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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)**

**PROPOSED ADOPTION OF SHARE APPRECIATION RIGHTS INCENTIVE  
SCHEME AND PROPOSED INITIAL GRANT**

This announcement is made by the Company pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

**BACKGROUND**

The Board has considered and approved the adoption of the Share Appreciation Rights Incentive Scheme and approved the Initial Grant. The Scheme and the Initial Grant have been submitted to SASAC for approval and the Shareholders' consideration and approval at the EGM. The Scheme and the Initial Grant can only be implemented upon the approvals from SASAC and the Shareholders at the EGM. The terms of the Scheme and the Initial Grant may be amended by the Company at the request of SASAC and other regulatory authorities.

A circular containing further details of the Scheme, its administrative measures and the Initial Grant will be despatched to the Shareholders as soon as practicable for the Shareholders' consideration and approval at the EGM.

The Scheme would not involve the grant of share options in respect of new shares or other new securities to be issued by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to the requirements under Chapter 17 of the Listing Rules.

## MAIN CONTENTS OF THE SCHEME

A summary of the major terms of the proposed Share Appreciation Rights Incentive Scheme is set out below. The terms of the Scheme will be further detailed in the above-mentioned circular to the Shareholders.

Incentive Instruments:	The Share Appreciation Rights are used as the incentive instruments for the Scheme. Each Share Appreciation Right granted under the Scheme entitles the Incentive Recipients to obtain the gains from the appreciation (which is the excess of the closing price on the exercise date over the exercise price) of one H Share during the effective period of the Scheme, provided that conditions and arrangements for taking effect are met. The gains will be paid by the Company in cash.
Effective Conditions of the Scheme:	<p>The Scheme shall take effect based on the fulfillment of the following conditions:</p> <ol style="list-style-type: none"><li>(1) being granted approval by relevant regulatory authorities; and</li><li>(2) being approved at the EGM.</li></ol>
Effective Date and Effective Period of the Scheme:	The effective date of the Scheme shall be the date on which all the above conditions are fulfilled. Unless early terminated according to relevant rules, the Scheme shall be valid for a period of ten years commencing from the effective date.
Frequency of Grant:	Unless otherwise arranged by the Board, the Board shall, at an interval of every two years in principle, decide on whether to grant the Share Appreciation Rights to qualified persons, and also on the specific arrangements for grant. The Board shall determine the number of Share Appreciation Rights to be granted to the Incentive Recipients with reference to his/her duty and performance appraisal.

Incentive Recipients:	The management of the Company, the operational management of provincial companies and professional companies of the Group, as well as professional talents, and core management, technical and business personnel, etc. who contributed prominently to the Company’s operating results and sustainable development. The Incentive Recipients do not include independent non-executive Directors and supervisors of the Company. The scope of the Incentive Recipients shall be conclusively determined by the Board in accordance with the relevant requirements in the Scheme.
Limit of the Share Appreciation Rights to be Granted:	<p>(1) The total number of the Share Appreciation Rights to be granted within the effective period of the Scheme shall not in aggregate exceed 10% of the total issued share capital of the Company, subject to the approval of the regulatory authorities;</p> <p>(2) If the cumulative total number of the Share Appreciation Rights (including exercised and unexercised rights) granted to any single Incentive Recipients within the effective period reaches 1% of the total issued share capital of the Company, the Company will not further grant Share Appreciation Rights under the Scheme to such recipient pursuant to the Scheme.</p>
Effective Period Arrangement for the Share Appreciation Rights:	<p>All the Share Appreciation Rights granted to the Incentive Recipients under the Scheme shall not be effective within two years (24 months) from the date of grant, nor shall be exercised prior to becoming effective. In principle, the Share Appreciation Rights shall become effective in the following manner:</p> <p>(1) by the end of the second anniversary (24 months) from the date of grant, 33% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective (the “<b>Taking effect of First Batch</b>”);</p> <p>(2) by the end of the third anniversary (36 months) from the date of grant, another 33% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective (the “<b>Taking effect of Second Batch</b>”);</p> <p>(3) by the end of the fourth anniversary (48 months) from the date of grant, the remaining 34% of the Share Appreciation Rights granted to each Incentive Recipient under such grant shall become effective (the “<b>Taking effect of Third Batch</b>”).</p>

Only the Share Appreciation Rights which have become effective can be exercised. The portion which has not become effective shall not be exercised.

