

# Notice of the Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of China Communications Services Corporation Limited (the "Company") for the year ended 2006 will be held at 10:00 am on 11 June 2007 in Beijing Nan Yue Yuan Hotel, 186 Zheng Wang Fen, Feng Tai District, Beijing, PRC, to consider and, if thought fit, pass the following resolutions:

## ORDINARY RESOLUTIONS

1. **THAT** the consolidated financial statements of the Company, the report of the Board of Directors, the report of the Supervisory Committee and the report of the international auditor for the year ended 31 December 2006 be considered and approved, and the Board of Directors of the Company (the "Board") be authorized to prepare the budget of the Company for the year 2007;
2. **THAT** the profit distribution proposal and the declaration and payment of dividend for the year ended 31 December 2006 be considered and approved;
3. **THAT** the reappointment of KPMG and KPMG Huazhen as the international auditor and domestic auditor of the Company, respectively for the year ending 31 December 2007 be considered and approved, and the Board be authorized to fix the remuneration of the auditors;
4. **THAT:**
  - (a) the "Share Appreciation Rights Scheme of China Communications Services Corporation Limited" (the "Share Appreciation Rights Scheme");
  - (b) the authorization of the Board to grant the Share Appreciation Rights to relevant members of the senior management of the Company in accordance with the Share Appreciation Rights Scheme and the relevant legal requirements;
  - (c) the authorization of the Board to formulate implementation rules for the grant of the share appreciation rights in accordance with the Share Appreciation Rights Scheme;
  - (d) the authorization of the Remuneration Committee of the Board to make corresponding adjustments in accordance with the rules and methods set out in the Share Appreciation Rights Scheme in the event that adjustments to the exercise prices or number of the Share Appreciation Rights are necessary due to the changes in the ordinary share capital structure of the Company or other similar reason arising from share issue, share allotment, dividend, demerger, merger, share repurchase, capital reduction, group restructuring or other special ordinary distribution of ordinary shares;
  - (e) the authorization and ratification of the Board to amend the Share Appreciation Rights Scheme, and to decide and formulate any matters relating to the Share Appreciation Rights Scheme within the scope applicable to the Share Appreciation Rights; and
  - (f) the authorization and ratification of the Board to proceed with the examination, registration, filing, approval and consent procedures with relevant government authorities; to sign, execute, amend and complete documents to be submitted to relevant government authorities, organisations and individuals; and to do all acts, matters and things deemed necessary, appropriate or expedient in relation to the Share Appreciation Rights Scheme,

be considered and approved; and

To consider and approve other businesses (if any).

# Notice of the Annual General Meeting

And as special business, to consider and, if thought fit, pass the following special resolutions:

## SPECIAL RESOLUTIONS

5. **THAT** the Articles of Association of the Company be amended as follows:

- (1) Article 3.5 of the Articles of Association shall be deleted in its entirety and be restated as the following new Article 3.5:

“By the approval of the relevant company approval department authorized by the State Council, the total number of ordinary shares of the Company in issue amounted to 5,444,986,000 shares, of which 3,960,000,000 shares were issued to the promoters of the Company at the time when the Company was established, representing 72.73% of the ordinary share capital issued by the Company.”

- (2) Article 3.6 of the Articles of Association shall be deleted in its entirety and be restated as the following new Article 3.6:

“All the 1,484,986,000 ordinary shares issued by the Company after its incorporation are the overseas-listed foreign-invested shares (H shares). Pursuant to the requirements of the “Provisional Practice for the Administration of Raising Social Security Funds from the Reduction of State-owned Shares”, a total of 148,498,600 shares have been reduced from the State-owned shareholders of the Company and all the reduced shares have become the overseas-listed foreign-invested shares (H Shares). The total amount of the overseas-listed foreign-invested shares (H Shares) issued by the Company shall be 1,633,484,600 shares, representing 30% of the ordinary share capital issued by the Company.

The share capital structure of the Company is as follows: there are a total of 5,444,986,000 ordinary shares issued, of which 3,487,523,782 shares are held by the promoter, China Telecommunications Corporation, representing 64.05% of the total amount of the ordinary shares issued by the Company. The other domestic shares are Guangdong Telecom Industry Group Corporation, holding a total of 236,313,086 shares representing 4.34% of the total amount of the ordinary shares issued by the Company and Zhejiang Telecom Industry Corporation, holding a total of 87,664,532 shares representing 1.61% of the total amount of the ordinary shares issued by the Company. A total of 1,633,484,600 overseas-listed foreign-invested shares are held by holders of overseas-listed foreign-invested shares, representing 30% of the total amount of the ordinary shares issued by the Company.”

