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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  
MAJOR TRANSACTIONS  
UNDER THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

**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 and major transactions between the Company and China Telecom Finance under the 2021 Financial Services Framework Agreement. The 2021 Financial Services Framework Agreement will expire on 31 December 2024.

On 12 July 2024, the Company entered into the 2024 Financial Services Framework Agreement with China Telecom Finance, pursuant to which China Telecom Finance has agreed to provide financial services to the Group for a further 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. China Telecom Finance is held as to 15% and 70% by China Telecom and China Telecom Corporation, a non-wholly owned subsidiary of China Telecom, and is thus an associate of China Telecom and a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the 2024 Financial Services Framework Agreement (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 proposed New Annual Caps for the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement exceed 25% but are less than 75%, the relevant deposit services constitute major transactions and non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the loan and bill discounting services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement are financial assistance provided to the Group on normal commercial terms or better, and will not be secured by the Group's assets, such loan and bill discounting services will be fully exempted from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As all the applicable percentage ratios of the proposed New Annual Caps for the service charges under the other financial services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement are less than 0.1% and the terms are on normal commercial terms or better, such transactions will be fully exempted from all 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders on or before 2 August 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 and major transactions between the Company and China Telecom Finance under the 2021 Financial Services Framework Agreement. The 2021 Financial Services Framework Agreement will expire on 31 December 2024.

On 12 July 2024, the Company entered into the 2024 Financial Services Framework Agreement with China Telecom Finance, pursuant to which China Telecom Finance has agreed to provide financial services to the Group for a further term of three years from 1 January 2025 to 31 December 2027.

## **2. CONTINUING CONNECTED TRANSACTIONS WITH CHINA TELECOM FINANCE**

### **(1) Background**

On 22 October 2021, the Company and China Telecom Finance entered into the 2021 Financial Services Framework Agreement, pursuant to which China Telecom Finance agreed to provide financial services to the Group, including (i) deposit services, (ii) loan and bill discounting services and (iii) other financial services. The Existing Annual Caps (to the extent they were subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules) for the 2021 Financial Services Framework Agreement were approved by the Independent Shareholders at the extraordinary general meeting of the Company convened on 22 December 2021.

As the 2021 Financial Services Framework Agreement will expire on 31 December 2024, the Company entered into the 2024 Financial Services Framework Agreement with China Telecom Finance on 12 July 2024 to extend the term of 2021 Financial Services Framework Agreement for three years from 1 January 2025 to 31 December 2027. Based on internal estimates and historical transaction amounts, the Directors have proposed the New Annual Caps for the 2024 Financial Services Framework Agreement, details of which are set out below.

### **(2) Principal Terms of the 2024 Financial Services Framework Agreement**

#### *Content of Services*

Pursuant to the 2024 Financial Services Framework Agreement, China Telecom Finance will provide the following financial services to the Group:

- (a) acceptance of deposits;
- (b) provision of loans;
- (c) provision of bill discounting services;

- (d) settlement, collection and payment of funds;
- (e) provision of entrusted loans, bonds underwriting, non-financing guarantees, financial advice, credit authentication and consulting and agency services;
- (f) provision of bill acceptance services;
- (g) provision of product buyer credit and consumer credit;
- (h) other services approved by the NFRA.

Upon the 2024 Financial Services Framework Agreement becoming effective, the above services, except the deposit services numbered (a) above, can be provided by China Telecom Finance to the Group in accordance with the business scope of China Telecom Finance as approved by the NFRA. The deposit services numbered (a) above shall be provided after obtaining the approval from the Independent Shareholders at the EGM.

