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REPORT OF THE DIRECTORS

The Board of Directors (the “Board”) of China Telecom Corporation Limited (the “Company”) hereby presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) prepared in accordance with the International Financial Reporting Standards for the year ended 31 December 2019.

Principal Business

The principal business of the Company and the Group is the provision of fundamental telecommunications businesses including comprehensive wireline telecommunications services, mobile telecommunications services, value-added telecommunications businesses such as Internet access services, information services and other related services within the service area of the Group.

Results

Results of the Group for the year ended 31 December 2019 and the financial position of the Group as at that date are set out in the audited consolidated financial statements on pages 181 to 272 of this annual report.

Dividend Policy

The Company attaches great importance to the investment returns of shareholders, strives to maintain the continuity and stability of the dividend policy taking into the consideration the long-term interest and sustainable development of the Company. The following factors will be considered by the Company when formulating the dividend distribution plan:

1. the operating results and cash flow level of the Company;
2. the Company’s future business development position and the capital expenditure requirements;
3. capital needs and gearing ratio;
4. the expectation from shareholders and investors; and
5. other factors that the Board deems appropriate.

The Board is responsible for formulating the dividend distribution plan and will execute the relevant approval procedures in accordance with relevant laws, rules, regulations and articles of association of the Company (the “Articles of Association”) before proceeding with the distribution. In the future, the Company will strive for improvement on profitability and at the same time continue to deliver favourable dividend return for the shareholders.

Dividend

The Board proposes a final dividend in the amount equivalent to HK\$0.125 per share (pre-tax), totalling approximately RMB9,126 million for the year ended 31 December 2019. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Tuesday, 26 May 2020 (the "2019 Annual General Meeting"). Dividends will be denominated and declared in Renminbi.

Dividends for holders of domestic shares and the investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading Link") (the "Southbound Investors") will be paid in Renminbi, whereas dividends for H share shareholders other than Southbound Investors will be paid in Hong Kong dollars. The relevant exchange rate will be the average median rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends at the 2019 Annual General Meeting. The proposed final dividends are expected to be paid on Friday, 31 July 2020 upon approval at the 2019 Annual General Meeting.

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" in 2008 and Guo Shui Han [2008] No. 897, the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the proposed 2019 final dividends to non-resident enterprise shareholders of overseas H shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members on Tuesday, 9 June 2020.

According to regulations by the State Taxation Administration (Guo Shui Han [2011] No. 348) and relevant laws and regulations, if the individual H share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf

of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share shareholders. If those shareholders need to request a refund of tax overpaid from the PRC tax authorities through the Company in accordance with the relevant requirements of the Announcement [2019] No. 35 of the State Taxation Administration, they shall submit reports and information as stipulated in the Announcement [2019] No. 35 of the State Taxation Administration, and provide supplemental information on their entitlements under the relevant treaties.

The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on Tuesday, 9 June 2020 (the "Registered Address"). If the country of domicile of an individual H share shareholder is not the same as the Registered Address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before Tuesday, 2 June 2020. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depository and clearing system. According to the relevant provisions under the “Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)” and “Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127)”, the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading Link. In respect of the dividends received by Mainland securities investment funds investing in the H shares

of the Company listed on Hong Kong Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable to individual investors. The Company is not required to withhold and pay income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading Link, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders’ rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company’s H share shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

Directors and Senior Management of the Company

The following table sets out certain information of the Directors and senior management of the Company as at the date of this report:

