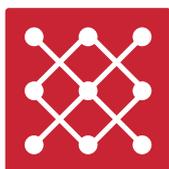


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**中國通信服務**  
**CHINA COMSERVICE**

**中國通信服務股份有限公司**

**CHINA COMMUNICATIONS SERVICES CORPORATION LIMITED**

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

**(Stock Code: 552)**

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

**1. CONTINUING CONNECTED TRANSACTIONS**

We refer to the 2015 Announcement and Circular in relation to certain continuing connected transactions between the Group and China Telecom and/or its associates which are governed by the 2015 Agreements, including 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. All the 2015 Agreements above were entered into between the Company and China Telecom on 29 September 2015, pursuant to which the 2015 Agreements will expire on 31 December 2018.

The Board announced that the Company entered into the 2018 Supplemental Agreements with China Telecom on 28 September 2018 based on the 2015 Agreements to renew each of the 2015 Agreements for a further term of three years from 1 January 2019 to 31 December 2021.

The Directors have been closely monitoring the Continuing Connected Transactions. According to internal estimates and historical transaction amounts, the Directors also proposed the New Annual Caps, details of which are set out in this announcement.

## **Listing Rules Implications**

As at the date of this announcement, China Telecom is a Substantial Shareholder of the Company holding approximately 51.39% of the issued share capital of the Company, and is thus a Connected Person of the Company under Rule 14A.07 of the Listing Rules. As a result, the Continuing Connected Transactions under the 2015 Agreements and the 2018 Supplemental Agreements (together with the proposed New Annual Caps) constitute continuing connected transactions of the Company. As each of the highest applicable percentage ratios of the proposed New Annual Caps for the Non-exempt Continuing Connected Transactions, on an annual basis, 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.

As all the applicable percentage ratios of the proposed New Annual Caps for the Continuing Connected Transactions under the Centralized Services Agreement and the Property Leasing Framework Agreement, on an annual basis, are more than 0.1% but less than 5%, the Continuing Connected Transactions under the Centralized Services Agreement and the Property Leasing Framework Agreement and the proposed New Annual Caps thereof are subject to the reporting, announcement and annual review requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

## **2. GENERAL**

A circular containing, among other things, (i) a letter from the Board setting out details of the Continuing Connected Transactions, (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, will be despatched to the Shareholders on or before 23 October 2018.

## 1. CONTINUING CONNECTED TRANSACTIONS

### (1) Background

We refer to the 2015 Announcement and Circular in relation to the Continuing Connected Transactions between the Group and China Telecom and/or its associates which are governed by the 2015 Agreements as below:

- (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.

All the 2015 Agreements above were entered into between the Company and China Telecom on 29 September 2015, pursuant to which the 2015 Agreements will expire on 31 December 2018, and will be automatically renewable for further periods of no more than three years subject to shareholders' approval (if applicable) unless it is terminated by either party with three months' prior written notice. The Existing Annual Caps (to the extent they were subject to Independent Shareholders' approval under Chapter 14A of the Listing Rules) were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 11 December 2015.

As each of the 2015 Agreements will expire on 31 December 2018, the Company entered into the 2018 Supplemental Agreements with China Telecom on 28 September 2018 based on the 2015 Agreements to, among other things, renew each of the 2015 Agreements for a further term of three years from 1 January 2019 to 31 December 2021, change contact information of China Telecom and adjust the terms related to tender process of the Engineering Framework Agreement pursuant to the applicable PRC regulations. Other key terms of each of the 2015 Agreements remain unchanged.

According to internal estimates and historical transaction amounts, the Directors also proposed the New Annual Caps, details of which are set out below.

**(2) Continuing Connected Transactions under the 2015 Agreements and the 2018 Supplemental Agreements**

Details of the Continuing Connected Transactions under the 2015 Agreements and the 2018 Supplemental Agreements are set out below.

**(a) *Engineering Framework Agreement and Supplemental Agreement***

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.