### ***Major Terms***

- (a) The Group and China Telecom Finance will cooperate on a non-exclusive basis, and the Group may select at its discretion other financial institutions to provide the relevant financial services.
- (b) The terms of the financial services offered to the Group by China Telecom Finance shall be equivalent to or more favorable than those offered to the Group by the major cooperative commercial banks of the Group for the financial services in the same period and of the same type.
- (c) China Telecom Finance shall provide the following financial services to the Group in accordance with the major terms set out above, with relevant pricing policies as below:

- i. *Deposit Services*

The deposit interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates offered by the major cooperative commercial banks of the Group for the deposit services in the same period and of the same type, and the deposit services shall be conducted on normal commercial terms or better. The deposit interest rates offered by China Telecom Finance shall be equivalent to or higher than those provided by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates of the deposits services provided by China Telecom Finance to the Group shall be the same as those offered by China Telecom Finance to other member companies of China Telecom for the deposit services in the same period and of the same type.

ii. *Loan and Bill Discounting Services*

The interest rates for loan and bill discounting offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the interest rates offered by the major cooperative commercial banks of the Group for the loan services in the same period and of the same type and bill discounting services in the same period and of the same type and amount, and the loan and bill discounting services shall be conducted on normal commercial terms or better. The interest rates for loan and bill discounting offered by China Telecom Finance shall be equivalent to or lower than those provided by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates for loan and bill discounting provided by China Telecom Finance to the Group shall be the same as those offered by China Telecom Finance to other member companies of China Telecom for the loan services in the same period and of the same type and bill discounting services in the same period and of same type and amount.

China Telecom Finance offers loan and bill discounting services conducted on normal commercial terms or better to the Group. The Group will not be required by China Telecom Finance to provide guarantee by any of the Group's assets or through other means for the loan and bill discounting services provided to the Group.

iii. *Other Financial Services*

Save as the deposit, loan and bill discounting services, China Telecom Finance will provide other financial services, including settlement, collection and payment of funds, provision of entrusted loans, bonds underwriting, non-financing guarantees, financial advice, credit authentication, consulting and agency services, bill acceptance, provision of product buyer credit and consumer credit and other services approved by the NFRA under the 2024 Financial Services Framework Agreement.

The fees charged for providing the other financial services mentioned above by China Telecom Finance to the Group shall comply with the fees standard promulgated by regulatory authorities including the People's Bank of China or the NFRA (if applicable), and be with reference to the handling fees standard charged by the major cooperative commercial banks of the Group for the other financial services of the same type, and the other financial services shall be conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Group. Under the same conditions, the fees standard charged to the Group by China Telecom Finance shall be the same as those charged to other member companies of China Telecom by China Telecom Finance for the other financial services of the same type.

For each of the specific transactions with China Telecom Finance under the 2024 Financial Services Framework Agreement, China Telecom Finance has been appointed as one of the financial institutions to provide financial services to the Group under the terms and conditions of the 2024 Financial Services Framework Agreement. Prior to entering into any specific agreements with China Telecom Finance in respect of the transactions under the 2024 Financial Services Framework Agreement, the Group will compare the rates or fees and the other relevant transaction terms offered by China Telecom Finance with those offered by the major cooperative commercial banks of the Group for the deposits, loans or other financial services in the same period and of the same type. Only when the rates or fees or the other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by China Telecom Finance are equivalent to or more favorable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with China Telecom Finance at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

### (3) Historical Transaction Amounts

The historical transaction amounts and Existing Annual Caps in respect of the deposit services (including the interest accrued thereon) provided by China Telecom Finance to the Group under the 2021 Financial Services Framework Agreement are set out below:

	Existing Annual Cap for the Year ending 31 December			Historical Amount for the Year ended 31 December		Historical Amount for the Five Months ended 31 May
	2022	2023	2024	2022	2023	2024
	<i>(RMB in millions)</i>					
Maximum daily balance of deposits (including the interest accrued thereon)	8,500	8,500	8,500	7,082	8,056	8,476

#### (4) Proposed New Annual Caps and Basis for Determination

##### *Deposit Services*

The proposed New Annual Caps in respect of the deposit services (including the interest accrued thereon) provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement for the three years ending 31 December 2025, 2026 and 2027 are as follows:

	<b>Proposed New Annual Cap for the Year ending 31 December</b>		
	<b>2025</b>	<b>2026</b>	<b>2027</b>
	<i>(RMB in millions)</i>		
Maximum daily balance of deposits (including the interest accrued thereon)	12,500	12,500	12,500