| Name | Age | Position in the Company | Date of Appointment |
|-----------------------|-----|--|---------------------|
| Ke Ruiwen | 56 | Executive Director, Chairman and Chief Executive Officer | 30 May 2012* |
| Li Zhengmao | 57 | President and Chief Operating Officer | 23 March 2020** |
| Chen Zhongyue | 48 | Executive Director and Executive Vice President | 23 May 2017* |
| Zhang Zhiyong | 54 | Executive Vice President | 10 July 2018** |
| Liu Guiqing | 53 | Executive Director and Executive Vice President | 19 August 2019* |
| Zhu Min | 55 | Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board | 26 October 2018* |
| Wang Guoquan | 47 | Executive Director and Executive Vice President | 19 August 2019* |
| Chen Shengguang | 56 | Non-Executive Director | 23 May 2017* |
| Tse Hau Yin, Aloysius | 72 | Independent Non-Executive Director | 9 September 2005* |
| Xu Erming | 70 | Independent Non-Executive Director | 9 September 2005* |
| Wang Hsuehming | 70 | Independent Non-Executive Director | 29 May 2014* |
| Yeung Chi Wai, Jason | 65 | Independent Non-Executive Director | 26 October 2018* |

* Date of appointment as Director

** Date of appointment as Senior Management

References are made to the announcements in relation to the changes of Directors and senior management published by the Company on the following dates: On 4 March 2019, Mr. Yang Jie resigned from his positions as an Executive Director, Chairman and Chief Executive Officer of the Company due to change in work arrangement. On 8 March 2019, the Board resolved to approve Mr. Ke Ruiwen, an Executive Director, the then President and Chief Operating Officer of the Company to exercise the powers of the Chairman and Chief Executive Officer of the Company. On 11 March 2019, Mr. Wang Guoquan was appointed as an Executive Vice President of the Company. On 22 May 2019, Mr. Ke Ruiwen, an Executive Director, the then President and Chief Operating Officer of the Company was appointed as the Chairman and Chief Executive Officer of the Company. On 19 August 2019, Mr. Liu Guiqing and Mr. Wang Guoquan, Executive Vice Presidents of the Company, were appointed as Executive Directors of the Company at the extraordinary general meeting of the Company. On 17 January 2020, Mr. Gao Tongqing resigned from his positions as an Executive Director and Executive Vice President of the Company due to change in work arrangement. On 23 March 2020, Mr. Li Zhengmao was

appointed as the President and Chief Operating Officer of the Company and on the same date, Mr. Ke Ruiwen, an Executive Director, Chairman and Chief Executive Officer of the Company ceased to act as the President and Chief Operating Officer of the Company.

The term of office of the current sixth session of the members of the Board of the Company will expire on the date of the 2019 Annual General Meeting. The Board has proposed to re-elect the current Directors, Mr. Ke Ruiwen, Mr. Chen Zhongyue, Mr. Liu Guiqing, Madam Zhu Min, Mr. Wang Guoquan and Mr. Chen Shengguang as Directors of the seventh session of the Board; and to re-elect Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason as Independent Directors of the seventh session of the Board. Meanwhile, the Board will also propose to seek the approval of the shareholders of the Company to elect Mr. Li Zhengmao, the President and Chief Operating Officer of the Company and Mr. Shao Guanglu, respectively as Executive Directors of the seventh session of the Board at the 2019 Annual General Meeting. Please refer to the announcement published by the Company on 24 March 2020 for further details.

Supervisors of the Company

The following table sets out certain information of the Supervisors of the Company as at the date of this report:

| Name | Age | Position in the Company | Date of Appointment |
|---------------|------------|---|----------------------------|
| Sui Yixun | 56 | Chairman of the Supervisory Committee (Shareholder Representative) | 27 May 2015 |
| Zhang Jianbin | 54 | Supervisor (Employee Representative) | 16 October 2012 |
| Yang Jianqing | 60 | Supervisor (Employee Representative) | 23 May 2017 |
| Xu Shiguang | 40 | Supervisor (Shareholder Representative) | 26 October 2018 |
| Ye Zhong | 60 | Supervisor (Shareholder Representative) | 27 May 2015 |

The term of office of the current sixth session of the members of the Supervisory Committee of the Company will expire on the date of the 2019 Annual General Meeting. The Supervisory Committee has proposed to re-elect Mr. Sui Yixun and Mr. Xu Shiguang, the current Shareholder Representative Supervisors of the sixth session of the Supervisory Committee, as members of the seventh session of the Supervisory Committee. Due to his age, Mr. Ye Zhong, a Shareholder Representative Supervisor of the sixth session of the Supervisory Committee, will retire from his position as a Supervisor of the Company upon the expiry of his term of service. Please refer to the announcement published by the Company on 24 March 2020 for further details. The Employee Representative Supervisors of the seventh session of the Supervisory Committee shall be elected democratically by the employees of the Company. The results of such election will be announced separately.

