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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)

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
PROPOSED NEW ANNUAL CAPS**

SUMMARY

We refer to the announcement dated 22 October 2021 and the circular dated 1 December 2021 of the Company, in relation to the renewal of the continuing connected transactions between the Group and China Telecom and/or its associates which are governed by the 2021 Agreements. The 2021 Agreements will expire on 31 December 2024.

On 16 October 2024, the Company entered into the 2024 Supplemental Agreements with China Telecom based on the 2021 Agreements to renew each of the 2021 Agreements for a term of three years from 1 January 2025 to 31 December 2027.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Telecom is a substantial shareholder of the Company holding approximately 48.99% of the issued share capital of the Company. Therefore, each of China Telecom and its associates is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the 2024 Supplemental Agreements (together with the proposed New Annual Caps) constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios of the respective proposed New Annual Caps for the transactions under (i) the Centralized Services Agreement, and (ii) the Property Leasing Framework Agreement exceed 0.1% but are less than 5%, the transactions under (i) the Centralized Services Agreement, and (ii) the Property Leasing Framework Agreement (together with the respective proposed New Annual Caps thereof) are subject to the reporting, announcement, annual review requirements but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed New Annual Caps for each of the Non-exempt Continuing Connected Transactions exceeds 5%, the Non-exempt Continuing Connected Transactions (together with the proposed New Annual Caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The EGM will be convened to consider and, if thought fit, approve the Non-exempt Continuing Connected Transactions and the proposed New Annual Caps thereof. A circular containing, among other things, (i) a letter from the Board setting out the details on the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a supplemental notice of the EGM, is expected to be dispatched to the Shareholders on or before 6 November 2024.

1. INTRODUCTION

We refer to the announcement dated 22 October 2021 and the circular dated 1 December 2021 of the Company, in relation to the renewal of the continuing connected transactions between the Group and China Telecom and/or its associates which are governed by the 2021 Agreements. The 2021 Agreements will expire on 31 December 2024.

On 16 October 2024, the Company entered into the 2024 Supplemental Agreements with China Telecom based on the 2021 Agreements to renew each of the 2021 Agreements for a term of three years from 1 January 2025 to 31 December 2027.

2. CONTINUING CONNECTED TRANSACTIONS WITH CHINA TELECOM

(1) Background

We refer to the announcement dated 22 October 2021 and the circular dated 1 December 2021 of the Company, in relation to the renewal of the continuing connected transactions between the Group and China Telecom and/or its associates which are governed by the 2015 Agreements as below and their supplemental agreements:

- (a) the Engineering Framework Agreement;
- (b) the Ancillary Telecommunications Services Framework Agreement;
- (c) the Operation Support Services Framework Agreement;
- (d) the IT Application Services Framework Agreement;
- (e) the Centralized Services Agreement;
- (f) the Property Leasing Framework Agreement; and
- (g) the Supplies Procurement Services Framework Agreement.

The above 2015 Agreements were entered into between the Company and China Telecom on 29 September 2015 and were then amended and renewed by way of the 2018 Supplemental Agreements. The 2018 Supplemental Agreements also adjusted the terms related to tender process of the Engineering Framework Agreement pursuant to the applicable PRC regulations. The 2018 Supplemental Agreements were further renewed by way of the 2021 Supplemental Agreements. The Existing Annual Caps (to the extent they were subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules) for the transactions under the 2021 Agreements were approved by the Independent Shareholders at the extraordinary general meeting of the Company convened on 22 December 2021.

As each of the 2021 Agreements will expire on 31 December 2024, the Company entered into the 2024 Supplemental Agreements with China Telecom on 16 October 2024 to, among other things, extend the term for three years from 1 January 2025 to 31 December 2027. Other key terms of each of the 2021 Agreements remain unchanged.

According to internal estimates and historical transaction amounts, the Directors also propose the New Annual Caps for the transactions under the 2015 Agreements and their supplemental agreements, details of which are set out below.

(2) Principal Terms of the 2015 Agreements and their Supplemental Agreements

(a) *Engineering Framework Agreement*

Content of Services

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

Pricing Policies

The charges for engineering services rendered under the Engineering Framework Agreement shall be determined at market price or prices obtained through tender process. According to the supplemental agreement to the Engineering Framework Agreement entered into between the Company and China Telecom, the thresholds which the project must be determined through tender process under the Engineering Framework Agreement include: whenever the value of any design or project supervision and management project exceeds RMB1 million, or the value of any construction project exceeds RMB4 million, the award of the relevant project must be subject to a tender process (with a minimum of three parties tendering bids) in accordance with the Bidding Law of the PRC and Regulation on the Implementation of the Bidding Law of the PRC, except as otherwise provided by other related laws and regulations. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China

Telecom Group by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company.

The Company will be given priority by China Telecom Group in the provision of the engineering services except in the tender process, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same type of services, and in return, the Company has undertaken to China Telecom Group that the Company shall not provide services to it on terms which are less favorable than those offered by the Company to independent third parties. The payment for engineering services provided by the Company under the Engineering Framework Agreement is normally made in accordance with the work progress of practical work following the general market practice in the industry.