The proposed New Annual Caps above in respect of the maximum daily balance of the Group's deposits (including the interest accrued thereon) with China Telecom Finance are arrived at after mainly considering the following factors:

(a) *Maximum daily balance of deposits (including the interest accrued thereon) of the Group with China Telecom Finance*

As set out in the table under the section headed “(3) Historical Transaction Amounts” above, the maximum daily balance of deposits (including the interest accrued thereon) placed by the Group with China Telecom Finance for the year ended 31 December 2023 and the five months ended 31 May 2024 (i.e. approximately RMB8,056 million and approximately RMB8,476 million) are very close to the Existing Annual Caps (each representing approximately 94.8% and 99.7%, respectively, of the Existing Annual Caps), indicating that the current caps of the maximum daily balance of deposits (including the interest accrued thereon) are likely to be unable to meet the deposit needs of the Group with China Telecom Finance.

(b) *Balance of cash and deposits of the Group*

The Group's amounts of cash and cash equivalent as well as restricted deposits (excluding time deposits) for the three years ended 31 December 2021, 2022 and 2023 amounted to approximately RMB23,530 million, RMB24,256 million and RMB26,073 million, respectively. In addition, as at 31 December 2023, approximately RMB9,387 million were placed as time deposit (collectively, “**Available Cash Balance**”).



The New Annual Caps represent only approximately 35.3% of the Group's Available Cash Balance as at 31 December 2023, which are at a safe and reasonable level. The above data demonstrates that the Existing Annual Caps are far below the Available Cash Balance to the Group and is unable to fulfil the Group's actual demand for deposit services.

As the Group has sufficient funds, the Existing Annual Caps of RMB8,500 million would restrict the Group from using more deposit services from China Telecom Finance. By adopting the New Annual Caps, it gives the Group more flexibility to engage either China Telecom Finance or other independent third-party financial institutions for the provision of deposit services depending on its terms of services in order to achieve better utilization of the cash balance to gain more income.

(c) *Future cash and cash equivalents as well as business development of the Group*

The Group's continued development of business in the future is expected to increase operating cash flow. The Group's business development opportunities will include, but without limitation to: (i) the Chinese telecommunications operators' investments in the next few years related to daily business operations including network operation and maintenance; and (ii) the increase in informatization service demand driven by the development of China's digital economy and smart society.

(d) *Benefits of using China Telecom Finance's financial deposit services*

China Telecom Finance has been providing the Group with competitive deposit products, and the relevant deposit interest rate is not lower than the listed interest rate of other major commercial banks. Since China Telecom Finance offers time deposit products with higher yield levels than major cooperative commercial banks of the Group, as of 31 May 2024, the Group has purchased RMB4,555 million of time deposit products offered by China Telecom Finance, utilizing the deposit connected transaction limit previously allocated for daily settlements. In the future, the Group will continue to select financial institutions that can offer higher yield levels to deposit funds. It is expected that with China Telecom Finance providing competitive deposit products, the funds deposited by the Group in China Telecom Finance is expected to grow.

As China Telecom Finance has strengthened the construction of its system functionality and improved the relevant technologies, it is capable of providing real-time corporate-to-bank direct connection services which ordinary commercial banks are not equipped with. The Group makes use of the full-level fund pool based on the account system from China Telecom Finance to strengthen centralized control of funds of its subsidiaries and to prevent funding risks. It is expected that in the future, the Group will increase the use of settlement accounts from China Telecom Finance, accelerate the settlement and collection



of payments from major customers (China Telecom and its subsidiaries), and promote the growth of deposits, thereby enhancing the efficiency of fund turnover and improving its fund utilization efficiency.

(e) *Flexibility to use relevant services provided by China Telecom Finance*

The Group will utilize the services of China Telecom Finance on a voluntary and non-exclusive basis and is not obliged to engage China Telecom Finance for any particular services. The maximum daily balance of deposits (including the interest accrued thereon) as indicated above only represents the highest daily balance of deposits that the Group may place with China Telecom Finance, but there are no obligations for the Group to deposit such amounts of balance with China Telecom Finance. Setting the maximum daily balance of deposits (including the interest accrued thereon) as indicated above will enable the Group to have a greater flexibility in selecting deposit services providers and allocating its resources.

