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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)

CONNECTED TRANSACTION ESTABLISHMENT OF FINANCE COMPANY

SUMMARY

The Board is pleased to announce that, on 22 June 2018, the Company entered into the Capital Contribution Agreement with China Telecom Group and China Telecom. Pursuant to the Capital Contribution Agreement, the parties agreed to jointly establish the Finance Company for the purpose of providing funds and financial management services with a proposed registered capital of RMB5.0 billion, of which (i) China Telecom Group will contribute RMB0.75 billion (representing 15% of the total registered capital of the Finance Company), (ii) China Telecom will contribute RMB3.5 billion (representing 70% of the total registered capital of the Finance Company), and (iii) the Company will contribute RMB0.75 billion (representing 15% of the total registered capital of the Finance Company). The establishment of the Finance Company shall be subject to the approval of the relevant PRC government authorities (including but not limited to China Banking and Insurance Regulatory Commission).

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Telecom Group holds approximately 51.39% of the issued share capital of the Company. Therefore, China Telecom Group is a controlling shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. China Telecom is a subsidiary of China Telecom Group, and thus a connected person of the Company under Chapter 14A of the Listing Rules as an associate of the Company's substantial shareholder. Accordingly, the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company.

As certain applicable percentage ratios of the transaction contemplated under the Capital Contribution Agreement are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 22 June 2018, the Company entered into the Capital Contribution Agreement with China Telecom Group and China Telecom, pursuant to which the parties agreed to jointly establish the Finance Company for the purpose of providing funds and financial management services.

CAPITAL CONTRIBUTION AGREEMENT

- 1. Date:** 22 June 2018
- 2. Parties:**
 - (i) the Company;
 - (ii) China Telecom Group; and
 - (iii) China Telecom.
- 3. Scope of Business**

According to the Capital Contribution Agreement and the provisions of the relevant laws and regulations, the Finance Company may carry out all or part of the following businesses:

- (i) provision of financial and financing advice, credit authentication and relevant consulting and agency services for member units;
- (ii) provision of assistance for member units to collect and pay transaction money;
- (iii) approved insurance agency business;
- (iv) provision of guarantee for member units;
- (v) provision of entrusted loans among member units;
- (vi) acceptance of bills and discounted notes from member units;
- (vii) provision of internal fund transfer and settlement and relevant settlement and clearance arrangement proposals among member units;
- (viii) acceptance of deposits from member units;
- (ix) provision of loan and financial leasing for member units;
- (x) inter-bank lending and borrowing;
- (xi) other businesses as approved by China Banking and Insurance Regulatory Commission.

The final scope of business of the Finance Company will be subject to the approval by China Banking and Insurance Regulatory Commission and registration with the administration for industry and commerce.

4. Registered Capital and Capital Contribution

The proposed registered capital of the Finance Company is RMB5.0 billion in the form of cash contribution, of which (i) China Telecom Group will contribute RMB0.75 billion using its own funds (representing 15% of the total registered capital of the Finance Company), (ii) China Telecom will contribute RMB3.5 billion using its own funds (representing 70% of the total registered capital of the Finance Company) and (iii) the Company will contribute RMB0.75 billion using its own funds (representing 15% of the total registered capital of the Finance Company).

The registered capital of the Finance Company and the capital contribution of each party are determined after arm's length negotiations between the parties to the Capital Contribution Agreement with reference to the existing financial condition, business development needs and future capital requirements of each party.

5. Payment Terms

The establishment of the Finance Company shall be subject to the approval of the relevant PRC government authorities (including but not limited to China Banking and Insurance Regulatory Commission).

Pursuant to the Capital Contribution Agreement, each of the Company, China Telecom Group and China Telecom agrees to procure that its respective prescribed contribution will be fully paid up as an one-off payment to the capital verification account of the Finance Company in accordance with the provisions under the relevant PRC laws to be verified by relevant PRC institutions before China Telecom Group applies to the regulatory authority for the banking industry on the commencement of businesses of the Finance Company.