Historical Transaction Amounts

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Engineering Framework Agreement for each of the three years of 2022, 2023 and 2024 is RMB24,000 million, RMB26,000 million and RMB28,000 million, respectively. The actual amounts for the service charges received by the Company from China Telecom Group under the Engineering Framework Agreement for the years ended 31 December 2022 and 2023 were RMB18,934 million and RMB20,743 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the Engineering Framework Agreement for the six months ended 30 June 2024 was RMB10,860 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the New Annual Caps for the Engineering Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB30,000 million, RMB32,000 million and RMB34,000 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the Engineering Framework Agreement;
- (b) the demands for engineering services are subject to seasonal fluctuations to a certain extent. For the Company's revenue from China Telecom Group's telecommunications infrastructure services in the past three years, the proportion of such revenue in the second half of the year accounted for approximately 54.1% to 62.8% of such revenue of the full year;

- (c) China Telecom Group persists in steady and precise investment strategy to better adapt to business development. Its investment structure continues to tilt towards new types of infrastructure and strategic emerging industries, such as computing power, cloud, connectivity. China Telecom Group strengthens support and assurance for strategic emerging businesses, and deploys computing power infrastructure appropriately in advance, which will drive the growth of engineering services related transactions for the coming three years; and
- (d) in determining the New Annual Caps, the Company has considered (i) the expected increasing demand from China Telecom Group for engineering services in the coming three years; (ii) the utilization rates of the Existing Annual Caps for engineering services provided by the Group were relatively high, being approximately 78.9% and 79.8% for the year ended 31 December 2022 and 2023, respectively; (iii) the actual amounts for the service charges received by the Company from China Telecom Group under the Engineering Framework Agreement had increased by 9.6% from 2022 to 2023, which is higher than the compound annual growth rate of the Annual Caps of 6.7% from 2024 to 2027; (iv) the expected development of new types of infrastructure and strategic emerging industries of China Telecom Group, such as computing power, cloud, connectivity; and (v) a degree of buffer is built in, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years.

As the applicable percentage ratio of the proposed New Annual Caps under the Engineering Framework Agreement exceeds 5%, the Engineering Framework Agreement as well as the proposed New Annual Caps thereof are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) *Ancillary Telecommunications Services Framework Agreement*

Content of Services

Pursuant to the Ancillary Telecommunications Services Framework Agreement, the Company agreed to provide to China Telecom Group certain ancillary telecommunications services such as maintenance of network facilities including equipment, ducts and cables, server rooms and base stations; distribution of telecommunications products and services; provision of comprehensive logistics services, including purchasing agent, warehousing, transportation, delivery, testing and inspection, logistics information management and distribution; provision of application, content and other services such as fixed-line value added services, wireless value added services, Internet value added services, and electronic authentication. The scope of the Ancillary

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

Pricing Policies

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

- (a) market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company;
- (b) in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the relevant taxes in sales and reasonable profits. In determining such cost and profits, the business and financial departments of the relevant subsidiary of the Company will (i) review and compare the costs and profit margins of similar and comparable transactions conducted in the most recent year entered into with China Telecom Group or independent third parties or (ii) where such comparison is not practicable, consider for reference the recent profit margins of comparable enterprises engaging in providing similar services in the relevant industry. Factors considered would also include, but not limited to, the scale of the comparable enterprises, quality of services, transaction size, supply and demand, labor cost, local commodity prices and economic development levels.

The Company will be given priority by China Telecom Group in the provision of the ancillary telecommunications services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services. In return, the Company has undertaken to China Telecom Group that the Company and its subsidiaries shall not provide ancillary telecommunications services to it on terms which are less favorable than those offered by the Company to independent third parties. Subject to the terms and conditions set out

above, the payment for the ancillary telecommunications services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

Historical Transaction Amounts

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the three years of 2022, 2023 and 2024 are RMB23,000 million, RMB26,000 million and RMB28,000 million, respectively. The actual amounts for the service charges received by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the years 31 December 2022 and 2023 were RMB17,825 million and RMB18,222 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the Ancillary Telecommunications Services Framework Agreement for the six months ended 30 June 2024 was RMB9,194 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the New Annual Caps for the Ancillary Telecommunications Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB29,000 million, RMB30,000 million and RMB31,000 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the Ancillary Telecommunications Services Framework Agreement;
- (b) that China Telecom Group continues to improve the quality and capability building of its network to support the further development of 5G and industrial digitization. According to the 2024 interim report of China Telecom Corporation, its network operations and support expenses for the six months ended 30 June 2024 increased by approximately 5.4% year-on-year;
- (c) China Telecom Group actively promotes the upgrades of connectivity, applications, and user experience within its fundamental businesses. Its user base, business volume, network scale, etc., expand year by year, leading to the continued increase in business volume of the services for customer development and retention as well as outsourced maintenance; and

- (d) in determining the New Annual Caps, the Company considered (i) the expected increasing demand from China Telecom Group for ancillary telecommunications services in the coming three years; (ii) the growth of the historical transaction amounts for the years ended 31 December 2022 and 2023; (iii) the utilization rates of the Existing Annual Caps for ancillary telecommunications services provided by the Group were both higher than 70% for the year ended 31 December 2022 and 2023; (iv) the expected development of new types of infrastructure and strategic emerging industries of China Telecom Group, such as computing power, cloud, connectivity, which will bring business opportunities for the ancillary telecommunications business; and (v) a degree of buffer is built in, which allows the Group to be flexible in case of unforeseen events in the future, and caters for the possible inflations in the coming three year.