- (3) Article 3.9 of the Articles of Association shall be deleted in its entirety and be restated as the following new Article 3.9:

“The registered capital of the Company is RMB5,444,986,000.”

- (4) Any one of the Directors of the Company be hereby authorized to take all such action they deem necessary or appropriate to complete approval and/or registration or filing of the aforesaid amendments to the Articles of Association of the Company.

6. **THAT:**

- (a) subject to paragraph (c) below, the exercise by the Board during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company ("Shares") and to make or grant offers, agreements and options which might require the exercise of such powers be hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the Board during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the amount of additional domestic Shares or overseas-listed foreign invested shares ("H Shares") (as the case may be) allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with either separately or concurrently by the Board pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) any scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company shall not exceed 20% of each of the Company's existing domestic Shares and H Shares (as the case may be) in issue at the date of passing this special resolution; and
- (d) for the purpose of this special resolution 6:

"Relevant Period" means the period from the passing of special resolution 6 until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the 12 months period following the passing of these special resolutions; and
- (iii) the revocation or variation of the authority given to the Board under these special resolutions by a special resolution of the Company's shareholders by way of a general meeting.

"Rights Issue" means an offer of shares open for a period fixed by the Board to holders of Shares on the register of members on a fixed record date in proportion of their then holdings of such Shares (subject to such exclusion or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirement of, any recognised regulatory body or any stock exchange in any territory applicable to the Company) and an offer, allotment or issue of shares by way of rights shall be construed accordingly.

7. **THAT** the Board be authorized to increase the registered capital of the Company to reflect the issue of shares in the Company authorized under special resolution 6, and to make such appropriate and necessary amendments to the Articles of Association of the Company as they think fit to reflect such increases in the registered capital of the Company and to take any other action and complete any formality required to effect such increase of the registered capital of the Company.

By Order of the Board  
**Chung Wai Cheung, Terence**  
*Company Secretary*

Beijing, PRC  
26 April 2007

# Notice of the Annual General Meeting

Notes:

(1) In relation to resolution 4, the details of the proposed Share Appreciation Rights Scheme are as follow:

## **Reasons for the Share Appreciation Rights Scheme**

The Share Appreciation Rights Scheme is aimed to align the interests of target employees with the Company and to enhance the value of the Company and its shareholders. On this basis, the Board has, subject to the requisite shareholders approval, adopted the "Share Appreciation Rights Scheme of China Communications Services Corporation Limited" (the "Scheme") which grants share appreciation rights (the "SAR" or "SARs") to eligible participants subject to terms and conditions as described below.

Under the Scheme, a SAR constitutes the right to receive an amount of cash equivalent to the appreciation, if any, in the fair market value of a H share of our Company (the "Fair Market Value") and the exercise price of the SARs (the "Exercise Price") is determined upon grant according to a pre-set method. No shares will be issued under the Scheme; accordingly, the shareholding of the shareholders of the Company will not be diluted by any grant or exercise of SARs.

## **Validity Period of the Scheme**

The Scheme will be valid for 10 years effective from the date of approval by the shareholders of the Company.

## **Amount of SARs to be granted**

The total number of H shares represented by all SARs to be granted under the Scheme during its term may not exceed 10% of the entire share capital of the Company at the time of completion of the global offering of the Company in 2006. The SARs will be granted every two years within the 10-year validity period of the Scheme. The total number of H shares represented by the SARs to be granted for the first time under the Scheme will not exceed 1% of the share capital of the Company.

A participant who is granted SARs (including both exercised and unexercised) that represent more than 1% of the entire issued share capital of the Company in any 12 consecutive months within the validity period of the Scheme will no longer be eligible for any further grant. As a principle, the maximum expected income from the SARs granted to any member of the senior management of the Company within the validity period of the Scheme should be no more than 40% of his/her total amount of emolument.

## **Determination of Fair Market Value and Exercise Price**

As required by regulations issued by the State-Owned Assets Supervision and Administration Commission of the PRC, the exercise price of any SARs shall be the higher of 1) the closing price of the our Company's H shares on the date of grant; and 2) the average closing price of the H shares in the five consecutive trading days prior to the date of grant. "Closing price" refers to the price stated in the daily quote of the Stock Exchange of Hong Kong Limited.