As one or more of the applicable percentage ratios of the proposed New Annual Caps for the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement exceeds 25% but are less than 75%, the relevant deposit services constitute major transactions and non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

***Loan and Bill Discounting Services***

As the loan and bill discounting services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement are financial assistance provided to the Group on normal commercial terms or better, and will not be secured by the Group's assets, such loan and bill discounting services will be fully exempted from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The proposed New Annual Caps in respect of the maximum daily balance (including interest accrued thereon) of the loan and bill discounting services to be provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement for each of the three years ending 31 December 2025, 2026 and 2027 is RMB1,000 million.

### *Other Financial Services*

As all the applicable percentage ratios of the proposed New Annual Caps for the service charges under the other financial services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement is less than 0.1% and the terms are on normal commercial terms or better, such other financial services will be fully exempted from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

- (5) **Reasons for and Benefits of the Continuing Connected Transactions with China Telecom Finance**
- (a) **Realizing more comprehensive and centralized fund management to improve fund management efficiency of the Group:** The Group opened a settlement account at China Telecom Finance acting in its capacity as a platform for internal settlement, fund-raising and financing, and fund management between the Group and the members companies of China Telecom. The provision of deposit, loan, bill discounting and other financial services by China Telecom Finance to the Group will facilitate the settlement between the Group and China Telecom and other member companies (some of which are the Group's customers) to reduce the time required for remittance and receipt of funds. With the assistance of the account management system and the capability as a deposit financial institution of China Telecom Finance, the Group can strengthen centralized management of its subsidiaries' funds previously deposited with different commercial banks.
- (b) **Bolstering the Group to reduce costs and enhance operating efficiency:** China Telecom Finance will offer customized proposals for centralized deposit and management of funds in line with the management needs of the Group, enabling the Group to satisfy its flexible needs of funds through timely withdrawals. China Telecom Finance will help speed up the fund turnover of the Group, achieving a more efficient fund clearance and settlement of both parties with less bank charges. China Telecom Finance will enhance internal settlement efficiency and reduce fund costs of the Group.
- (c) **China Telecom Finance fully understands and is familiar with the Group's business needs:** As China Telecom Finance only provides financial services to China Telecom and its member companies, it has more direct and deep knowledge of the industries including telecommunication operation and communication services. China Telecom Finance is familiar with the capital structure, business operations, funding needs and cash flow pattern of the Group, and therefore can better foresee the funding needs of the Group. As such, China Telecom Finance is able to offer flexible, convenient, customized and cost-effective services to the Group. China Telecom Finance, as an internal professional financial institution serving member companies of China Telecom, exposes to lower client risks as compared to external institutions that serve many different clients in the market.

- (d) **The Group will use the services from China Telecom Finance on a voluntary and non-exclusive basis:** The 2024 Financial Services Framework Agreement is non-exclusive with no restrictions on the Group's options to appoint any other commercial banks or financial institutions to meet its needs for financial services, and China Telecom Finance is only one of the several financial institutions which offer financial services to the Group. Only when the rates or fees or the other relevant transaction terms offered by China Telecom Finance are equivalent to or more favorable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with China Telecom Finance at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.
- (e) **The Group's independence will not be influenced by the use of services from China Telecom Finance:** The Group may re-allocate its funds to other banks based on its business needs, and decide at its absolute discretion to make deposits with China Telecom Finance or other commercial banks. As such, entering into the 2024 Financial Services Framework Agreement will enable the Group to have access to one more financial service provider, and encourage other financial service providers to offer more competitive terms to the Group. The Group's independence will not be influenced by, nor its overall interests will be prejudiced by, the use of services from China Telecom Finance.
- (f) **The favorable commercial terms provided by China Telecom Finance will be beneficial to the increase in the Group's return on funds:** As a professional platform for centralized fund management, China Telecom Finance is generally able to provide the Group with the same or more favorable terms, such as interest rates and charges, than those offered by the major cooperative commercial banks of the Group. In general, the deposit interest rates offered by China Telecom Finance to the Group will not be lower than those offered by the major cooperative commercial banks of the Group for the deposits in the same period and of the same type, and the loan interest rates will not be higher than those offered by the major cooperative commercial banks of the Group for the loans in the same period and of the same type. The fees charged by China Telecom Finance in respect of the other financial services provided to the Group will be equivalent to or more favorable than those charged by the major cooperative commercial banks of the Group in respect of similar services.
- (g) **China Telecom Finance has adopted internal control and risk management measures:** China Telecom Finance is regulated by the People's Bank of China and the NFRA, and shall provide services in accordance with and in compliance with the rules and operational requirements of such regulatory authorities. China Telecom Finance has adopted internal control and risk management measures to mitigate fund risks and guarantee fund safety, thereby protecting the overall interests of the Group.