As the applicable percentage ratio of the proposed New Annual Caps under the Ancillary Telecommunications Services Framework Agreement exceeds 5%, the Ancillary Telecommunications Services Framework Agreement as well as the proposed New Annual Caps thereof are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(c) *Operation Support Services Framework Agreement*

Content of Services

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

Pricing Policies

The Operation Support Services Framework Agreement shall adopt the same pricing policy as the Ancillary Telecommunications Services Framework Agreement. In addition, in determining the market price of the operation support services provided to the Company by China Telecom Group, the Company primarily considered the following factors: (i) prices of at least two comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least two comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the operation support services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

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

Historical Transaction Amounts

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the three years of 2022, 2023 and 2024 to be RMB5,000 million, RMB5,500 million and RMB6,000 million, respectively. The actual amounts for the service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the years ended 31 December 2022 and 2023 were RMB4,378 million and RMB4,703 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement for the six months ended 30 June 2024 was RMB2,075 million.

The Existing Annual Caps for the service charges payable by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the three years of 2022, 2023 and 2024 are RMB1,000 million, RMB1,100 million and RMB1,200 million, respectively. The actual amounts for the service charges paid by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the years ended 31 December 2022 and 2023 were RMB970 million and RMB819 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the Operation Support Services Framework Agreement for the six months ended 30 June 2024 was RMB703 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the New Annual Caps for the service charges receivable by the Company from China Telecom Group under the Operation Support Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB6,500 million, RMB7,000 million and RMB7,500 million, respectively. The Directors proposed the New Annual Caps for the service charges payable by the Company to China Telecom Group under the Operation Support Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the Operation Support Services Framework Agreement;
- (b) in determining the New Annual Caps with regard to the operation support services provided to China Telecom Group, the Company considered (i) the utilization rates of the Existing Annual Caps for operation support services provided by the Group were relatively high, being approximately 87.6% and 85.5% for the year ended 31 December 2022 and 2023, respectively; (ii) the actual amounts for the service charges received by the Company from China Telecom Group under the Operation Support Services Framework Agreement had increased by 7.4% from 2022 to 2023, which is generally in line with the compound annual growth rate of the Annual Caps of 7.7% from 2024 to 2027; (iii) along with the addition of new infrastructure such as data centers and the increase of the service life of equipment, China Telecom Group will increase its demand for the scope of operation support services and maintenance expenses; (iv) the Group possesses fine resources and service capability in respect of the abovementioned aspects, which are adaptive to meet the business needs of China Telecom Group; and (v) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years; and
- (c) in determining the New Annual Caps with respect to the operation support services provided by China Telecom Group, the Company considered (i) along with its business development, the Group's demand for operation support services, such as exhibition and training, has maintained stable. Therefore, the New Annual Caps remain at the same level as in 2024; (ii) China Telecom Group possesses fine resources in respect of the abovementioned aspects, which are adaptive to meet the business needs of the Group; and (iii) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years.

As the applicable percentage ratio of the proposed New Annual Caps under the Operation Support Services Framework Agreement exceeds 5%, the Operation Support Services Framework Agreement as well as the proposed New Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(d) *IT Application Services Framework Agreement*

Content of Services

The IT Application Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of IT application services. Pursuant to this agreement, the Company agreed to provide China Telecom Group with telecommunications network support services, software and hardware development and other related IT services. China Telecom Group also agreed to provide to the Company certain IT application services including voice and data, value added services and information application services. The scope of the IT Application Services Framework Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

Pricing Policies

The IT Application Services Framework Agreement shall adopt the same pricing policy as the Engineering Framework Agreement. In addition, in determining the market price of the IT application services provided to the Company by China Telecom Group, the Company primarily considers the following factors: (i) prices of at least three comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the IT application service is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

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

Historical Transaction Amounts

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the IT Application Services Framework Agreement for the three years of 2022, 2023 and 2024 are RMB6,500 million, RMB8,000 million and RMB9,500 million, respectively. The actual amounts for the service charges received by the Company from China Telecom Group under the IT Application Services Framework Agreement for the year ended 31 December 2022 and 2023 were RMB5,823 million and RMB7,027 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges received by the Company from China Telecom Group under the IT Application Services Framework Agreement for the six months ended 30 June 2024 was RMB3,318 million.

