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China Telecom Corporation Limited

中国电信股份有限公司

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

(Stock Code: 728)

CONNECTED TRANSACTION SHARE SUBSCRIPTION AGREEMENT

SHARE SUBSCRIPTION AGREEMENT

On 11 March 2024, China Telecom Quantum Group entered into the Share Subscription Agreement with the Target Company, pursuant to which the Target Company will conduct a targeted offering to China Telecom Quantum Group, and China Telecom Quantum Group agrees to subscribe for RMB ordinary shares of the Target Company equivalent to 30% of the total number of issued shares of the Target Company before the Offering. Upon completion of the Subscription, China Telecom Quantum Group will hold approximately 23.08% of the issued shares of the Target Company.

HONG KONG LISTING RULES IMPLICATIONS

As of the date of this announcement, China Telecommunications Corporation is the Company's controlling shareholder and holds approximately 63.90% of the issued share capital of the Company. China Telecommunications Corporation and the Target Company hold 54% and 36% of the equity of the Joint Venture, respectively. Accordingly, pursuant to Chapter 14A of the Hong Kong Listing Rules, the Target Company is an associate of China Telecommunications Corporation and therefore a connected person of the Company. The Subscription and transactions contemplated under the Share Subscription Agreement constitute connected transactions of the Company.

As the highest applicable percentage ratio of the Subscription is more than 0.1% but less than 5%, the Company is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

On 11 March 2024, China Telecom Quantum Group entered into the Share Subscription Agreement with the Target Company, pursuant to which the Target Company will conduct a targeted offering to China Telecom Quantum Group, and China Telecom Quantum Group agrees to subscribe for RMB ordinary shares of the Target Company equivalent to 30% of the total number of issued shares of the Target Company before the Offering. Upon completion of the Subscription, China Telecom Quantum Group will hold approximately 23.08% of the issued shares of the Target Company.

Principal terms of the Share Subscription Agreement are summarised as follows:

SHARE SUBSCRIPTION AGREEMENT

Date:

11 March 2024

Parties:

- (i) China Telecom Quantum Group; and
- (ii) the Target Company.

Subscription

(1) Amount of Share Offering and Subscription

Pursuant to the terms and conditions of the Share Subscription Agreement, the Target Company will conduct a targeted offering to China Telecom Quantum Group, and China Telecom Quantum Group agrees to subscribe for RMB ordinary shares of the Target Company equivalent to 30% of the total number of issued shares of the Target Company before the Offering. Based on the total number of shares of the Target Company on the date of signing the Share Subscription Agreement, the number of shares issued in the Offering is 24,112,311 shares. If during the period from the date of signing the Share Subscription Agreement to the offering date of the Offering, the total number of shares of the Target Company increases due to equity distribution, transfer of reserve funds to share capital, allotment of shares, conversion of convertible corporate bonds, etc., or decreases due to share repurchases and cancellations, etc., the number of shares issued in the Offering should be adjusted accordingly to ensure that the number of shares issued is 30% of the total number of issued shares of the Target Company before the Offering.

(2) Price of Share Offering and Subscription

- (a) The total subscription price payable by China Telecom Quantum Group for the newly issued shares of the Offering shall be the offering price per share (the “Price Per Share”) multiplied by the number of shares issued, and therefore amount to approximately RMB1.903 billion.

- (b) The base date for pricing of the Offering (the “Base Date”) is the announcement date of the passing of the resolution of the Target Company’s board of directors to approve the Offering plan for the first time.
- (c) The Price Per Share is RMB78.94, which is no less than 80% of the average stock trading price of the Target Company in the 20 trading days prior to the Base Date (the average stock trading price in the 20 trading days prior to the Base Date = total stock trading value in the 20 trading days prior to the Base Date ÷ total stock trading volume in the 20 trading days prior to the Base Date).
- (d) If between the Base Date and the offering date ex-rights and ex-dividend events of the Target Company such as equity distribution, transfer of reserve funds to share capital, etc. occur, the Price Per Share will be adjusted pursuant to the relevant mechanism of the Share Subscription Agreement.