The charges for engineering related 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 parties amended the thresholds which the project must be determined through tender process under the Engineering Framework Agreement: 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 related laws and regulations. In determining the market price, the business and financial department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the situations (such as the amount and size of the transaction). The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (1) cost of service; (2) prices of the same or similar type of services provided to China Telecom Group by other service providers in the market; (3) prices 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 related 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 related 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.

The Existing Annual Cap for the service charges receivable by the Company from China Telecom Group under the Engineering Framework Agreement for each of the three years of 2016, 2017 and 2018 is RMB24,000 million. 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 2016 and 2017 were RMB21,230 million and RMB21,155 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB8,727 million.

The Directors proposed the New Annual Caps for the Engineering Framework Agreement in respect of the three years ending 31 December 2019, 2020 and 2021 to be RMB26,000 million, RMB33,000 million and RMB35,000 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the Engineering Framework Agreement;
- (2) that China Telecom Group will promote network intelligentisation reforms and 5G network development and strengthen the commercial application of which in the coming two to three years, and this will greatly enhance the Group's engineering-related business;
- (3) that taking into account the overall progress of related business in previous years, it is expected that the telecommunications operators will further promote the construction of 5G trial network in 2019, and the years 2020 and 2021 will be an important phase for the construction and development of commercial application of 5G network. As such the volume of related business is expected to increase year by year in the coming three years; and
- (4) the Group's overall operation and development in related business fields.

As the highest applicable percentage ratio of the proposed New Annual Caps under the Engineering Framework Agreement and its supplemental agreement, calculated on an annual basis, exceeds 5%, the Engineering Framework Agreement together with its supplemental 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.

**(b) *Ancillary Telecommunications Services Framework Agreement and Supplemental Agreement***

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.

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

- (1) market price. In determining the market price, the business and financial department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the situations (such as the amount and size of the transaction). 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 the same or similar type of services provided to China Telecom Group by other service providers in the market; (iii) prices of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company;
- (2) 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 price, the business and financial department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the situations (such as the amount and size of the transaction).

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.

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 2016, 2017 and 2018 are RMB12,100 million, RMB13,300 million and RMB15,600 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 ended 31 December 2016 and 2017 were RMB9,255 million and RMB11,041 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB6,027 million.

The Directors proposed the New Annual Caps for the Ancillary Telecommunications Services Framework Agreement in respect of the three years ending 31 December 2019, 2020 and 2021 to be RMB20,000 million, RMB24,000 million and RMB27,000 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the Ancillary Telecommunications Services Framework Agreement;
- (2) that along with the expansion of China Telecom Group's customer base, business volume and network scale, particularly the expansion of customer base, year after year, on mobile services, e-Surfing HD and Internet of Things (IoT), the demand for the derived customer services, including network repairs, maintenance and network optimization will also increase;

- (3) that the Group is competitive in network maintenance capability, and has identified the related ancillary telecommunication services such as network maintenance, among others, is one of its major measures to expand the domestic telecommunications operator market;
- (4) that it is expected that the network intelligentisation reforms and the 5G network development of China Telecom Group will lead to an increase in the distribution scale of telecommunication products and services; and
- (5) the Group's overall operation and development in related business fields.

As the highest applicable percentage ratio of the proposed New Annual Caps under the Ancillary Telecommunications Services Framework Agreement and its supplemental agreement, calculated on an annual basis, exceeds 5%, the Ancillary Telecommunications Services Framework Agreement together with its supplement 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.

**(c) *Operation Support Services Framework Agreement and Supplemental Agreement***

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.

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 the China Telecom Group, the Company primarily considered the following factors: (i) prices of the same or similar type of services provided to the Company by

other service providers in the market; (ii) prices 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.

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 2016, 2017 and 2018 are RMB3,200 million, RMB3,400 million and RMB3,600 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 2016 and 2017 were RMB2,571 million and RMB2,791 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB1,280 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 2016, 2017 and 2018 are RMB900 million, RMB1,000 million and RMB1,100 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 2016 and 2017 were RMB672 million and RMB950 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB362 million.