Fair market value will be the lower of 1) the closing price on the date of the exercise of SARs by a grantee; and 2) the average closing price of our Company's H shares in the 5 consecutive days prior to the date of exercise; or, if none of these two approaches apply, a price determined by the remuneration committee of the Company in good faith will apply.

## **Vesting period and validity period of SARs**

There will be a minimum period of two years from the date of grant before such SARs are exercisable subject to the following vesting schedule:

- (a) after two years from the date of grant, 1/3 of the SARs granted may be exercised by the grantee;
- (b) after three years from the date of grant, a further 1/3 of the SARs granted may be exercised by the grantee; and
- (c) after four years from the date of grant, the remaining 1/3 of the SARs granted may be exercised by the grantee.

The SARs granted under the Scheme will be valid for a term of 7 years commencing from the date of grant. Any granted SARs that are not exercised within such 7 years will lapse automatically.

### **Scope of eligible participants of the Scheme**

The eligible participants of the Scheme include:

- (a) the general manager, vice managers and department managers of the Company; the general manager, deputy managers and department managers of a provincial level subsidiary of the Company; and the general managers and deputy managers of specialized subsidiaries of the Company;
- (b) directors (excluding independent directors) and members of the supervisory committee of the Company and other senior management members; and
- (c) other key talents, nominated and designated by the Remuneration Committee of the Company from time to time according to their contribution to the Company.

### **Method of grant and acceptance**

SARs will be granted to qualified eligible participants by way of an agreement fulfilment of the following conditions:

- (a) the operational performance of the Company or relevant subsidiary having met the pre-set criteria; and
- (b) the proposed grantee having been evaluated and meeting the requirements of the Measures of Performance Evaluation In Connection with the Granting of SARs formulated by the Company.

### **Payment to grantees on exercise of SARs**

Upon exercising SARs, the grantee will be paid in cash in Renminbi by the Company an amount that equals the difference between the fair market value and the exercise price as multiplied by the number of SARs exercised, with any tax and fees under applicable laws duly deducted.

The proposed adoption of a SAR scheme was disclosed in the prospectus of the Company dated 27 November 2006. The current Scheme approved by the Board of the Company is in conformity with the said disclosure.

- (2) With regards to resolution 5 above, as the Articles of Association of the Company only exist in Chinese, the Chinese text of the proposed resolution shall prevail over the English text. Further to the Company's listing on the main board of the Stock Exchange of Hong Kong Limited on 8 December 2006, the joint bookrunners fully exercised the over-allotment option (as described in the prospectus of the Company) in full on behalf of the international underwriters on 20 December 2006. As such, both the number of shares and the registered capital of the Company were changed and accordingly corresponding amendments to the Articles of Association are proposed to be made.
- (3) Shareholders who submit the share transfer application forms to the Company's share registrar before 4:30 pm on 11 May 2007 (Friday) and then register as shareholders on the register of members of the Company are entitled to attend the annual general meeting.
- (4) Each shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend and vote on his behalf at the annual general meeting. A proxy need not be a shareholder. Each shareholder who wishes to appoint one or more proxies should first review the annual report of the Company for the year 2006, which is expected to be despatched to shareholders around 27 April 2007 (Friday).
- (5) To be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorized person or notorially certified power of attorney must be delivered to the Office of the Board of the Company for holders of domestic shares and 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 annual general meeting. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the annual general meeting if he so wishes. The address of the share registrar for the Company's H shares is Computershare Hong Kong Investor Services Limited, 1806-1807, 18/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

# Notice of the Annual General Meeting

(6) A proxy of a shareholder may vote by hand or vote on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

(7) The registration procedure for attending the annual general meeting:

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

(b) shareholders intending to attend the annual 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 22 May 2007 (Tuesday).

(8) Closure of the register of members:

The register of members of the Company will be closed from 12 May 2007 (Saturday) to 11 June 2007 (Monday) (both days inclusive).

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

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

31 Jinrong Street  
Xicheng District, Beijing  
PRC, 100032

Contact person: Chung Wai Cheung, Terence  
Telephone: (8610) 5850 2290  
Facsimile: (8610) 5850 1534

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