**(6) Capital Risk Control, Internal Control and Risk Management Measures Adopted by China Telecom Finance**

- (a) **Regulated and supervised by regulatory authorities:** As a non-banking financial institution established with the approval of the NFRA, China Telecom Finance is subject to the direct routine supervision by the NFRA Beijing Branch, and shall abide by all applicable regulatory provisions, including the restrictions on capital adequacy ratio, liquidity ratio and ratio of the loan balance to the sum of the deposit balance and paid-in capital. Meanwhile, China Telecom Finance is directly regulated by the People’s Bank of China to pay deposit reserve in full and in a timely manner.
- (b) **Undertaking by China Telecom:** Pursuant to the regulatory requirements of the NFRA, China Telecom undertakes to increase the capital of China Telecom Finance based on the actual needs of resolving payment difficulty upon the emergency of such difficulty, particularly including but not limited to, providing liquidity support to China Telecom Finance when China Telecom Finance has difficulty in making payment, and replenish the capital of China Telecom Finance in a timely manner upon the occurrence of capital erosion as a result of operating losses of China Telecom Finance.
- (c) **Establishment of a core business system with safe and stable operation:** China Telecom Finance is a subsidiary of China Telecom Corporation which is responsible for supervising the establishment of a core business system with safe and stable operation by China Telecom Finance. Currently, such system has passed the safety test for connecting online commercial banks, and has met the national safety standard for commercial banks, which assures fund safety by providing requisite facilities in respect of information technology and assuring functions and performance of the system.
- (d) **Adoption and optimization of information technology measures:** China Telecom Finance will adopt information technology measures to supervise the transactions conducted under the 2024 Financial Services Framework Agreement. China Telecom Finance will set alert values and notification rules in the core business system corresponding to the annual caps for the relevant transactions, and the core business system will collect the information on the relevant transaction scales timely, compare with the alert values automatically, and issue system notification and order to control the transaction behaviors according to the preset rules. Such system design will ensure that the actual transaction amount will not exceed the relevant annual caps under the 2024 Financial Services Framework Agreement.

- (e) **Regulated under China Telecom Corporation’s management system for connected transactions:** China Telecom Finance is a subsidiary of China Telecom Corporation. On the basis of the existing well-established management system for connected transactions of China Telecom Corporation, China Telecom Corporation and China Telecom Finance have developed supplemental regulations covering relevant measures for risk control and risk management. The continuing connected transactions in relation to financial services among China Telecom Finance and each of the Group, China Telecom and China Telecom Corporation will be conducted under effective control and regulation via China Telecom Corporation’s connected transaction management systems. China Telecom Corporation has existing internal control regulations covering fund management business, financing business and monetary fund management business, which could effectively regulate the relevant business activities on the commencement of financial services by leveraging the extensive experience of financial management personnel of China Telecom Corporation in fund management sector for years.
- (f) **China Telecom Finance has set up a sound corporate governance structure:** Through shareholders’ meeting, the board, the supervisory committee and the management as well as the special committees under the board and the management, China Telecom Finance would be able to ensure its stable operation and effective supervision. China Telecom Finance has developed an internal control system with dynamic update mechanism covering all business sectors. Through strengthening measures such as audit and review, China Telecom Finance would be able to ensure the effectiveness of its internal control and strict implementation of its rules and regulations. Moreover, it has also set up sound risk management organizational structures.

