

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

INTRODUCTION OF STATE GRID ITT GROUP AS A STRATEGIC SHAREHOLDER OF THE COMPANY AND ENTERING INTO THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

This announcement is made by China Communications Services Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

On 25 June 2021, the Company received a notification issued by China Telecommunications Corporation (“**China Telecom Group**”), the controlling shareholder of the Company (the “**Controlling Shareholder**”), in relation to the proposed gratuitous transfer of 166,000,000 domestic shares of the Company (representing 2.40% of the total issued share capital of the Company) from China Telecom Group to State Grid Information & Telecommunication Technology Group Co., Ltd. (“**State Grid ITT Group**”) (the “**Share Transfer**”). Upon completion of the relevant procedures of the Share Transfer, State Grid ITT Group will officially become a strategic shareholder (“**Strategic Shareholder**”) of the Company.

In addition, on 25 June 2021, the Company entered into a Digital New Infrastructure Strategic Cooperation Framework Agreement (the “**Strategic Cooperation Agreement**”) with State Grid ITT Group to further strengthen our strategic cooperation in the fields of informatization and intelligentization of the power industry, and promote the Group’s development in vertical industries including power industry and new businesses.

Reference is made to the announcement of the Company dated 17 August 2018 in relation to the proposed state-owned enterprise reform of the Company.

In order to implement relevant arrangements for diversity in share ownership in the state-owned enterprise reform of the Company and strengthen the cooperation between the Group and its business partners at the strategic and business levels, after the negotiation among China Telecom Group, State Grid ITT Group and the Company, State Grid ITT Group will be introduced as a Strategic Shareholder of the Company. In the meantime, the Company also entered into the Strategic Cooperation Agreement with State Grid ITT Group. Details of relevant matters are as follows:

I. INTRODUCTION OF STATE GRID ITT GROUP AS A STRATEGIC SHAREHOLDER OF THE COMPANY

1. Basic Information

On 25 June 2021, the Company received a notification issued by China Telecom Group, the Controlling Shareholder, in relation to the proposed gratuitous transfer of 166,000,000 domestic shares of the Company (representing 2.40% of the total issued share capital of the Company) from China Telecom Group to State Grid ITT Group.

Before the completion of the Share Transfer, China Telecom Group holds 3,559,362,496 domestic shares of the Company, representing 51.39% of the total issued share capital of the Company, and State Grid ITT Group does not hold any share of the Company.

Upon completion of the Share Transfer, China Telecom Group will hold 3,393,362,496 domestic shares of the Company, representing 48.99% of the total issued share capital of the Company; State Grid ITT Group will hold 166,000,000 domestic shares of the Company, representing 2.40% of the total issued share capital of the Company. The Share Transfer will not result in a change in the controlling shareholder of the Company.

According to the relevant arrangements between China Telecom Group and State Grid ITT Group, State Grid ITT Group is committed not to transferring its domestic shares of the Company within three years from the date of completion of the share registration procedures.

The Share Transfer is subject to the approval of the State-owned Assets Supervision and Administration Commission of the State Council. The Company will pay close attention to the progress of the abovementioned matter and will make further announcement when appropriate in accordance with relevant laws, regulations and the Listing Rules.

Information of State Grid ITT Group

State Grid ITT Group, a wholly-owned subsidiary of State Grid Corporation of China, is a leading provider of digital technology, products and services for the energy industry in China. State Grid ITT Group's major businesses and products include smart chips, information and communications equipment, platforms and fundamental software, digitalization of enterprise management, digitalization in production and operation, Beidou and geographic information, network information security, integrated operation and maintenance of the information and communications system, etc. It also actively develops emerging businesses such as artificial intelligence, big data, cloud computing, Internet of Things and mobile Internet.

2. The Impact of the Share Transfer Arrangement by China Telecom Group on the Company

Despite the decrease of China Telecom Group's shareholding ratio in the Company upon completion of the Share Transfer, China Telecom Group has indicated to the Company that it continues to be optimistic about the business development prospects of the Group and the change in its shareholding will not affect the Group's daily operating activities and the long-term cooperation relationship.

Besides, the Share Transfer arrangement is beneficial to China Telecom Group and the Group in further strengthening the strategic cooperation with State Grid ITT Group, and at the same time, it allows the Company to introduce new Strategic Shareholder while maintaining the current share capital and avoiding the dilutive impact to the Company's existing shareholders from issuing new shares.

II. ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

In order to capture the growth opportunities arising from the rapid development of the new generation information technologies and also the vigorous promotion of New Infrastructure and Dual Carbon Goals by China, on 25 June 2021, the Company entered into the Strategic Cooperation Agreement with State Grid ITT Group, and the main contents of which are as follows:

1. Data Center Construction and Operation

Leverage the advantages of State Grid ITT Group in technology products and business markets of data centers, as well as our Group's advantages in the design, supervision, implementation, energy-saving technology of data centers and also our advantages in industry sectors, to jointly promote the data center construction and business market expansion, and accelerate the industrial deployment of data center development.

2. 5G Construction and Industrial Applications

Leverage the advantages of State Grid ITT Group in the utilization of its fundamental resources in power industry, 5G smart application technology products and business markets, as well as our Group's advantages in the planning, design, supervision, engineering of 5G networks and also our advantages in industry sectors, to jointly explore the applications of power fundamental resources such as power towers, trenches and stations in 5G construction, and collaborate to promote the applications of 5G technology products in industry sectors with smart energy, smart transportation, smart water conservancy, smart city and Industrial Internet, etc.

3. Strengthen Capital Cooperation

With a focus on strengthening industry collaboration and promoting high-quality industry development, both parties will actively promote cooperation at the capital level and explore the building of relationship with capital ties, with a view to strengthening, enhancing and expanding state-owned assets together and promoting leapfrog development of the industry.

4. Smart Chips, Applications of New Technologies and Other Aspects

Leverage the respective advantages of both parties to jointly promote the technology and products such as smart chips, big data of energy, cloud computing, Internet of Things, artificial intelligence, Beidou positioning, and integrated energy services for business expansion in the fields of smart energy, smart transportation, smart water conservancy, smart city, and Industrial Internet, etc., and to forge industry solutions and achieve new breakthroughs in the industry sectors for both parties.

5. Expansion of the International Market

Leverage the respective advantages of both parties in the international market to jointly develop the international market, and capitalize on the international platforms of both parties to strengthen cooperation and market development in areas such as smart energy, smart transportation, smart city, thus accelerating business deployment in the international market.

III. REASONS FOR AND BENEFITS OF THE INTRODUCTION OF A STRATEGIC SHAREHOLDER AND ENTERING INTO THE STRATEGIC COOPERATION AGREEMENT

As stated in the Company's Annual Report for 2020, the Group is positioned as a "New Generation Integrated Smart Service Provider" and is committed to seizing the important opportunities of digital transformation arising from Cyberpower, Digital China and Smart Society. The Group continues to penetrate into key sectors such as government, construction, Internet, electricity and transportation, and promote smart products and services such as smart city, smart government services, smart park, and smart highway to meet customers' demand for digital transformation and smart upgrade. In 2020, the Group's revenue from the domestic non-telecom operator market already accounted for more than 40% of its total revenues, and such market has been maintaining a rapid growth in recent years, thus bolstering the favourable development trend of the Group.

The board of directors of the Company believes that the introduction of State Grid ITT Group as a Strategic Shareholder of the Company and entering into the Strategic Cooperation Agreement with it are beneficial to both parties by capitalizing on each other's advantages and resources as well as strengthening the strategic cooperation in the fields of informatization and intelligentization of the power industry, thus promoting our Group's development in vertical industries including power industry and new businesses, as well as accelerating our Group's development in the domestic non-telecom operator market. The introduction of a Strategic Shareholder and the relevant arrangements could help the Company in optimizing the governance structure and enhancing the standard of corporate governance. In addition, entering into the Strategic Cooperation Agreement is beneficial to the cultivation and development of the long-term strategic cooperative relationship, active exploration of effective cooperation mechanism, improvement of regular communication mechanism and cooperation between both parties, deepening in the cooperation content, further promotion of the sustained, healthy and rapid development of both parties, and thus creating greater value for the shareholders of the Company.

IV. OTHER RELEVANT INFORMATION ABOUT THE COMPANY'S STATE-OWNED ENTERPRISE REFORM

The Company will pursue the negotiation and communication with other potential strategic investors with state-owned or privately-owned backgrounds. In compliance with relevant laws and regulations and subject to the satisfaction of relevant conditions and obtaining of the required approvals, the Company will introduce in due course other strategic investors with synergy in the areas such as strategy, industry, technology or business, and further promote the deepening reform, innovation and transformation, and sustainable business development of the Company. Besides, the Company will also actively introduce the share incentive scheme to attract and retain high-quality talents through a market-based incentive mechanism, and strive to align the interests of shareholders, the Company and employees, with a view to promoting the healthy, sustainable and high-quality development of the Group.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Beijing, PRC
25 June 2021

As at the date of this announcement, our executive directors are Mr. Zhang Zhiyong, 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.