The Existing Annual Caps for the service charges payable by the Company to China Telecom Group under the IT Application Services Framework Agreement for each of the three years of 2022, 2023 and 2024 are RMB1,000 million, RMB1,500 million and RMB2,000 million. The actual amounts for the service charges paid by the Company to China Telecom Group under the IT Application Services Framework Agreement for the years ended 31 December 2022 and 2023 were RMB331 million and RMB1,006 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the IT Application Services Framework Agreement for the six months ended 30 June 2024 was RMB163 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the New Annual Caps for the service charges receivable by the Company from China Telecom Group under the IT Application Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB13,000 million, RMB15,500 million and RMB18,000 million, respectively. The Directors proposed the new annual cap for the service charges payable by the Company to China Telecom Group under the IT Application Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB1,800 million, RMB2,000 million and RMB2,200 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the IT Application Services Framework Agreement;

- (b) in determining the New Annual Caps with respect to the IT application services provided to China Telecom Group, the Company considered (i) that there had been a high utilization rate of the Existing Annual Cap for the IT application services provided to China Telecom Group, being approximately 89.6% and 87.8% for the years ended 31 December 2022 and 2023, respectively; (ii) China Telecom Group will continue to focus on the development of industrial digitization and strategic emerging businesses, and the volume of IT service business is expected to maintain rapid growth; (iii) the Group has been actively improving its capabilities in smart products and applications and strengthening strategic emerging fields such as smart city, green and low-carbon, and emergency management and security, and will provide China Telecom Group with more digital IT application support services; (iv) the actual amounts for the service charges received by the Company from China Telecom Group under the IT Application Services Framework Agreement had increased by 20.6% from 2022 to 2023, which is generally in line with the compound annual growth rate of the Annual Caps of 23.7% from 2024 to 2027; and (v) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years; and
- (c) in determining the New Annual Caps with respect to IT application services provided by China Telecom Group, the Company considered (i) there had been a relatively low utilization rate of the Existing Annual Caps in the past three years. Therefore the New Annual Cap for 2025 will be reduced to RMB1,800 million; (ii) the continuous increase of the IT application services provided by the Group is expected to drive the gradual growth of the Group's needs for procurement of IT application services. Therefore the New Annual Caps for 2026 and 2027 will increase moderately; and (iii) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years.

As the applicable percentage ratio of the proposed New Annual Caps under the IT Application Services Framework Agreement exceeds 5%, the IT Application Services Framework Agreement as well as the proposed New Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(e) *Centralized Services Agreement*

Content of Services

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

- (a) the corporate headquarters management function to manage assets of China Telecom's certain retained specialized telecommunications support businesses in the PRC (other than the Group) and any remaining assets, such as hotels, manufacturing plants, schools and hospitals which are not in association with the specialized telecommunications support businesses in the primary service areas of the Group; and
- (b) the provincial headquarters management function to manage remaining assets of China Telecom in the primary service areas of the Group.

The scope of the Centralized Services Agreement covers transactions between the Company (and its subsidiaries) and China Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time.

Pricing Policies

Except as otherwise agreed by the parties, the aggregate administrative expenses incurred by the Company for the provision of the centralized services referred to above (all expenses incurred in connection with the above-mentioned headquarters management functions excluding remuneration for the Directors, share appreciation rights and provision of bad debts) will be apportioned *pro rata* between the Company and China Telecom Group according to the proportional net asset value of each of the relevant parties.

Historical Transaction Amounts

The Existing Annual Caps for the management fees (in the form of reimbursed apportioned cost received) of the Group for the centralized services provided to China Telecom Group under the Centralized Services Agreement for the three years of 2022, 2023 and 2024 are RMB550 million, RMB550 million and RMB550 million. The actual amounts of the management fees received by the Company from China Telecom Group under the Centralized Services Agreement for the years ended 31 December 2022 and 2023 were RMB387 million and RMB394 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount of the management fees received by the Company from China Telecom Group under the Centralized Services Agreement for the six months ended 30 June 2024 was RMB166 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the new annual cap for the management fees receivable by the Company from China Telecom Group under the Centralized Services Agreement in respect of each of the three years ending 31 December 2025, 2026 and 2027 to be RMB550 million, RMB550 million and RMB550 million. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the Centralized Services Agreement;
- (b) that there had been a relatively stable utilization rate of the Existing Annual Cap for the centralized services provided to China Telecom Group. In particular, the utilization rates were approximately 70.4% for 2022 and 71.6% for 2023, respectively. In order to seize future business opportunities and maintain flexibility for development, a degree of buffer is built in when determining the New Annual Caps in relation to the centralized services provided to China Telecom Group, which allows the Group to be flexible in case of unforeseen events in the future, and caters for the possible inflations in the coming three years; and
- (c) that the future demand of China Telecom Group for centralized services from the Group is expected to maintain stable.