Share Capital

The share capital of the Company as at 31 December 2019 was RMB80,932,368,321, divided into 80,932,368,321 shares of RMB1.00 each. As at 31 December 2019, the share capital of the Company comprised:

| Class of Shares | Number of shares as at 31 December 2019 | Percentage (%) of the total number of shares in issue as at 31 December 2019 |
|--|--|---|
| Total number of Domestic shares (held by the companies as follows): | 67,054,958,321 | 82.85 |
| China Telecommunications Corporation | 57,377,053,317 | 70.89 |
| Guangdong Rising Assets Management Co., Ltd. | 5,614,082,653 | 6.94 |
| Zhejiang Financial Development Company | 2,137,473,626 | 2.64 |
| Fujian Investment & Development Group Co., Ltd. | 969,317,182 | 1.20 |
| Jiangsu Guoxin Group Limited | 957,031,543 | 1.18 |
| Total number of H shares (including ADSs) | 13,877,410,000 | 17.15 |
| Total | 80,932,368,321 | 100.00 |

Material Interests and Short Positions in Shares and Underlying Shares of the Company

As at 31 December 2019, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at the shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

| Name of shareholders | Number of shares | Class of shares | Approximate percentage of the respective class of shares in issue | Approximate percentage of the total number of shares in issue | Capacity |
|--|---|-----------------|---|---|---|
| China Telecommunications Corporation | 57,377,053,317 (Long Position) | Domestic shares | 85.57% | 70.89% | Beneficial owner |
| Guangdong Rising Assets Management Co., Ltd. | 5,614,082,653 (Long Position) | Domestic shares | 8.37% | 6.94% | Beneficial owner |
| Citigroup Inc. | 1,437,045,756 (Long Position) | H shares | 10.35% | 1.77% | 1,652,200 shares as person having a security interest in shares; 34,318,810 shares as interest of controlled corporation; and 1,401,074,746 shares as approved lending agent |
| | 3,954,000 (Short Position) | H shares | 0.02% | 0.00% | Interest of controlled corporation |
| | 1,401,074,746 (Shares available for lending) | H shares | 10.09% | 1.73% | Approved lending agent |
| BlackRock, Inc. | 1,266,251,025 (Long Position) | H shares | 9.12% | 1.56% | Interest of controlled corporation |
| JPMorgan Chase & Co. | 1,248,678,064 (Long Position) | H shares | 8.99% | 1.54% | 203,732,692 shares as interest of controlled corporation; 81,673,300 shares as investment manager; 26,242,500 shares as person having a security interest in shares; and 937,029,572 shares as approved lending agent |
| | 72,237,399 (Short Position) | H shares | 0.52% | 0.08% | Interest of controlled corporation |
| | 937,029,572 (Shares available for lending) | H shares | 6.75% | 1.15% | Approved lending agent |
| The Bank of New York Mellon Corporation | 1,037,754,265 (Long Position) | H shares | 7.48% | 1.28% | Interest of controlled corporation |
| | 496,031,000 (Short Position) | H shares | 3.57% | 0.61% | Interest of controlled corporation |
| | 511,240,181 (Shares available for lending) | H shares | 3.68% | 0.63% | Interest of controlled corporation |
| GIC Private Limited | 971,432,320 (Long Position) | H shares | 7.00% | 1.20% | Investment manager |
| Templeton Global Advisors Limited | 965,225,382 (Long Position) | H shares | 6.96% | 1.19% | Investment manager |

Save as disclosed above, as at 31 December 2019, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares and underlying shares of the Company.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

During the year in 2019, the Company has not granted its Directors or Supervisors, or their respective spouses or any of their respective minor child (natural or adopted) or on their behalf any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right.

Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

Reference is made to the announcement published by the Company on 22 June 2018 in relation to the Capital Contribution Agreement entered into by the Company, China Telecommunications Corporation ("China Telecommunications") and China Communications Services Corporation Limited ("CCS") to jointly establish China Telecom Group Finance Co., Ltd. ("China Telecom Finance"). The Company, China Telecommunications and CCS respectively contributed RMB3,500 million, RMB750 million and RMB750 million, which respectively represented 70%, 15% and 15% of the total registered capital of China Telecom Finance. On 1 February 2019 (the "Financial Services Agreements Date"), (i) the Company entered into the China Telecom Financial Services Framework Agreement with China Telecom Finance; (ii) China Telecom Finance entered into the China Telecommunications Corporation Financial Services Framework Agreement with China Telecommunications; and (iii) China Telecom Finance entered into the CCS Financial Services Framework Agreement with CCS. As at the Financial Services Agreements Date, Mr. Ke Ruiwen, an Executive Director of the Company, and Mr. Yang Jie, the then Chairman of the Company, also served as a Director and the then Chairman of China Telecommunications respectively; Madam Zhu Min, an Executive Director of the Company, also served as the Chief Accountant of China Telecommunications and the Chairlady of China Telecom Finance. They all abstained from voting on the relevant board resolutions. Please refer to the section headed "Continuing Connected Transaction" on page 65 of this annual report for further details.

Save as disclosed above, for the year ended 31 December 2019, the Directors and Supervisors of the Company or their connected entities did not have any material interest, whether directly or indirectly, in any transactions, arrangements or contracts which was significant to the Company's business and which was entered into by the Company, its parent company or any of its subsidiaries or fellow subsidiaries.

Service Contracts

None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Emoluments of the Directors and Supervisors

Please refer to note 34 of the audited consolidated financial statements for details of the emoluments of all Directors and Supervisors of the Company in 2019.

Purchase, Sale and Redemption of Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company during the reporting period.

Issue of Debentures

In 2019, the Company successfully issued (i) 16 tranches of super short-term commercial papers with an aggregate principal amount of RMB62 billion; and (ii) 2 tranches of medium-term notes with an aggregate principal amount of RMB5 billion. The proceeds were used to repay debt financing instruments due and replenish the Company's working capital in the course of business operations. Please refer to note 19 of the audited consolidated financial statements for details.

Change of Principal Place of Business in Hong Kong

With effect from 6 May 2019, the principal place of business of the Company in Hong Kong has been changed to 28/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

Material Acquisitions and Disposals

For the year ended 31 December 2019, the Company had no material acquisitions and disposals.

Public Float

As at the date of this report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Hong Kong Stock Exchange.

Summary of Financial Information

Please refer to pages 273 to 274 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2019.

Bank Loans and Other Borrowings

Please refer to note 19 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

Capitalised Interest

Please refer to note 32 of the audited consolidated financial statements for details of the Group's capitalised interest for the year ended 31 December 2019.

Fixed Assets

Please refer to note 4 of the audited consolidated financial statements for movements in the fixed assets of the Group for the year ended 31 December 2019.

Reserves

Pursuant to Article 149 of the Articles of Association, where the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and regulations, materially differ from those prepared in accordance with either the International Financial Reporting Standards, or accounting standards at a place outside the PRC where the Company's shares are listed, the distributable profit for the relevant fiscal year shall be deemed to be the lesser of the amounts shown in those respective financial statements. Distributable reserves of the Company as at 31 December 2019, calculated on the above basis and before deducting the proposed final dividends for 2019, amounted to RMB138,312 million.

Please refer to note 26 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2019.

Equity-linked Agreements

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist during the year ended 31 December 2019.

Donations

For the year ended 31 December 2019, the Group made charitable and other donations with a total amount of RMB1 million.