(3) Subscription Method

The shares to be issued by the Target Company in the Offering will be fully subscribed and paid for by China Telecom Quantum Group in RMB cash.

(4) Lock-up Period

The shares of the Target Company to be acquired by China Telecom Quantum Group through the Subscription shall not be transferred or sold within 36 months from the completion date of the Offering.

Conditions Precedent for Effectiveness and Closing

The Share Subscription Agreement shall be established on the date of signing by both parties and shall become effective on the date when all the following conditions (“Effectiveness Conditions”) are met:

- (a) the Offering is approved by the shareholders' meeting of the Target Company; and
- (b) the issuance of the shares by the Target Company in the Offering is approved by the relevant regulatory authorities in the PRC and the relevant regulatory reviews are passed.

Both parties to the Share Subscription Agreement shall assume closing obligations from the date when all the following closing conditions (“Closing Conditions”) have been fulfilled:

- (a) all of the Effectiveness Conditions of the Share Subscription Agreement have been fulfilled;
- (b) China Telecom Quantum Group completes the opening of its securities account; and
- (c) Three non-independent directors and two independent directors among the eight existing directors of the Target Company tender their resignations (such resignations will become effective when new directors are elected); and two non-employee supervisors of the Target Company tender their resignations (such resignations will become effective when new supervisors are elected).

After the Closing Conditions have been fulfilled, the Target Company shall negotiate with China Telecom Quantum Group to determine the completion date of the Offering and issue a notice to China Telecom Quantum Group setting out information including the total share subscription amount and payment period. China Telecom Quantum Group shall make a one-time remittance of the total share subscription amount to the designated bank account within the aforementioned payment period or a period otherwise agreed by both parties in writing. The Target Company should apply to the Shanghai branch of China Securities Depository and Clearing Corporation Limited for registration of the shares issued in the Offering under the name of China Telecom Quantum Group within ten working days after the total share subscription amount is paid in full.

Upon completion of the Subscription, China Telecom Quantum Group will hold approximately 23.08% of the issued shares of the Target Company and have the power to control the board of directors of the Target Company. Therefore, according to the applicable accounting principles, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's consolidated financial statements.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Subscription has been negotiated on an arm's length basis. It will facilitate the Company's professional integration and forward-looking deployment in the field of quantum technology, strengthen technological and application innovation breakthroughs, expand the development space of emerging businesses, cultivate new momentum for high-quality development and continuously create value for the shareholders of the Company.

BOARD OPINION

The Board has passed resolutions to approve, among others, the Subscription and transactions contemplated under the Share Subscription Agreement. Save for Mr. Ke Ruiwen who serves as the Chairman of China Telecommunications Corporation, Mr. Shao Guanglu who serves as a Director and the President of China Telecommunications Corporation, Mr. Liu Guiqing who serves as a Director of China Telecommunications Corporation, Mr. Tang Ke and Mr. Li Jun who serve as Vice Presidents of China Telecommunications Corporation, Mr. Li Yinghui who serves as the Chief Accountant of China Telecommunications Corporation and have therefore abstained from voting on the relevant board resolutions in respect of, among others, the Subscription and transactions contemplated under the Share Subscription Agreement, none of the Directors have a material interest in the Subscription and transactions contemplated under the Share Subscription Agreement and no Director is required to abstain from voting on the relevant board resolutions to approve the Subscription and transactions contemplated under the Share Subscription Agreement.

The Directors (including the independent non-executive Directors) consider that, although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription and the transactions contemplated under the Share Subscription Agreement are fair and reasonable and on normal commercial terms and that entering into the Share Subscription Agreement and the transactions contemplated thereunder are in the interest of the Company and the shareholders as a whole.

INFORMATION OF THE COMPANY

China Telecom Corporation Limited (中國電信股份有限公司) is a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, with its H Shares listed on the Stock Exchange and its A Shares listed on the SSE and whose principal business is the provision of fundamental telecommunications businesses including wireline and mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses.