As one or more of the applicable percentage ratios of the proposed New Annual Caps under the Centralized Services Agreement are more than 0.1% but less than 5%, the Centralized Services Agreement as well as the proposed New Annual Caps thereof are subject to the reporting, announcement and annual review requirements, but exempt from the circular (including the independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(f) *Property Leasing Framework Agreement*

Content of Services

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

Pricing Policies

The rental charges in respect of each property are determined at market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (1) cost of property depreciation; (2) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and the Company by independent third parties in the market; (3) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and independent third parties by the Company previously, or rental charges of the same or similar type of property provided to the Company by China Telecom Group and independent third parties previously. Rental charges are payable monthly in arrears, except as otherwise agreed by the parties. Both parties will review the rental every three years and decide, after negotiation, on whether to adjust the rental charges and the amount of such adjustment.

Historical Transaction Amounts

The Existing Annual Caps for the rents receivable by the Company from China Telecom Group under the Property Leasing Framework Agreement for the three years of 2022, 2023 and 2024 are RMB330 million, RMB350 million and RMB370 million, respectively. The actual amounts for the rents received by the Company from China Telecom Group under the Property Leasing Framework Agreement for the years ended 31 December 2022 and 2023 were RMB187 million and RMB196 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the rents received by the Company from China Telecom Group under the Property Leasing Framework Agreement for the six months ended 30 June 2024 was RMB81 million.

According to International Financial Reporting Standard No. 16 — Leases (the “**Lease Standards**”) adopted by the Group since 1 January 2019, the Group is required to recognise right-of-use assets and lease liabilities where the Group acts as a lessee.

The Existing Annual Caps for the right-of-use assets payable by the Company to China Telecom Group under the Property Leasing Framework Agreement for the three years of 2022, 2023 and 2024 are RMB650 million, RMB650 million and RMB650 million, respectively. For the years ended 31 December 2022 and 2023, the Group recognised additional right-of-use assets under the Property Leasing Framework Agreement of RMB119 million and RMB145 million, respectively. Based on the Company's unaudited 2024 interim financial report, the Group recognised additional right-of-use assets under the Property Leasing Framework Agreement of RMB93 million for the six months ended 30 June 2024.

The Existing Annual Caps for the leasing charges payable by the Company to China Telecom Group under the Property Leasing Framework Agreement for the three years of 2022, 2023 and 2024 are RMB350 million, RMB350 million and RMB350 million, respectively. The actual amounts for the leasing charges paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the years ended 31 December 2022 and 2023 were RMB155 million and RMB91 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the leasing charges paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the six months ended 30 June 2024 was RMB47 million.

Proposed Annual Caps and Basis for Determination

According to the Lease Standards, the Group is required to recognise right-of-use assets and lease liabilities where the Group acts as a lessee. Correspondingly, the Company is required to set annual caps for the value of right-of-use assets relating to leases to be entered into by the Group as a lessee for each of the respective period(s) in each year under the Property Leasing Framework Agreement. In addition, the Group applies recognition exemptions to short-term leases¹ and low-value asset leases in accordance with the Lease Standards, and recognizes them as expenses of the group. The Company will set the annual caps for the rents of short-term leases and low-value asset leases recorded as expenses.

¹ "short-term leases" refers to those which have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

The Directors proposed the New Annual Caps in respect of the three years ending 31 December 2025, 2026 and 2027 for the leases entered into by the Group as lessor under the Property Leasing Framework Agreement to be as follows:

	For the year ending 31 December		
	2025	2026	2027
	<i>(in RMB million)</i>		
Leasing Revenue	300	310	320

The Directors proposed the New Annual Caps in respect of the three years ending 31 December 2025, 2026 and 2027 for the leases entered into by the Group as lessees under the Property Leasing Framework Agreement to be as follows:

	For the year ending 31 December		
	2025	2026	2027
	<i>(in RMB million)</i>		
Right-of-Use Assets	300	300	300
Leasing Charges	250	250	250

In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated annual transaction amount for 2024 under the Property Leasing Framework Agreement;
- (b) in determining the New Annual Caps, the Company considered (i) there had been a relatively low utilization rate of the Existing Annual Caps in the past three years; and (ii) the actual demand for leased properties of the Group and China Telecom Group in the coming three years; and
- (c) that the right-of-use assets is calculated by discounting the total annual rent in the future, using the incremental borrowing rate as discount rate. As disclosed in the 2023 annual report of the Company, the weighted average lessee's incremental borrowing rate applied to lease liabilities of the Company was 3.6% in 2023.

As one or more of the applicable percentage ratios of the proposed New Annual Caps under the Property Leasing Framework Agreement are more than 0.1% but less than 5%, the Property Leasing Framework Agreement as well as the proposed New Annual Caps thereof are subject to the reporting, announcement and annual review requirements, but exempt from the circular (including the independent financial advice) and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(g) *Supplies Procurement Services Framework Agreement*

Content of Services

Pursuant to the Supplies Procurement Services Framework Agreement, the Company agreed to provide to China Telecom Group 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 Telecom agreed to provide to the Group 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 Telecom (and its subsidiaries but excluding the Group), as may be applicable from time to time and splits off the provision of comprehensive logistics services from the Ancillary Telecommunications Services Framework Agreement and the Operation Support Services Framework Agreement.