Subsidiaries and Associated Companies

Please refer to note 9 and note 10 of the audited consolidated financial statements for details of the Company's subsidiaries and the Group's interests in associated companies as at 31 December 2019.

Permitted Indemnity

For the year ended 31 December 2019 and as at the date of approval of this report, the Company has arranged appropriate insurance cover in respect of legal actions against the directors of the Group.

Changes in Equity

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of the year (page 184 of this annual report).

Retirement Benefits

Please refer to note 45 of the audited consolidated financial statements for details of the retirement benefits provided by the Group.

Pre-Emptive Rights

There are no provisions for pre-emptive rights in the Articles of Association requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

Major Customers and Suppliers

For the year ended 31 December 2019, revenue generated from the five largest customers of the Group accounted for an amount of less than 30% of the total operating revenues of the Group.

For the year ended 31 December 2019, purchases from the five largest suppliers of the Group accounted for an amount of less than 30% of the total annual purchases of the Group.

Share Appreciation Rights

Please refer to note 46 of the audited consolidated financial statements for details of the share appreciation rights scheme of the Company.

Competing Business

None of the Directors of the Company had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

Management Contracts

During the reporting period, the Company had not entered into any management contracts with respect to the entire or principal business of the Company.

Continuing Connected Transactions

The following table sets out the amounts of the Group's continuing connected transactions for the year ended 31 December 2019:

| Transactions | Transaction amounts (RMB millions) | Annual monetary cap for continuing connected transactions (RMB millions) |
|--|---------------------------------------|---|
| (1) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND CHINA TELECOMMUNICATIONS' AND/OR ITS ASSOCIATES (EXCLUDING THE GROUP) | | |
| Net transaction amount of centralised services | 133 | 1,300 |
| Net expenses for interconnection settlement | 86 | 400 |
| Mutual leasing of properties | 929 | 1,300 |
| Provision of IT services by China Telecommunications and/or its associates | 2,175 | 3,200 |
| Provision of IT services by the Group | 464 | 1,300 |
| Provision of community services by China Telecommunications and/or its associates | 3,464 | 4,200 |
| Provision of supplies procurement services by China Telecommunications and/or its associates | 3,538 | 6,000 |
| Provision of supplies procurement services by the Group | 1,444 | 6,300 |
| Provision of engineering services by China Telecommunications and/or its associates | 14,014 | 23,000 |
| Provision of ancillary telecommunications services by China Telecommunications and/or its associates | 18,571 | 22,000 |
| Provision of Internet applications channel services by the Group | 108 | 2,000 |
| (2) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN CHINA TELECOM FINANCE AND THE GROUP, THE PARENT GROUP² AND THE CCS GROUP³ RESPECTIVELY | | |
| Provision of deposit services by China Telecom Finance to the Group (maximum daily balance of deposits, including accrued interest) | 8,458 | 50,000 |
| Provision of loan services by China Telecom Finance to the Parent Group (maximum daily loan balance, including accrued interest) | – | 1,000 |
| Provision of loan services by China Telecom Finance to the CCS Group (maximum daily loan balance, including accrued interest) | – | 1,000 |

Notes:

- China Telecommunications refers to China Telecommunications Corporation, the Company's controlling shareholder which holds approximately 70.89% of the issued share capital of the Company.*
- The Parent Group refers to China Telecommunications Corporation, its associates and its commonly held entity held with the Group, excluding the Group and the CCS Group.*
- The CCS Group refers to China Communications Services Corporation Limited and its subsidiaries.*

(1) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO AMONG THE GROUP AND CHINA TELECOMMUNICATIONS AND/OR ITS ASSOCIATES (EXCLUDING THE GROUP)

On 20 August 2018, the Company and China Telecommunications Corporation (“China Telecommunications”) entered into supplemental agreements and renewed the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement and the Internet Applications Channel Services Framework Agreement for a further term of 3 years expiring on 31 December 2021. China Telecommunications is the controlling shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, China Telecommunications is a connected person of the Company and the transactions contemplated under each of the agreements constitute continuing connected transactions of the Company.