Grant Conditions for the Share  
Appreciation Rights:

None of the following circumstances has occurred to the Company:

- (1) issuance of an audit report containing an adverse opinion or a disclaimer of opinion by a certified public accountant in the financial and accounting report for the most recent accounting year;
- (2) prohibition from implementation of equity-based incentives by laws and regulations;
- (3) other circumstances under which SASAC, securities regulatory authorities and the Company's general meeting would consider the Share Appreciation Rights Incentive Scheme could not be implemented.

None of the following circumstances has occurred to the Incentive Recipients:

- (1) having been publicly reprimanded or declared as unqualified Incentive Recipients by the Stock Exchange in the last three years;
- (2) being imposed of any administrative penalty by regulatory authorities due to material non-compliance with laws and regulations in the last three years;
- (3) serious misconduct or malpractice;
- (4) violation of state laws and regulations and the Articles of Association;

- (5) any act that breaches the laws and regulations, including accepting or soliciting bribes, corruption and theft, leaking the Company's commercial and technical secrets, prejudicing the Company's interests, causing significant impact on the Company's reputation and image, etc., during their tenure of office;
- (6) any other serious breach of the Company's provisions as determined by the Board.

Effective Conditions for the Share  
Appreciation Rights:

- (1) When the Share Appreciation Rights under the Scheme become effective by batch, performance-based conditions (including the requirements of the performance indicators of the Company and performance appraisal for the Incentive Recipients) shall be set for each batch of the effective Share Appreciation Rights. Specific conditions shall be made by the Board and approved at the Company's general meeting. The Share Appreciation Rights can be exercised only when all performance-based conditions meet the target value set for the period.
- (2) The Company and the Incentive Recipients satisfy the above grant conditions for the Share Appreciation Rights.

Exercise Price:

The exercise price of the Share Appreciation Rights shall be determined with reference to the fair market price. The exercise price shall be the highest of the following:

- (1) the closing price of the H Shares as stated in the Stock Exchange's daily quotation sheet as at the date of grant of the Share Appreciation Rights;
- (2) the average closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets for five consecutive trading days prior to the date of grant of the Share Appreciation Rights;
- (3) the nominal value of the H Shares.

Grant Procedures: The remuneration committee of the Board is responsible for the formulation of the grant proposal under the Scheme. The Board will consider and approve each grant proposal and determine the date of grant. The Incentive Recipients will sign the Grant Agreement of the Share Appreciation Rights with the Company. The Incentive Recipients who do not sign such agreements shall be deemed to have waived the grant.

Exercise Procedures:

- (1) During the effective period, upon the satisfaction of the exercise conditions, the Company will centrally process the exercise of Share Appreciation Rights that satisfy the exercise conditions upon the confirmation from the Board.
- (2) If the exercise conditions have not been satisfied during any financial year within the effective period, such portion of the Share Appreciation Rights shall be revoked.

## **PROPOSED INITIAL GRANT**

A summary of the major terms of the Initial Grant is set out below. The Company will make further announcement upon the official grant of Share Appreciation Rights.

Total Number of Granted Personnel and Share Appreciation Rights	Upon fulfilment of the conditions of the Initial Grant, approximately 207.27 million shares of Share Appreciation Rights in aggregate are proposed to be granted to an anticipated total of 981 Incentive Recipients. The corresponding number of H Shares represents approximately 2.993% of the total issued share capital of the Company as at the date of this announcement. Among that, no more than 4.16 million shares of Share Appreciation Rights are proposed to be reserved, representing approximately 2% of the total number of Share Appreciation Rights under the Initial Grant. Such reserved Share Appreciation Rights are proposed to be granted to other core talent and will be determined and granted within 12 months.
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Performance-based  
Conditions of the  
Company under Effective  
Conditions for the Share  
Appreciation Rights