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 2019, 2020 and 2021 to be RMB3,800 million, RMB4,000 million and RMB4,200 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 2019, 2020 and 2021 to be

RMB1,600 million, RMB2,000 million and RMB2,400 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the Operation Support Services Framework Agreement;
- (2) that with regard to the operation support services provided to China Telecom Group, along with its business development, China Telecom Group's demand for operation support services such as property management and conference services has maintained a steady upward trend; at the same time, the Group's capability to provide operation support services has improved continuously, and is competitive in such market, and adaptive to meet the business needs of China Telecom Group;
- (3) that with respect to the operation support services provided by China Telecom Group, the logistics business is currently considered as one of the key direction of business development of the Group. The Group's demand for warehousing services is increasing, and China Telecom Group has necessary warehousing resources to meet the business needs of the Group in this respect; and
- (4) the Group's overall operation and development in related business fields.

As the highest applicable percentage ratios of the proposed New Annual Caps under the Operation Support Services Framework Agreement and its supplemental agreement, calculated on an annual basis, exceeds 5%, the Operation Support Services Framework Agreement together with its supplemental 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 and Supplemental Agreement***

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.

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 the China Telecom Group, the

Company primarily considers the following factors: (i) prices of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices 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.

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 2016, 2017 and 2018 are RMB2,500 million, RMB2,700 million and RMB2,900 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 2016 and 2017 were RMB2,235 million and RMB2,382 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB780 million.

The Existing Annual Cap 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 2016, 2017 and 2018 is RMB490 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 2016 and 2017 were RMB269 million and RMB268 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB137 million.

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 2019, 2020 and 2021 to be RMB3,600 million, RMB4,300 million and RMB5,000 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 each of the three years ending 31 December 2019, 2020 and 2021 to be RMB500 million. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the IT Application Services Framework Agreement;
- (2) that with respect to the IT application services provided to China Telecom Group, the demand for China Telecom Group's IT system construction and provision of telecommunication and technology application services for its customers is expected to be further increased due to the transformation of network intelligentisation and smart operation. The Group's smart product series has undergone rapid development in recent years, and the Group has significantly improved its capabilities in the field of telecommunication and technology application. It is expected that scale effect will take place in the Group's business segment of IT application services in future, and thereby significantly increase the business volume;
- (3) that with respect to IT application services provided by China Telecom Group, it is expected that the business volume of the application services such as circuit leasing and IT provided by China Telecom Group to the Group will remain stable with slight increase; and
- (4) the Group's overall operation and development in related business fields.

As the highest applicable percentage ratio of the proposed New Annual Caps under the IT Application Services Framework Agreement and its supplemental agreement, calculated on an annual basis, exceeds 5%, the IT Application Services Framework Agreement together with its supplemental 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 and Supplemental Agreement***

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

- (1) 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
- (2) 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.

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.

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 2016, 2017 and 2018 are RMB430 million, RMB440 million and RMB450 million, respectively. 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 2016 and 2017 were RMB313 million and RMB329 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB119 million.

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 2019, 2020 and 2021 to be RMB450 million. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the Centralized Services Agreement; and
- (2) that the future demand of China Telecom Group for centralized services from the Group is expected to maintain stable.

As all the applicable percentage ratios of the proposed New Annual Caps under the Centralized Services Agreement and its supplemental agreement, calculated on an annual basis, are more than 0.1% but less than 5%, the Centralized Services Agreement together with its supplemental agreement as well as the proposed New Annual Caps 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 and Supplemental Agreement***

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.

The rental charges in respect of each property are determined at market price. In determining the market price, the business and financial department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the situations (such as the amount and size of the transaction). 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 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 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.

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 2016, 2017 and 2018 are RMB200 million, RMB210 million and RMB220 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 2016 and 2017 were RMB111 million and RMB105 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB47 million.