As certain applicable percentage ratios (excluding the profits ratio) of the renewed annual caps for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 exceeds 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The independent shareholders of the Company considered and approved the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement and the renewed annual caps applicable thereto at the extraordinary general meeting of the Company held on 26 October 2018. As each of the applicable percentage ratios (excluding the profits ratio) of the renewed annual caps for the transactions contemplated under other continuing connected transactions agreements for each of the years ending 31 December 2019, 2020 and 2021 exceeds 0.1% but is less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules. Details of the respective agreements are shown below:

Centralised Services Agreement

Pursuant to the centralised services agreement signed between the Company and China Telecommunications on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the “Centralised Services Agreement”), centralised services include centralised business management and operational services provided by the Group to China Telecommunications in relation to key corporate customers, its network management centre and business support centre. Centralised services also include the provision of certain premises by China Telecommunications to the Group and the common use of international telecommunications facilities by both parties. The aggregate costs incurred by the Group and China Telecommunications for the provision of management and operation services will be apportioned between the Group and China Telecommunications on a pro rata basis according to the revenues generated by each party. Where the Group uses the premises provided by China Telecommunications, the Group will pay premises usage fees to China Telecommunications on a pro rata basis according to the apportioned actual area allocated to the Group. The premises usage fees shall be determined through negotiation between the two parties based on comparable market rates. When both parties use international telecommunications facilities provided by third parties and accept services by such third parties (for example, restoration

maintenance costs, the annual utilisation fee and related service costs) and when both parties use the international telecommunications facilities of China Telecommunications, the associated costs shall be shared on a pro rata basis according to volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from each party divided by the proportion of the aggregate volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from both parties. When the two parties use international telecommunications facilities provided by a third party and accept restoration maintenance costs, such fees shall be determined according to the actual utilisation fee each year. The utilisation fee associated with the shared use of the international telecommunications facilities provided by China Telecommunications shall be determined through negotiation between the two parties based on market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and under normal commercial terms. When determining whether the transaction price for any transaction under the agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Centralised Services Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Centralised Services Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Centralised Services Agreement, and the parties shall consult and decide on matters relating to such renewal.

Interconnection Settlement Agreement

Pursuant to the interconnection settlement agreement signed between the Company and China Telecommunications on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the “Interconnection Settlement Agreement”), the telephone operator connecting a telephone call made to its local access network shall be entitled to receive from the operator from which the telephone call originated a fee prescribed by the Ministry of Industry and Information Technology of the PRC (the “Ministry of Industry and Information Technology”) from time to time. Interconnection charges are currently RMB0.06 per minute for local calls originated from the Group to China Telecommunications. The interconnection settlement charges will be calculated according to the “Notice Concerning the Issue of the Measures on Interconnection Settlement between

Public Telecommunications Networks and Sharing of Relaying Fees (Xin Bu Dian [2003] No. 454)” promulgated by the Ministry of Information Industry. The Ministry of Industry and Information Technology may, from time to time, take into account the relevant regulatory rules and market conditions, amend or promulgate new rules or regulations in respect of interconnection settlement which will be announced on its official website at www.miit.gov.cn. If the Ministry of Industry and Information Technology amends the existing, or promulgates new rules or regulations in respect of interconnection settlement, the parties shall apply such amended or new rules and regulations as acknowledged by both parties. The settlement regions include Beijing Municipality, Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Interconnection Settlement Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Interconnection Settlement Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Interconnection Settlement Agreement, and the parties shall consult and decide on matters relating to such renewal.

