annual caps for the year ending 31 December 2010 as compared with that in 2009.

As advised by the Management, in determining the Annual Caps 2009 and Annual Caps 2010, the Board has taken into accounts (i) the historical transaction amounts and the expected amounts for each of the two years ending 31 December 2010, (ii) the current condition and growth trend of comprehensive logistic services of the Group (iii) the estimated extent of the comprehensive logistic services that may be required by China Telecom Group in connection with its provision of mobile telecommunications services and related business, which include the manufacture and sales or resale of 3G related supplies and purchase of 3G related facilities and (iv) the continuous enhancement of the CDMA network of China Telecom Listco.

Based on the above, we are of the view that the Annual Caps 2009 and the Annual Caps 2010 for the Supplies Procurement Services Framework Agreement for each of the two years ending 2010 are made by the Management after due care and consideration objectively. As such, we consider that the factors stated above can justify the proposed annual caps for the Supplies Procurement Services Framework Agreement for the years 2009 to 2010 and the increase in such annual caps as compared with the historical transaction amounts for the years 2007 to 2008 and the proposed annual caps for the Supplies Procurement Services Framework Agreement have been determined on a fair and reasonable basis.

3. The 2009 Supplemental Strategic Agreement

On 29 October 2009, the Company has entered into the 2009 Supplemental Strategic Agreement (for a period of three years commencing from 1 January 2010 to 31 December 2012) with China Telecom Listco with a view to renewing the Strategic Agreement so as to ensure and strengthen the Company's well established relationship with China Telecom Listco and to bring forth further strategic mutual benefits.

(i) Subject matter of the 2009 Supplemental Strategic Agreement

We noted that the 2009 Supplemental Strategic Agreement is in accordance with the terms and conditions of the Strategic Agreement and the 2007 Supplemental Strategic Agreement in all material aspects. Pursuant to the Strategic Agreement and the 2007 Supplemental Strategic Agreement, the area for the strategic business cooperation between the Company and China Telecom Listco shall include engineering related services in connection with to the design, construction, project supervision and management business; maintenance and management services including but no limited to network maintenance and facilities management; and certain business process outsourcing services such as integrated information solution and call centres; and provision of applications, content and other services such as system integration and value added services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the subject matter of the strategic business cooperation between the Company and China Telecom Listco is in line with the normal business of the Group, we consider that the 2009 Supplemental Strategic Agreement is entered into in the ordinary and usual course of business of the Group.

(ii) *Reasons for entering into the 2009 Supplemental Strategic Agreement and its terms*

As mentioned above, the Company has a long historical business relationship with China Telecom Listco. The areas for cooperation include engineering related services, maintenance and management services, certain business process outsourcing services and provision of applications, content and other services such as system integration and value added services.

As advised by the Management that it is in the interest of the Company to renew the Strategic Agreement in order to further strengthen the cooperation between the Company and China Telecom Listco Group and benefit the Company's future growth and development and such cooperation will provide a stable revenue source to the Company. We concur with the view of the Management in this regard.

We noted that, pursuant to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement), in relation to the Company's provision of engineering related services in design, construction, project supervision and management businesses, provided the terms and conditions for the provision of the engineering related services are no less favourable than those offered by any independent third parties, China Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than 10.6% of the total annual capital expenditure of the relevant provincial branches of China Telecom Listco to purchase such services provided by the Company. On the other hand, in relation to the Company's provision of maintenance and management services including but not limited to the network maintenance and facilities management businesses, provided that terms and conditions for the provision of the maintenance and management services are no less favourable than those offered by any Independent Third Parties, China Telecom Listco has undertaken that the relevant provincial branches of China Telecom Listco in the 19 provinces (municipalities and autonomous regions) shall spend an annual minimum amount of not less than RMB1,780 million to purchase such services provided by the Company. Given the above terms under the Strategic Agreement can secure a stable revenue to the Group, we consider that the 2009 Supplemental Strategic Agreement has been entered into in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

(iii) *The pricing basis of the 2009 Supplemental Strategic Agreement*

Pursuant to the Strategic Agreement (as amended by the 2007 Supplemental Strategic Agreement and by the 2009 Supplemental Strategic Agreement), the pricing basis is determined by reference to (a) government-prescribed prices; (b) if there is no government-prescribed price, then the government-guided prices; (c) if there are no government-prescribed price and government-guided prices, then market prices; and (d) if there are no applicable prices as mentioned in (a), (b) and (c), then the reasonable costs plus reasonable profit margin as negotiated between two parties.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also noted that the Company shall offer at least 5% discount for the engineering-related services to be provided to the relevant provincial branches of China Telecom Listco based on the applicable standard prices. Given that a bulk purchase discount is a reasonable approach to secure a long term purchase contract, we concur with the view of the Management that such discount is on normal commercial terms and it is in-line with market practice to give a discount as favourable treatment offered to large enterprise customers which are able to commit to a minimum purchase volume per annum. As advised by the Management, the level of discount depends on a number of factors such as the committed minimum purchase volume, competition and so on.