The Existing Annual Caps for the rents payable by the Company to China Telecom Group under the Property Leasing Framework Agreement for the three years of 2016, 2017 and 2018 are RMB200 million, RMB220 million and RMB240 million, respectively. The actual amounts for the rents paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the years ended 31 December 2016 and 2017 were RMB179 million and RMB200 million, respectively. Based on the Company's unaudited 2018 interim financial report, the actual amount for the rents paid by the Company to China Telecom Group under the Property Leasing Framework Agreement for the six months ended 30 June 2018 was RMB93 million.

The Directors proposed the New Annual Caps for the rents receivable by the Company from China Telecom Group under the Property Leasing Framework Agreement in respect of the three years ending 31 December 2019, 2020 and 2021 to be RMB230 million, RMB240 million and RMB250 million, respectively. The Directors proposed the New Annual Caps for the rents payable by the Company to China Telecom Group under the Property Leasing Framework Agreement in respect of the three years ending 31 December 2019, 2020 and 2021 to be RMB270 million, RMB300 million and RMB330 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated annual transaction amount for 2018 under the Property Leasing Framework Agreement; and
- (2) that the rental rate is expected to increase, and that the demand for leased properties of the Group and China Telecom Group is expected to increase due to business expansion.

As all the applicable percentage ratios of the proposed New Annual Caps under the Property Leasing Framework Agreement and its supplemental agreement, calculated on an annual basis, are more than 0.1% but less than 5%, the Property Leasing Framework Agreement together with its supplemental agreement as well as the proposed New Annual Caps 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 and Supplemental Agreement***

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.

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

- (1) 1% of the contract value at the maximum for procurement services relating to imported telecommunications supplies;
- (2) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials;
- (3) for other services:
  - (I) market price. In determining the market price, the business and financial department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the situations (such as the amount and size of the transaction). 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 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 the same or similar type of services provided to China Telecom Group and independent third parties by the Company, or prices 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 department 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, or the marketing department of the relevant subsidiary will further submit the fee quotes to the management of such subsidiary for review depending on the actual situations (such as the amount and size of the transaction).

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.

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 2016, 2017 and 2018 are RMB6,700 million, RMB8,100 million and RMB10,000 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 2016 and 2017 were RMB5,196 million and RMB4,094 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB1,508 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 2016, 2017 and 2018 are RMB4,900 million, RMB5,900 million and

RMB7,000 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 2016 and 2017 were RMB2,498 million and RMB2,122 million, respectively. Based on the Company's unaudited 2018 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 2018 was RMB947 million.

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 2019, 2020 and 2021 to be RMB6,000 million, RMB6,500 million and RMB7,000 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 2019, 2020 and 2021 to be RMB5,000 million, RMB5,200 million and RMB5,400 million, respectively. In determining the New Annual Caps, the Directors have considered:

- (1) the historical annual transaction amounts for 2016 and 2017 and the estimated transaction amount for 2018 under the Supplies Procurement Services Framework Agreement;
- (2) that with respect to the supplies procurement services provided to China Telecom Group, China Telecom Group has gradually changed its suppliers procurement model to direct procurement from equipment and raw material suppliers in recent years. It is expected that the amount of supplies procurement by China Telecom Group from the Group will decrease in 2019. However, considering the network expansion of China Telecom Group and its 5G network construction, it is expected that its demand for supplies procurement will increase in 2020 and 2021;
- (3) that with respect to the supplies procurement services provided by China Telecom Group, as China Telecom Group's marketing model has focused on providing subsidy to its customers in the form of phone charges rather than handsets in recent years, the Group's demand for telecommunications supplies in the related business was decreased in recent years, but it is expected that the change in the form of subsidy by China Telecom Group would not have further material impact on the Group's related business. With the development of 5G network and the upgrade of mobile terminals, it is expected that the Group's demand for telecommunications supplies will increase steadily in the coming years; and
- (4) the Group's overall operation and development in related business fields.