INFORMATION OF CHINA TELECOM QUANTUM GROUP

China Telecom Quantum Information Technology Group Limited, a limited liability company established and validly existing in accordance with PRC laws, is a wholly-owned subsidiary of the Company. Its principal businesses include digital technology services, information technology consulting services, quantum computing technology services, etc.

INFORMATION OF THE TARGET COMPANY

Quantumtek Co., Ltd., a joint stock company with limited liability established and validly existing in accordance with PRC laws, is listed on the SSE (short name: Quantumtek; stock code: 688027). Its principal businesses are divided into three sectors: quantum secure communications products and related technical services, quantum computing and quantum measurement.

Set out below is the financial information of the Target Company for the year ended 31 December 2021, the year ended 31 December 2022 and the 9-month period ended 30 September 2023 prepared in accordance with the PRC accounting standards:

	As of 31 December 2021 / for the year ended 31 December 2021 (Audited) (RMB million)	As of 31 December 2022 / for the year ended 31 December 2022 (Audited) (RMB million)	As of 30 September 2023 / for the 9-month period ended 30 September 2023 (Unaudited) (RMB million)
Total assets	1,976.26	1,942.73	1,813.12
Owners' equity attributable to equity holders of the Target Company	1,665.34	1,632.09	1,566.66
Net loss attributable to equity holders of the Target Company	(37.14)	(86.20)	(79.13)

HONG KONG LISTING RULES IMPLICATIONS

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As the highest applicable percentage ratio of the Subscription is more than 0.1% but less than 5%, the Company is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

“associate”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“China Telecommunications Corporation”	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. Its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration
“China Telecom Quantum Group”	China Telecom Quantum Information Technology Group Limited, a limited liability company established and validly existing in accordance with PRC laws and a wholly-owned subsidiary of the Company. Its principal businesses are digital technology services, information technology consulting services, quantum computing technology services, etc.
“Company”	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, with its H Shares (stock code: 728) listed on the Stock Exchange and its A Shares (stock code: 601728) listed on the SSE and whose principal business is the provision of fundamental telecommunications businesses including wireline and mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Directors”	the directors of the Company

“Group”	the Company, together with all of its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Joint Venture”	China Telecom Quantum Technology Limited, a limited liability company established and validly existing in accordance with PRC laws
“Offering”	Pursuant to the terms and conditions of the Share Subscription Agreement, the Target Company will conduct a targeted offering to China Telecom Quantum Group for RMB ordinary shares of the Target Company equivalent to 30% of the total number of shares of the Target Company in issue before the Offering
“PRC”	the People’s Republic of China (excluding, for the purposes of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region, and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Share Subscription Agreement”	the Conditional Share Subscription and Strategic Cooperation Agreement dated 11 March 2024 entered into between China Telecom Quantum Group and the Target Company
“SSE”	Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	Pursuant to the terms and conditions of the Share Subscription Agreement, China Telecom Quantum Group agrees to subscribe for RMB ordinary shares of the Target Company equivalent to 30% of the total number of shares of the Target Company in issue before the Offering
“subsidiary”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Target Company”	Quantumctek Co., Ltd., a joint stock company with limited liability established and validly existing in accordance with PRC laws, which is listed on the SSE (short name: Quantumctek; stock code: 688027). Its principal businesses are divided into three sectors: quantum secure communications

products and related technical services, quantum computing and quantum measurement

By Order of the Board
China Telecom Corporation Limited
Ke Ruiwen
Chairman and Chief Executive Officer

Beijing, China, 11 March 2024

As at the date of this announcement, the Board of Directors of the Company consists of Mr. Ke Ruiwen (as the Chairman and Chief Executive Officer); Mr. Shao Guanglu (as the President and Chief Operating Officer); Mr. Liu Guiqing, Mr. Tang Ke, Mr. Li Yinghui (as the Chief Financial Officer) (all as the Executive Vice Presidents); Mr. Li Jun; Mr. Chen Shengguang (as the Non-Executive Director); Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei (all as the Independent Non-Executive Directors).