## (7) Internal Control and Risks Management Measures of the Company

- (a) **Effective connected transactions management system:** The Company has formulated and strictly implemented *the Administrative Measures of Connected Transactions of China Communications Services Corporation Limited*, *the Internal Control Guidance of China Communications Services Corporation Limited* and *the Administrative Measures of Connected Transactions on Financial Services of China Communications Services Corporation Limited* to make regular assessment on the effectiveness of the related internal control systems for connected transactions, thereby ensuring that the connected transactions are conducted on a regulated basis under fair and reasonable pricing principles and transaction methods and in the interests of the Company and the Shareholders as a whole, and that the continuing connected transactions under the 2024 Financial Services Framework Agreement will be conducted under effective control and regulation via the Company’s connected transaction management systems.

- (b) **Day-to-day management by the Financial Management Department:** The Group determines reasonable annual caps for each of the financial service connected transactions with reference to the historical similar transaction data, strategic development plans and fund management objectives. The financial management department of the Company is responsible for the day-to-day management of financial service connected transactions, including:
- i. formulating administrative measures and fundamental procedures for financial service connected transactions;
  - ii. determining the caps in respect of the relevant transactions;
  - iii. leading the preparation, adjustment and dissemination of the budget for financial service connected transactions;
  - iv. organizing accounting, checking, analysis and report of financial service connected transactions; and
  - v. supervising, reviewing and assessing the execution of financial service connected transactions.

The financial management department will conduct transactions under the pricing principles and transaction methods under the 2024 Financial Services Framework Agreement, and procure all subsidiaries of the Company to timely check with China Telecom Finance the types and amounts of connected transactions on a monthly basis, to ensure the consistency in the types of connected transactions and transaction data. In addition, the financial management department will set cap alert for the transactions. The cap alert will usually be set at 80% of the annual caps for the connected transactions, so as to effectively avoid the risk of exceeding the annual caps for connected transactions. The core business system of China Telecom Finance also facilitates and supports the Company to monitor relevant transaction information, thereby ensuring the transaction amounts will not exceed the relevant annual caps. The financial management department will closely monitor the transaction status under the 2024 Financial Services Framework Agreement, review the monthly budgets of the subsidiaries of the Company under the 2024 Financial Services Framework Agreement, as well as check the implementation status of the cap alert on a daily basis.

- (c) **Comparison with the terms offered by the major cooperative commercial banks to the Group:** The Company will select three major cooperative state-owned commercial banks or national joint-stock commercial banks as comparable banks, for comparison with the deposit interest rates, loan interest rates and fees for other financial services offered by China Telecom Finance. For the same type of deposit, loan or other financial services under the same conditions, the Company may choose to make deposits, borrowing, or receive other financial services with China Telecom Finance only when the terms offered



by China Telecom Finance are equivalent to or more favorable than those offered by the three comparable banks and no less favorable than those offered by China Telecom Finance to other member companies of China Telecom. In the event of any changes in the regulations on interest rates published by the People's Bank of China, the financial management department will contact and discuss with China Telecom Finance to ensure that any corresponding adjustment to deposit interest rate or loan interest rate made by China Telecom Finance will be in line with the relevant new regulations on interest rates published by the People's Bank of China as well as the pricing policies set out in the 2024 Financial Services Framework Agreement.

- (d) **Comparison with the terms offered to China Telecom and China Telecom Corporation:** The financial management department will check on a monthly basis relevant rates and charges, and compare the interest rates for deposits, interest rates for loans and service fees charged for other financial services by China Telecom Finance to the Group, China Telecom and China Telecom Corporation, to make sure that the transactions are conducted in accordance with the pricing policies under the 2024 Financial Services Framework Agreement.
- (e) **Board and management review on risk management and internal control:** The financial management department reports to the audit committee of the Board on the execution of relevant connected transactions on a regular basis. The internal audit division of the Company incorporates connected transactions into the scope of annual internal control evaluation, and reports to the management. The Board supervises the Company's risk management and internal control system (including the internal control system for connected transactions) on an ongoing basis, and carries out annual review on the Company's risk management and internal control system during the year via the audit committee, and will confirm that the Company's risk management and internal control system is stable, sound, effective and adequate after listening to the report by the internal audit division and obtaining the confirmation on the effectiveness of the system from the management to the Board.
- (f) **Annual review by the independent non-executive Directors:** The independent non-executive Directors of the Company will carry out annual review on the continuing connected transaction agreements and the transactions thereunder, and confirm that such transactions are (a) entered into in the ordinary course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing such connected transactions, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.