As the highest applicable percentage ratio of the proposed New Annual Caps under the Supplies Procurement Services Framework Agreement and its supplemental agreement, calculated on an annual basis, exceeds 5%, the Supplies Procurement Services Framework Agreement together with its supplemental 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 and Benefits for Continuing Connected Transactions Between the Company and 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 2018 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.

**(4) Information about the Company and China Telecom**

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

China Telecom is a state-owned enterprise principally engaged in the investment holding of companies primarily involved in the provision of telecommunications services, specialized telecommunications support services and other business in the PRC.

As at the date of this announcement, China Telecom holds approximately 51.39% of the issued share capital of the Company.

## (5) Listing Rules Implications

As of the date of this announcement, China Telecom is a Substantial Shareholder of the Company holding approximately 51.39% of the issued share capital of the Company, and is thus a Connected Person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the entering into the Continuing Connected Transactions under the 2015 Agreements and the 2018 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 2015 Agreements and the proposed New Annual Caps relating to the 2015 Agreements and the 2018 Supplemental Agreements.

*Unit: RMB million*

| Transactions  | Year ended 31 December |                 |                     |                 | Year ending 31 December |                                 |                |                |                |
|---|------------------------|-----------------|---------------------|-----------------|-------------------------|---------------------------------|----------------|----------------|----------------|
|   | 2016                   |                 | 2017                |                 | 2018                    | 2019                            | 2020           | 2021           |                |
|   | Existing Annual Cap    | Actual amounts* | Existing Annual Cap | Actual amounts* | Existing Annual Cap     | Actual amounts (up to 30 June)* | New Annual Cap | New Annual Cap | New Annual Cap |
| Engineering related services provided to China Telecom Group          | 24,000                 | 21,230          | 24,000              | 21,155          | 24,000                  | 8,727                           | 26,000         | 33,000         | 35,000         |
| Ancillary telecommunications services provided to China Telecom Group | 12,100                 | 9,255           | 13,300              | 11,041          | 15,600                  | 6,027                           | 20,000         | 24,000         | 27,000         |
| Operation support services provided to/by China Telecom Group         |                        |                 |                     |                 |                         |                                 |                |                |                |
| Revenue   | 3,200                  | 2,571           | 3,400               | 2,791           | 3,600                   | 1,280                           | 3,800          | 4,000          | 4,200          |
| Expenditure   | 900                    | 672             | 1,000               | 950             | 1,100                   | 362                             | 1,600          | 2,000          | 2,400          |
| IT application services provided to/by China Telecom Group            |                        |                 |                     |                 |                         |                                 |                |                |                |
| Revenue   | 2,500                  | 2,235           | 2,700               | 2,382           | 2,900                   | 780                             | 3,600          | 4,300          | 5,000          |
| Expenditure   | 490                    | 269             | 490                 | 268             | 490                     | 137                             | 500            | 500            | 500            |
| Centralized services provided to China Telecom Group                  | 430                    | 313             | 440                 | 329             | 450                     | 119                             | 450            | 450            | 450            |
| Property leasing provided to/by China Telecom Group                   |                        |                 |                     |                 |                         |                                 |                |                |                |
| Revenue   | 200                    | 111             | 210                 | 105             | 220                     | 47                              | 230            | 240            | 250            |
| Expenditure   | 200                    | 179             | 220                 | 200             | 240                     | 93                              | 270            | 300            | 330            |
| Supplies procurement services provided to/by China Telecom Group      |                        |                 |                     |                 |                         |                                 |                |                |                |
| Revenue   | 6,700                  | 5,196           | 8,100               | 4,094           | 10,000                  | 1,508                           | 6,000          | 6,500          | 7,000          |
| Expenditure   | 4,900                  | 2,498           | 5,900               | 2,122           | 7,000                   | 947                             | 5,000          | 5,200          | 5,400          |

*Note:* The actual amounts for the year ended 31 December 2016 and 2017 are from the Company's 2016 annual report and 2017 annual report, respectively and the actual amounts for the six months ended 30 June 2018 are from the Company's unaudited 2018 interim financial report. Most of the transactions under the 2015 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 each of the highest applicable percentage ratios of the proposed New Annual Caps for each of the Non-exempt Continuing Connected Transactions, on an annual basis, 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.