Pricing Policies

The price for the provision of comprehensive supplies procurement services under the Supplies Procurement Services Framework Agreement is determined as follows:

- (a) 1% of the contract value at the maximum for procurement services relating to imported telecommunications supplies;
- (b) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials;

(c) for other services:

- i. market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group or the Company by other service providers in the market; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties by the Company, or prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties;
- ii. in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the taxes in sales and reasonable profits. In determining such price, the business and financial departments of the relevant subsidiary of the Company will review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, take into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor cost, local commodity prices and economic development levels, and prepare fee proposals for review by the marketing department of the relevant subsidiary of the Company.

The Group will be given priority by China Telecom Group in the provision of comprehensive logistics services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom that the Company and its subsidiaries shall not provide supplies procurement related comprehensive logistic services to it on terms which are less favorable than those offered by the Company and its subsidiaries 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 unless otherwise provided.

Historical Transaction Amounts

The Existing Annual Caps for the service charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the three years of 2022, 2023 and 2024 are RMB6,800 million, RMB7,500 million and RMB8,500 million, respectively. The actual amounts for the service charges received by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the years ended 31 December 2022 and 2023 were RMB3,122 million and RMB3,507 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the services charges received by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement for the six months ended 30 June 2024 was RMB1,554 million.

The Existing Annual Caps for the service charges payable by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the three years of 2022, 2023 and 2024 are RMB4,000 million, RMB5,000 million and RMB6,000 million, respectively. The actual amounts for the service charges paid by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the years ended 31 December 2022 and 2023 were RMB2,636 million and RMB3,707 million, respectively. Based on the Company's unaudited 2024 interim financial report, the actual amount for the service charges paid by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement for the six months ended 30 June 2024 was RMB1,704 million.

Proposed Annual Caps and Basis for Determination

The Directors proposed the New Annual Caps for the services charges receivable by the Company from China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of three years ending 31 December 2025, 2026 and 2027 to be RMB6,000 million, RMB7,000 million and RMB8,000 million, respectively. The Directors proposed the New Annual Caps for the service charges payable by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement in respect of the three years ending 31 December 2025, 2026 and 2027 to be RMB7,000 million, RMB8,000 million and RMB9,000 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (a) the historical annual transaction amounts for 2022 and 2023 and the estimated transaction amount for 2024 under the Supplies Procurement Services Framework Agreement;
- (b) in determining the New Annual Caps with respect to the supplies procurement services provided to China Telecom Group, the Company considered (i) there had been a relatively low utilization rate of the Existing Annual Caps in the past three years. Therefore the New Annual Cap for 2025 will be reduced to RMB6,000 million; (ii) the expected increasing demand from China Telecom Group for supplies procurement services in the coming three years. Affected by equipment replacement policy and demand for smart terminals, it is expected that the demand for supplies procurement services by China Telecom Group will gradually increase. Therefore the New Annual Caps for 2026 and 2027 will increase moderately; and (iii) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years; and
- (c) in determining the New Annual Caps with respect to the supplies procurement services provided by China Telecom Group, the Company considered (i) that there had been an increase in the utilization rate of the Existing Annual Cap for the supplies procurement services provided by China Telecom Group from 65.9% for the year ended 31 December 2022 to 74.1% for the year ended 31 December 2023; (ii) the actual amounts for the service charges paid by the Company to China Telecom Group under the Supplies Procurement Services Framework Agreement had increased by 40.6% from 2022 to 2023. By virtue of the collaboration with China Telecom Group, the Group could enjoy preferential pricing in the centralized procurement. The Group will purchase more supplies through China Telecom Group to reduce the relevant costs and enhance efficiency, and it is expected that future supplies procurement spending with China Telecom Group will steadily increase; and (iii) a degree of buffer is built in when determining the New Annual Caps, which allows the Group to be flexible in case of unforeseen events in the future and caters for the possible inflations in the coming three years.

As the applicable percentage ratio of the proposed New Annual Caps under the Supplies Procurement Services Framework Agreement exceeds 5%, the Supplies Procurement Services Framework Agreement as well as the proposed New Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(3) Reasons for and Benefits of the Continuing Connected Transactions with China Telecom

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

In addition, China Telecom Group and the Group leased from each other certain properties essential to their operation under the Property Leasing Framework Agreement, and the Group has also been providing to China Telecom certain centralized management services in respect of the businesses and assets retained by China Telecom as governed by the Centralized Services Agreement.

It is expected that China Telecom Group will continue to expand its business operation, construct and optimize its telecommunications network as well as broaden its customer base. The Board considers that it is in the interest of the Company to enter into the 2024 Supplemental Agreements and cooperate with China Telecom Group to ensure a stable revenue source from one of the largest telecommunications operators in the PRC so as to benefit the Company's future growth and development. All the continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. LISTING RULES IMPLICATIONS

As at the date of this announcement, China Telecom is a substantial shareholder of the Company holding approximately 48.99% of the issued share capital of the Company. Therefore, each of China Telecom and its associates is a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the 2024 Supplemental Agreements (together with the proposed New Annual Caps) constitute continuing connected transactions of the Company.