- (g) **Annual review and confirmation by the auditor:** The auditor of the Company will review the continuing connected transactions of the Company annually and confirm to the Board that nothing has come to its attention that causes it to believe that such transactions (a) have not been approved by the Board; (b) were not, in all material respects, in accordance with the pricing policies provided in the agreements governing such transactions; (c) were not entered into, in all material respects, in accordance with the agreements governing such transactions; and (d) have exceeded the applicable respective annual caps.
- (h) **Reflection of the Company's legitimate interests in China Telecom Finance through various means, such as the shareholders' meeting of China Telecom Finance:** The Company holds 15% equity interest in China Telecom Finance and it can propose director and supervisor of China Telecom Finance pursuant to the Company Law of the PRC and other relevant laws and regulations, so as to facilitate the effective governance of China Telecom Finance. The Company has recommended one director and one supervisor at the board of directors and the supervisory committee of China Telecom Finance, respectively, so China Telecom Finance would be able to better understand the business development and funding needs of the Group, enabling it to have a more comprehensive consideration of the Group's funding and operating needs and arrangement in its business operations.

## **(8) Board Opinion**

The internal control and risk management measures of China Telecom Finance and the Company set out above are to minimize to the extent possible the risks relating to the use of financial services provided by China Telecom Finance that the Group may be exposed to and to safeguard the interests of the Company and the Shareholders as a whole. The Directors are of the view that the above measures are able to assist the Company in monitoring, in a reasonable and effective manner, the transactions under the 2024 Financial Services Framework Agreement in material aspects.

The Board has considered that, the risks relating to the use of financial services provided by China Telecom Finance mainly include: (i) the risks faced by the banking industry in general; and (ii) the risks resulting from the fact that China Telecom Finance is a group finance company controlled by China Telecom Corporation. After taking into account all the factors disclosed above, the Directors believe that the Company will not face higher risks than the risks faced by the banking industry in general in respect of the use of financial services provided by China Telecom Finance. As to the risks resulting from the fact that China Telecom Finance is a financial institution controlled by China Telecom Corporation, the Directors believe that the risks can be minimized or avoided through the internal control and risk management measures disclosed above. After considering all the relevant factors, including the benefits on the use of financial services provided by China Telecom Finance, the risks that possibly exist, and the risks management measures and internal control system of China Telecom Finance and the Company, the Directors are of the opinion that the use of such financial services is 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. China Telecom Finance is held as to 15% and 70% by China Telecom and China Telecom Corporation, a non-wholly owned subsidiary of China Telecom, and is thus an associate of China Telecom and a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions under the 2024 Financial Services Framework Agreement (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 Financial Services Framework Agreement and the proposed New Annual Caps for the 2024 Financial Services Framework Agreement.

Transactions	2022		Year ended 31 December 2023		2024		Year ended 31 December		
	Existing Annual Cap	Actual amount <sup>1</sup>	Existing Annual Cap	Actual amount <sup>1</sup>	Existing Annual Cap	Actual amount (up to 31 May) <sup>1</sup>	2025 New Annual Cap	2026 New Annual Cap	2027 New Annual Cap
	<i>(RMB in millions)</i>								
<b>Transactions with China Telecom Finance</b>									
Maximum daily balance of deposits under the deposit services provided by China Telecom Finance (including the interest accrued thereon)	8,500	7,082	8,500	8,056	8,500	8,476	12,500	12,500	12,500

*Note 1:* The actual amounts for the years ended 31 December 2022 and 2023 are from the Company's 2022 annual report and 2023 annual report, respectively, and the actual amount for the five months ended 31 May 2024 is from the Company's management account for the five months ended 31 May 2024.