REASONS OF AND BENEFITS FOR THE ESTABLISHMENT OF THE FINANCE COMPANY

With the continuous expansion in business scale and further increase of cash, there is a greater need for the Group to adopt different approaches to further enhance its funds management, allocate its funds resource more flexibly, control funds risks and take full advantage of its funds resources to improve the overall economic efficiency of the Group. Participating in the establishment of the Finance Company and holding minority shares will promote stable operation and healthy development of the Group by enhancing the financial management of the Group, improving the fund utilization efficiency, reducing financial costs and providing additional financing channels for the Group. Moreover, investment in the Finance Company can create synergies with the existing financial holding platform company in the Group (Comservice Capital Holding Company Limited), which can support enterprise development by promoting the Group's expansion into new businesses and markets through the way of integration of finance with industrial development.

OPINIONS OF THE DIRECTORS

The Directors (including the independent non-executive Directors but excluding the Directors who have abstained from voting) are of the opinion that the Capital Contribution Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

During the board meeting for approving the transaction contemplated under the Capital Contribution Agreement, Mr. Sun Kangmin, the former Director of the Company, as well as Mr. Si Furong, abstained from voting on the board resolutions to approve the transaction due to their positions in China Telecom Group. Save as disclosed above, none of the Directors had a material interest in the transaction contemplated under the Capital Contribution Agreement and no Director was required to abstain from voting on the board resolutions to approve such transaction.

INFORMATION OF THE PARTIES

The Company

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. The Company's issued H shares are listed on the Hong Kong Stock Exchange. As at the date of this announcement, China Telecom Group holds approximately 51.39% of the issued share capital of the Company.

China Telecom Group

China Telecom Group is a state-owned enterprise mainly engaged in the investment holding of companies, which are primarily involved in the provision of telecommunications businesses, specialized telecommunications support services and other businesses in the PRC.

China Telecom

China Telecom is an integrated information full services operator and is primarily engaged in providing fundamental telecommunications services such as comprehensive wireline telecommunications services and mobile telecommunications services, and value-added telecommunications services such as Internet access services and information services, and other related services. China Telecom is a subsidiary of China Telecom Group, whose issued H shares and American depositary shares are listed on the Hong Kong Stock Exchange and New York Stock Exchange, respectively. As at the date of this announcement, China Telecom Group holds approximately 70.89% of the issued share capital of China Telecom.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Telecom Group holds approximately 51.39% of the issued share capital of the Company. Therefore, China Telecom Group is a controlling shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. China Telecom is a subsidiary of China Telecom Group, and thus a

connected person of the Company under Chapter 14A of the Listing Rules as an associate of the Company's substantial shareholder. Accordingly, the transaction contemplated under the Capital Contribution Agreement constitutes a connected transaction of the Company.

As certain applicable percentage ratios of the transaction contemplated under the Capital Contribution Agreement are more than 0.1% but less than 5%, such transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Capital Contribution Agreement”	the capital contribution agreement entered into by and among the Company, China Telecom Group and China Telecom on 22 June 2018
“China Telecom Group”	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 the controlling shareholder of the Company
“China Telecom”	China Telecom Corporation Limited (中國電信股份有限公司), a subsidiary of China Telecom Group and a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, whose issued H shares and American depositary shares are listed on the Hong Kong Stock Exchange and New York Stock Exchange, respectively
“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 issued H shares are listed on the Hong Kong Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company

“Finance Company”	China Telecom Group Finance Company Limited (中國電信集團財務有限公司) (tentative name, the official name shall be subject to the approval of the regulatory authorities), a company with limited liability contemplated to be established by the Company, China Telecom Group and China Telecom in the PRC under the Capital Contribution Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it in the Listing Rules
“PRC”	the People’s Republic of China and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules

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

Beijing, the PRC, 22 June 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.