Based on the above, we consider that the terms of the 2009 Supplemental Strategic Agreement are on normal commercial terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole.

4. Listing Rules' Implications

The Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement and any continuing connected transactions contemplated thereunder are subject to the following annual review requirements of Rules 14A.37 to 14A.41 of the Listing Rules:

- a. Each year the independent non-executive Directors must review the transactions contemplated under the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement (the “**Transactions**”) and confirm in the annual report and accounts that the Transactions have been entered into:
 - (1) in the ordinary and usual course of business of the Company;
 - (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
 - (3) in accordance with the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- b. Each year the auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company’s annual report), confirming that the Transactions:
 - (1) have received the approval of the Board;
 - (2) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company;
 - (3) have been entered into in accordance with the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement governing the Transactions; and

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- (4) have not exceeded the relevant proposed annual caps.
- c. The Company shall allow, and shall procure that China Telecom Group and China Telecom Listco shall allow, the auditors sufficient access to their records for the purpose of reporting on the Transactions as set out in the Listing Rules. The Board must state in the annual report whether its auditors have confirmed the matters stated in (b) above.
- d. The Company shall promptly notify the Stock Exchange and publish an announcement in accordance with Rule 2.07C of the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (a) and/or (b) above respectively. The Company may have to re-comply with Rules 14A.35(3) and (4) of the Listing Rules and any other conditions the Stock Exchange considers appropriate.
- e. Upon any variation or renewal of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement, the Company must comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 14 of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

The aforesaid annual review requirements pursuant to Rules 14A.37 to 14A.41 of the Listing Rules can provide appropriate measures to govern the Company in carrying out the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement and safeguard the interest of the Shareholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the entering into of the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement is in the ordinary and usual course of business of the Company and that the terms of the Supplies Procurement Services Framework Agreement and its proposed annual cap and the terms of the 2009 Supplemental Strategic Agreement 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 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 EGM set forth at the end of this Circular.

For and on behalf of
GF Capital (Hong Kong) Limited
Dino Ng

Managing Director and Co-Head of Corporate Finance

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 2008, 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 Continuing Connected Transactions.

Save as 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 Network Communications Group Company Limited, as at the Latest Practicable Date, none of the Directors were 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 Division 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 Continuing Connected Transactions or otherwise connected with the Continuing Connected Transactions.

China Telecommunications Corporation and its Associates, being connected persons to the Continuing Connected Transactions, will abstain from voting on the ordinary resolutions to approve the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) and the 2009 Supplemental Strategic Agreement. 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 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	Domestic shares	Beneficial owner	3,035,651,800 (L)	80.33	52.60
China Mobile Communications Corporation	Domestic shares	Beneficial owner	506,880,000 (L)	13.30	8.78
China United Network Communications Group Company Limited	Domestic shares	Beneficial owner	236,300,000 (L)	6.25	4.09
Commonwealth Bank of Australia	H shares	Interest of corporation controlled by the substantial shareholder	283,148,164 (L)	14.21	4.91

* Remarks: (L) — Long Position

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
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 Telecommunications Engineering Business Division* 上海電信工程業務部	15,000	10%
Hunan Sunshine Insurance Agency Limited.* 湖南陽光保險代理有限公司	Hunan Zhongchuang Scientific Development Company Limited* 湖南中創科技發展有限公司	2,000	29%

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary (RMB'000)	Percentage of shareholder's interest in registered capital
Guoxin Lucent Technologies Network Technologies Co., Ltd.* 國信朗訊科技網絡技術有限公司	Lucent Technologies (China) Co., Ltd.* 朗訊科技中國有限公司	99,338.358	49%
Nanjing Ningdian Rural Telephone Service Company Limited* 南京寧電農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Suzhou Baochun Rural Telephone Service Company Limited* 蘇州寶純農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Wuxi Tongfa Rural Telephone Service Company Limited* 無錫通發農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary (RMB'000)	Percentage of shareholder's interest in registered capital
Changzhou Yanling Rural Telephone Service Company Limited* 常州延陵農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Xuzhou Fulai Rural Telephone Service Company Limited* 徐州福來農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Nantong Rural Telephone Service Company Limited* 南通農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Yangzhou Tongyuan Rural Telephone Service Company Limited* 揚州通源農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,500	32%