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 would allow the Group to benefit from future growth.

As one or more of the applicable percentage ratios of the proposed New Annual Caps for the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement exceed 25% but are less than 75%, the relevant deposit services constitute major transactions and non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules and the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the loan and bill discounting services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement are financial assistance provided to the Group on normal commercial terms or better, and will not be secured by the Group's assets, such loan and bill discounting services will be fully exempted from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As all the applicable percentage ratios of the proposed New Annual Caps for the service charges under the other financial services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement are less than 0.1% and the terms are on normal commercial terms or better, such transactions will be fully exempted from all 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 loan and bill discounting services as well as other financial services contemplated under the 2024 Financial Services Framework Agreement are 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 the proposed New Annual Caps applicable to the loan and bill discounting services as well as other financial services 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement 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 resolution of the Board approving the continuing connected transactions under the 2024 Financial Services Framework Agreement. The Company confirms that, save as disclosed above, none of other Directors has any material interests in the continuing connected transactions under the 2024 Financial Services Framework Agreement.

China Telecom and its associates, being connected persons to the Company with material interests, will abstain from voting at the EGM on the ordinary resolution to approve the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement (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 Financial Services Framework Agreement.

The Independent Board Committee comprising all of the independent non-executive Directors has been formed to advise the Independent Shareholders on the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement (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 Finance**

China Telecom Finance is a non-banking financial institution legally established with the approval of the NFRA, and a limited liability company incorporated in the PRC on 8 January 2019 with the approval of the relevant PRC government authorities (including but not limited to the NFRA) to provide financial services to the member companies of China Telecom.

As at the date of this announcement, China Telecom Finance is held as to 15%, 15% and 70% by the Company, China Telecom and China Telecom Corporation, respectively.

## **5. THE EGM**

The EGM will be convened to consider and, if thought fit, approve the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement 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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser; and (iv) a notice of the EGM, is expected to be dispatched to the Shareholders on or before 2 August 2024.

## **6. DEFINITIONS**

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

“2021 Financial Services Framework Agreement”	the CCS financial services framework agreement entered into between the Company and China Telecom Finance on 22 October 2021 in connection with the provision of a range of financial services for three years ending 31 December 2024
“2024 Financial Services Framework Agreement”	the CCS financial services framework agreement entered into between the Company and China Telecom Finance on 12 July 2024 in connection with the provision of a range of financial services for three years ending 31 December 2027
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“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 Finance”	China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司), a non-banking financial institution legally established with the approval of the NFRA, and a limited liability company incorporated in the PRC on 8 January 2019 with the approval of the relevant PRC government authorities (including but not limited to the NFRA) to provide financial services to the member companies of China Telecom
“China Telecom Group”	China Telecom and its subsidiaries (excluding the Group where applicable)
“Company” or “CCS”	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 to consider and, if thought fit, approve, among others, the deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement
“Existing Annual Caps”	the existing annual caps applicable to the transactions under the 2021 Financial Services Framework Agreement 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
“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 deposit services provided by China Telecom Finance to the Group under the 2024 Financial Services Framework Agreement (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
“member companies”	has the meaning as defined in Article 3 of the Administrative Measures for Finance Companies of Enterprise Groups (企業集團財務公司管理辦法, the Order No. 6 of the CBIRC in 2022), and with respect to China Telecom, including China Telecom and its subsidiaries (in which China Telecom holds more than 51% equity interests), any company in which China Telecom and/or its subsidiaries individually or jointly holds more than 20% equity interest, or a company in which China Telecom and/or its subsidiaries individually or jointly holds less than 20% of the equity interests but is the largest shareholder
“New Annual Caps”	the new annual caps proposed for the transactions under the 2024 Financial Services Framework Agreement 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
“NFRA”	National Financial Regulatory Administration
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company



“Stock Exchange”                      The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)”        has the meaning ascribed to it under the Listing Rules

*In addition, the terms “associate”, “connected person”, “connected transaction”, “continuing connected transaction”, “controlling shareholder”, “percentage ratio” 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  
12 July 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.*