The Board (excluding the members of the Independent Board Committee, and the Independent Board Committee will give their view on the terms and proposed 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.

As all the applicable percentage ratios of the proposed New Annual Caps for the Continuing Connected Transactions under the Centralized Services Agreement and the Property Leasing Framework Agreement, on an annual basis, are more than 0.1% but less than 5%, the Continuing Connected Transactions under the Centralized Services Agreement and the Property Leasing Framework Agreement and 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.

The Directors (including the independent non-executive Directors) are 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.

Due to their positions in China Telecom, two of the Directors, Mr. Zhang Zhiyong and Mr. Si Furong abstained from voting on the resolutions relating to the above matters. Save as mentioned above, the Company confirms that none of the other Directors has any material interests in the Continuing Connected Transactions under 2015 Agreements and 2018 Supplemental Agreements and the proposed New Annual Caps.

China Telecom and its associates, being Connected Persons to the Company, 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 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 2015 Agreements and the 2018 Supplemental Agreements.

## **(6) Other Information**

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.

## **2. GENERAL**

A circular containing, among other things, (i) a letter from the Board setting out details of the Continuing Connected Transactions, (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, will be despatched to the Shareholders on or before 23 October 2018.

## **3. DEFINITIONS**

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

“2015 Announcement and Circular”                      the announcement and the circular of the Company dated 29 September 2015 and 22 October 2015, in respect of, among other things, the continuing connected transactions and Existing Annual Caps

“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   |
| “associate”                         | has the meaning ascribed to it under the Listing Rules  |
| “Board”                             | the board of Directors of the Company   |
| “China” or “PRC”                    | the People’s Republic of China (excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan)  |
| “China Telecom Group”               | China Telecom and its subsidiaries but excluding the Group  |
| “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   |
| “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   |
| “Connected Person(s)”               | has the meaning ascribed to it under the Listing Rules  |
| “Continuing Connected Transactions” | the connected transactions entered into between the Group and China Telecom Group as governed by the 2015 Agreements and the 2018 Supplemental Agreements, details of which are set out in section headed “Continuing Connected Transactions under the 2015 Agreements and the 2018 Supplemental Agreements” in this announcement         |
| “Director(s)”                       | the director(s) of the Company  |
| “EGM”                               | the extraordinary general meeting of the Company to be held on 13 December 2018   |
| “Existing Annual Caps”              | the existing annual caps applicable to the continuing connected transactions under each of the 2015 Agreements for the applicable period ending 31 December 2018, which (to the extent they were subject to Independent Shareholders’ approval under Chapter 14A of the Listing Rules) were approved by the then Independent Shareholders |

|  |   |
|--|---|
| “Group”  | the Company and its subsidiaries  |
| “H Share(s)”                                   | overseas listed foreign invested share(s) in the Company’s issued share capital with a par value of RMB1.00 per share 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. Zhao Chunjun, Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wu Taishi and Mr. Liu Linfei 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 Continuing Connected Transactions under each of the 2015 Agreements and the 2018 Supplemental Agreements for the three years ending 31 December 2019, 2020 and 2021, 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 the 2018 Supplemental Agreements other than those under the Centralized Services Agreement and the Property Leasing Framework Agreement   |
| “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

By Order of the Board  
**China Communications Services Corporation Limited**  
**Zhang Zhiyong**  
*Chairman*

Beijing, the PRC, 28 September 2018

*As at the date of this announcement, our executive Directors are Mr. Zhang Zhiyong, Mr. Si Furong, and Ms. Hou Rui, our non-executive Directors are Mr. Li Zhengmao and Mr. Shao Guanglu, and our independent non-executive Directors are Mr. Zhao Chunjun, Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wu Taishi and Mr. Liu Linfei.*