The table below sets out the historical figures and the Existing Annual Caps relating to the 2021 Agreements and the proposed New Annual Caps for the aforementioned agreements and the 2024 Supplemental Agreements.

Transactions	Year ended 31 December						Year ending 31 December		
	2022		2023		2024		2025	2026	2027
	Existing Annual Cap	Actual amounts ¹	Existing Annual Cap	Actual amounts ¹	Existing Annual Cap	Actual amounts (up to 30 June) ¹	New Annual Cap	New Annual Cap	New Annual Cap
	<i>(in RMB million)</i>								
Transactions with China Telecom									
Engineering related services provided to China Telecom Group	24,000	18,934	26,000	20,743	28,000	10,860	30,000	32,000	34,000
Ancillary telecommunications services provided to China Telecom Group	23,000	17,825	26,000	18,222	28,000	9,194	29,000	30,000	31,000
Operation support services provided to/by China Telecom Group									
Revenue	5,000	4,378	5,500	4,703	6,000	2,075	6,500	7,000	7,500
Expenditure	1,000	970	1,100	819	1,200	703	1,200	1,200	1,200
IT application services provided to/by China Telecom Group									
Revenue	6,500	5,823	8,000	7,027	9,500	3,318	13,000	15,500	18,000
Expenditure	1,000	331	1,500	1,006	2,000	163	1,800	2,000	2,200
Centralized services provided to China Telecom Group	550	387	550	394	550	166	550	550	550
Property leasing provided to/by China Telecom Group									
Revenue	330	187	350	196	370	81	300	310	320
Expenditure									
Right-of-use Assets	650	119	650	145	650	93	300	300	300
Leasing Charges	350	155	350	91	350	47	250	250	250
Supplies procurement services provided to/by China Telecom Group									
Revenue	6,800	3,122	7,500	3,507	8,500	1,554	6,000	7,000	8,000
Expenditure	4,000	2,636	5,000	3,707	6,000	1,704	7,000	8,000	9,000

Note 1: The actual amounts for the year ended 31 December 2022 and 2023 are from the Company's 2022 annual report and 2023 annual report, respectively and the actual amounts for the six months ended 30 June 2024 are from the Company's unaudited 2024 interim financial report. Most of the transactions under the 2021 Agreements are subject to seasonality as they are usually commenced in the first half of the year and completed with revenue recognized generally in the second half (especially in the fourth quarter) of the year.

As far as the Company is aware, none of the Existing Annual Caps has been exceeded as at the date of this announcement. The Board is of the view that the proposed New Annual Caps above would not hinder the ability of the Group to conduct its business in the ordinary and usual course and allow the Group to benefit from future growth.

As one or more of the applicable percentage ratios of the respective proposed New Annual Caps for the transactions under (i) the Centralized Services Agreement, and (ii) the Property Leasing Framework Agreement exceed 0.1% but are less than 5%, the transactions under (i) the Centralized Services Agreement, and (ii) the Property Leasing Framework Agreement (together with the respective proposed New Annual Caps thereof) are subject to the reporting, announcement, annual review requirements but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios of the proposed New Annual Caps for each of the Non-exempt Continuing Connected Transactions exceed 5%, the Non-exempt Continuing Connected Transactions (together with the proposed New Annual Caps thereof) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) is of the opinion that the Centralized Services Agreement and the Property Leasing Framework Agreement have been carried out in the ordinary and usual course of business of the Group and on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and that the proposed New Annual Caps for the Centralized Services Agreement and the Property Leasing Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (excluding the members of the Independent Board Committee, and the Independent Board Committee will give their view on the terms and proposed New Annual Caps in respect of the Non-exempt Continuing Connected Transactions after considering the advice from the Independent Financial Adviser on the same, and their view will be given in the circular to be despatched to the Shareholders) is of the opinion that the Non-exempt Continuing Connected Transactions have been carried out in the ordinary and usual course of business of the Group and on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and that the proposed New Annual Caps for the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Two Directors of the Company, Mr. Luan Xiaowei and Mr. Yan Dong hold position at China Telecom and/or its associates, therefore, they had abstained from voting at the resolutions of the Board approving the continuing connected transactions under the 2024 Supplemental Agreements. The Company confirms that, save as disclosed above, none of other Directors has any material interests in the continuing connected transactions under the 2024 Supplemental Agreements.

China Telecom, being a connected person to the Company with material interests which holds approximately 48.99% of the issued share capital of the Company as at the date of this announcement, will abstain from voting at the EGM on the ordinary resolutions to approve the Non-exempt Continuing Connected Transactions (together with the proposed New Annual Caps thereof). Any voting by the Independent Shareholders at the EGM will be taken by poll.

The Company has formulated and strictly implemented various systems including the *Administrative Measures of Connected Transactions of China Communications Services Corporation Limited* and the *Internal Control Guidance of China Communications Services Corporation Limited* and regularly assesses the effectiveness of these systems relating to connected transactions and internal control to ensure that connected transactions are entered into in accordance with pricing mechanisms and transactions models that are fair and reasonable and are in the interests of the Company and the shareholders as a whole.