<b>Performance Indicator</b>	<b>Taking effect of First Batch under Initial Grant</b>	<b>Taking effect of Second Batch under Initial Grant</b>	<b>Taking effect of Third Batch under Initial Grant</b>
Average Return on Equity Attributable to the Owners of the Company (ROE)	The ROE of the Company for 2022 shall not be lower than 8.25% and 75-percentile of that of peer benchmark companies for 2022.	The ROE of the Company for 2023 shall not be lower than 8.40% and 75-percentile of that of peer benchmark companies for 2023.	The ROE of the Company for 2024 shall not be lower than 8.65% and 75-percentile of that of peer benchmark companies for 2024.
Growth Rate of the Service Revenue	As compared with 2020, the growth rate of the service revenue of the Company for 2022 shall not be lower than 15.0% and 75-percentile of that of peer benchmark companies for 2022; and the annual growth rate shall be positive.	As compared with 2020, the growth rate of the service revenue of the Company for 2023 shall not be lower than 25.4% and 75-percentile of that of peer benchmark companies for 2023; and the annual growth rate shall be positive.	As compared with 2020, the growth rate of the service revenue of the Company for 2024 shall not be lower than 37.9% and 75-percentile of that of peer benchmark companies for 2024; and the annual growth rate shall be positive.
Total Assets Turnover Ratio (time)	The total assets turnover ratio (time) of the Company for 2022 shall not be lower than 1.15 and 75-percentile of that of peer benchmark companies for 2022.	The total assets turnover ratio (time) of the Company for 2023 shall not be lower than 1.15 and 75-percentile of that of peer benchmark companies for 2023.	The total assets turnover ratio (time) of the Company for 2024 shall not be lower than 1.15 and 75-percentile of that of peer benchmark companies for 2024.

## REASONS FOR THE ADOPTION OF THE SCHEME

The Board is of the opinion that the Scheme can further improve the corporate governance structure of the Company, refine the establishment of the mid- to long-term incentive mechanism of the Company, optimize the remuneration system of the Company as a whole, and cope with the fierce industry competition and support the Company's long-term development. In addition, the Scheme is beneficial for the Company to attract, retain and motivate outstanding management and core technical personnel, promote the concept of joint sustainable development between the Company and employees, fully motivate the core management and key personnel of the Company, and support the realization of the corporate strategy. The Board and the remuneration committee of the Board consider that the proposed terms and conditions of the Scheme and Initial Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## GENERAL INFORMATION

According to the Scheme, each of the Share Appreciation Rights is relevant to one H Share and will be settled by cash. Therefore, it will not affect the total number of issued H Shares of the Company, neither will have diluted influence on the Company's shares.

The Scheme would not involve the grant of share options in respect of new shares or other new securities to be issued by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to the requirements under Chapter 17 of the Listing Rules.

The Incentive Recipients do not own any shares, nor do they have voting rights or placing rights as the Shareholders. The Incentive Recipients shall not deal with the Share Appreciation Rights granted without permissions (including but not limited to transfer, disposal, exchange, pledge, guarantee and repaying debts).

**The Board hereby emphasized that the implementation of the Scheme is subject to the approval from SASAC and the EGM. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“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



“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)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened on 22 December 2021
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested share(s) in the Company’s issued share capital with a nominal value of RMB1.00 each which has been listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incentive Recipients”	persons proposed to be granted the Share Appreciation Rights under the Scheme
“Initial Grant”	the initial grant under the Scheme
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Scheme” or “Share Appreciation Rights Incentive Scheme”	Share Appreciation Rights Incentive Scheme of China Communications Services Corporation Limited to be proposed and adopted at the EGM, pursuant to which, the Share Appreciation Rights will be granted by the Company to the Incentive Recipients
“Share Appreciation Rights”	the share appreciation rights granted under the Scheme, which entitle the Incentive Recipients to obtain gains from the appreciation of stipulated number of H Shares during a certain period and under certain conditions

“Shareholder(s)” the shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

By Order of the Board  
**China Communications Services Corporation Limited**  
**Chung Wai Cheung, Terence**  
*Company Secretary*

Beijing, PRC  
22 November 2021

*As at the date of this announcement, our executive directors of the Company are Mr. Huang Xiaoqing and Ms. Zhang Xu, our non-executive directors are Mr. Gao Tongqing and Mr. Mai Yanzhou, and our independent non-executive directors are Mr. Siu Wai Keung, Francis, Mr. Lv Tingjie, Mr. Wu Taishi and Mr. Liu Linfei.*