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary (RMB'000)	Percentage of shareholder's interest in registered capital
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省 電信公司		18%
Zhenjiang Xinhui Rural Telephone Service Company Limited* 鎮江新輝農村電話服務 有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理 集團有限公司	1,000	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省 電信公司		18%
Taizhou Baoxingtong Rural Telephone Service Company Limited* 泰州百幸通農村電話服務 有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理 集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省 電信公司		18%
Yancheng Qitian Rural Telephone Service Company Limited* 鹽城齊天農村電話服務 有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理 集團有限公司	1,500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省 電信公司		18%

Name of subsidiary	Name of shareholder	Total amount of registered capital of subsidiary (RMB'000)	Percentage of shareholder's interest in registered capital
Lianyungang Lianxin Rural Telephone Service Company Limited* 連雲港連信農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	1,000	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%
Suqian Liaoyuan Rural Telephone Service Company Limited* 宿遷燎原農村電話服務有限公司	Jiangsu Guoxin Investment Group Limited* 江蘇省國信資產管理集團有限公司	500	32%
	China Telecom Jiangsu Company Limited* 中國電信集團江蘇省電信公司		18%

* for identification purpose only

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).

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 2008, 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 is the qualification of GF Capital (Hong Kong) Limited who has given its advice, letters or reports for the inclusion in this Circular:

Name	Qualification
GF Capital (Hong Kong) Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

10. CONSENT

- (a) GF Capital (Hong Kong) Limited issued a letter dated 12 November 2009 for the purpose of incorporation in this Circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.
- (b) GF Capital (Hong Kong) Limited has given and has not withdrawn its written consent 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, GF Capital (Hong Kong) Limited was not beneficially interested in the share capital of any member of the Group nor 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 2008 (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 the Company Secretary of the Company. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants and the CPA Australia.

- (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. 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 2007 Supplemental Agreement;
- (c) the 2007 Supplemental Strategic Agreement;
- (d) the 2008 Supplemental Agreement;
- (e) the Supplies Procurement Services Framework Agreement;
- (f) the 2009 Supplemental Strategic Agreement;
- (g) 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;
- (h) 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; and
- (i) the written consent referred to in the section headed "Consent" in this Appendix.

13. 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 a.m. on 29 December 2009 at No. 19, Chaoyangmen Beidajie, Dongcheng District, Beijing, the PRC, to consider and, if thought fit, pass the following businesses:

ORDINARY RESOLUTIONS

1. **THAT** the Supplies Procurement Services Framework Agreement (together with the proposed annual caps) with China Telecommunications Corporation as described in the circular of the Company dated 12 November 2009 (the “**Circular**”) 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 2009 Supplemental Strategic Agreement, as described in the Circular, 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.

By Order of the Board

China Communications Services Corporation Limited

Li Ping

Chairman

Beijing, the PRC
12 November 2009

APPENDIX II NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

- (1) Buyers who submit the share transfer application forms to the Company's share registrar before 4:30 p.m. on 27 November 2009 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 despatched to shareholders at around 12 November 2009.

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 the Supplies Procurement Services Framework Agreement and the 2009 Supplemental Strategic Agreement, will abstain from voting on the ordinary resolutions to approve the terms and annual caps of the Supplies Procurement Services Framework Agreement and the terms of the 2009 Supplemental Strategic Agreement 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 authorised 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 8 December 2009.

- (5) Closure of the register of members:

The register of members of the Company will be closed from 29 November 2009 to 29 December 2009 (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

APPENDIX II NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- (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 Mr. Li Ping (Chairman), Mr. Zhang Zhiyong (President) and Mr. Yuan Jianxing (Executive Vice President and Chief Financial Officer), our non-executive directors are Mr. Liu Aili and Mr. Zhang Junan, and our independent non-executive directors are Mr. Wang Jun, Mr. Chan Mo Po, Paul, Mr. Zhao Chunjun, Mr. Wu Shangzhi and Mr. Hao Weimin.