The Company will comply with the rules in relation to annual review of continuing connected transactions set out in the Listing Rules. The Company will comply with all applicable requirements set out in Chapter 14A of the Listing Rules upon any further material variation or renewal of the 2024 Supplemental Agreements.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions (together with the proposed New Annual Caps thereof). Pulsar Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

4. GENERAL INFORMATION

Information of the Company

The Company is a leading service provider in the informatization sector in the PRC, providing integrated comprehensive smart solutions for the informatization and digitalization sectors, including telecommunications infrastructure services, business process outsourcing services and applications, content and other services.

Information of China Telecom

China Telecom is a state-owned enterprise, and its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration.

As at the date of this announcement, China Telecom holds approximately 48.99% of the issued share capital of the Company.

5. THE EGM

The EGM will be convened to consider and, if thought fit, approve the Non-exempt Continuing Connected Transactions and the proposed New Annual Caps thereof. A circular containing, among other things, (i) a letter from the Board setting out the details on the Non-exempt Continuing Connected Transactions; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a supplemental notice of the EGM, is expected to be dispatched to the Shareholders on or before 6 November 2024.

6. DEFINITIONS

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

“2015 Agreements”	the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement, the Centralized Services Agreement, the Property Leasing Framework Agreement and the Supplies Procurement Services Framework Agreement entered into between the Company and China Telecom on 29 September 2015
“2018 Supplemental Agreements”	the supplemental agreements of 2015 Agreements entered into between the Company and China Telecom on 28 September 2018 in respect of, among other things, the renewal of the terms of each of the 2015 Agreements to 31 December 2021
“2018 Agreements”	2015 Agreements and 2018 Supplemental Agreements
“2021 Supplemental Agreements”	the supplemental agreements of the 2018 Agreements entered into between the Company and China Telecom on 22 October 2021 in respect of, among other things, the renewal of the terms of each of the 2018 Agreements to 31 December 2024
“2021 Agreements”	2018 Agreements and 2021 Supplemental Agreements
“2024 Supplemental Agreements”	the supplemental agreements of the 2021 Agreements entered into between the Company and China Telecom on 16 October 2024 in respect of, among other things, the renewal of the terms of each of the 2021 Agreements to 31 December 2027
“Ancillary Telecommunications Services Framework Agreement”	the ancillary telecommunications services framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements
“Annual Caps”	Existing Annual Caps and New Annual Caps
“Board”	the board of Directors of the Company
“Centralized Services Agreement”	the centralized services agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements

“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“China Telecom”	China Telecommunications Corporation (中國電信集團有限公司), a state-owned enterprise established under the laws of the PRC on 17 May 2000 and a substantial shareholder of the Company
“China Telecom Corporation”	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, with its issued H shares and A shares listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. It is a leading large-scale integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses
“China Telecom Group”	China Telecom and its subsidiaries (excluding the Group where applicable)
“Company”	China Communications Services Corporation Limited (中國通信服務股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 30 August 2006, whose H shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on 10 December 2024
“Engineering Framework Agreement”	the engineering framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements
“Existing Annual Caps”	the existing annual caps applicable to the transactions under each of the 2021 Agreements for the applicable period ending 31 December 2024
“Group”	the Company and its subsidiaries
“H Share(s)”	shares of the Company which are listed on the Stock Exchange

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“IT Application Services Framework Agreement”	the IT application services framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements
“Independent Board Committee”	an independent board committee, consisting of Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chung who are independent non-executive Directors, which has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions (together with the proposed New Annual Caps thereof)
“Independent Financial Adviser”	Pulsar Capital Limited, a corporation licensed to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) of the regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than China Telecom and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New Annual Caps”	the new annual caps proposed for the transactions under each of the 2024 Supplemental Agreements for the three years ending 31 December 2025, 2026 and 2027, where applicable, the Independent Shareholders’ approval of which will be sought at the EGM
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions under the 2015 Agreements and their supplemental agreements (other than those under the Centralized Services Agreement and the Property Leasing Framework Agreement)
“Operation Support Services Framework Agreement”	the operation support services framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements
“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplies Procurement Services Framework Agreement”	the supplies procurement services framework agreement entered into between the Company and China Telecom on 29 September 2015 and its supplemental agreements

In addition, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio”, “substantial shareholder” and “subsidiary” shall have the meanings ascribed to them under the Listing Rules.

By Order of the Board
China Communications Services Corporation Limited
Luan Xiaowei
Chairman

Beijing, PRC
16 October 2024

As at the date of this announcement, our executive directors are Mr. Luan Xiaowei, Mr. Yan Dong and Mr. Shen Aqiang, our non-executive directors are Mr. Gao Tongqing, Mr. Tang Yongbo and Mr. Liu Aihua, and our independent non-executive directors are Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wang Qi and Mr. Wang Chung.