Property Leasing Framework Agreement

Pursuant to the property leasing framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreement subsequently entered into between the two parties (collectively, the "Property Leasing Framework Agreement"), the Group and China Telecommunications and/or its associates can lease properties from the other party for use as business premises, offices, equipment storage facilities and sites for network equipment installation. The rental charges under the Property Leasing Framework Agreement shall be determined according to comparable market rates. Market rates shall mean the rental charges at which the same or similar type of properties or adjacent properties are leased by independent third parties in the ordinary course of business and on normal commercial terms. When determining the rental charges for any

property under the agreement represents market rates, to the extent practicable, management of the Company shall take into account the rental charges of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference. The rental charges are subject to review every 3 years.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Property Leasing Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Property Leasing Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Property Leasing Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

IT Services Framework Agreement

Pursuant to the IT services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the “IT Services Framework Agreement”), the Group and China Telecommunications and/or its associates can provide the other party with information technology services, including office automation and software testing. Each of the Group and China Telecommunications and/or its associates is entitled to participate in bidding for the right to provide information technology services to the other party in accordance with the IT Services Framework Agreement. The charges payable for such services shall be determined by reference to the market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference.

In the circumstances where the relevant laws or regulations in the PRC specify that the prices and/or the fee standards for particular services to be provided pursuant to such agreement are to be determined by a tender process, the charges payable for such services shall be finally determined in accordance with the “Bidding Law of the PRC” and the “Regulations on the Implementation of the Bidding Law of the PRC” or the relevant tender procedures. The Group shall solicit at least three tenderers for the tender process. If the terms offered by the Group or China Telecommunications and/or its associates are no less favourable than those offered by an independent third party provider, the Group or China Telecommunications and/or its associates may award the tender to the other party.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the IT Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the IT Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the IT Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Community Services Framework Agreement

Pursuant to the community services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Community Services Framework Agreement"), China Telecommunications and/or its associates provide the Group with community services such as culture, education, property management, vehicle service, health and medical care, hotel and conference service, community and sanitary service. The community services under the Community Services Framework Agreement are provided in accordance with the following pricing terms:

- (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, "reasonable profit margin" is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the "reasonable profit margin" for any transaction under the agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with independent third parties in the corresponding period or the relevant industry profit margin for reference.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Community Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Community Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Community Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Supplies Procurement Services Framework Agreement

Pursuant to the supplies procurement services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Supplies Procurement Services Framework Agreement"), China Telecommunications and/or its associates and the Group provide each other with supplies procurement services, including comprehensive procurement services, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage, transportation and installation services.

Where the procurement services are provided on an agency basis, the maximum commission for such procurement services shall be calculated at:

- (1) not more than 1% of the contract value for procurement of imported telecommunications supplies; or
- (2) not more than 3% of the contract value for the procurement of domestic telecommunications supplies and domestic non-telecommunications supplies.

The pricing basis of the services for the provision of supplies procurement other than on an agency basis under the Supplies Procurement Services Framework Agreement is the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Supplies Procurement Services Framework Agreement on the same terms in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Supplies Procurement Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Supplies Procurement Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Engineering Framework Agreement

Pursuant to the engineering framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Engineering Framework Agreement"), China Telecommunications and/or its associates through bids provides to the Group services such as construction, design, equipment installation and testing and/or engineering project supervision services. The charges payable for such engineering services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by independent third parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by independent third parties in the ordinary course of business in the corresponding period for reference. The charges payable for the design or supervision of engineering projects with a value of over RMB1 million or engineering construction projects with a value of over RMB4 million shall be determined by the tender award price, which is determined in accordance with the "Bidding Law of the PRC" and the "Regulations on the Implementation of the Bidding Law of the

PRC" or the final confirmed price in the relevant tender process. The Group shall solicit at least three tenderers for the tender process. In the circumstances there are amended rules or regulations in respect of tender scope and scale of the engineering construction projects promulgated by PRC laws and regulations during the term of the agreement, both parties agreed to apply such amended rules and regulations and no amendment to the supplemental agreement is required.

The Group does not accord any priority to China Telecommunications and/or its associates to provide such services, and the tender may be awarded to an independent third party. However, if the terms of an offer from China Telecommunications and/or its associates are at least as favourable as those offered by other tenderers, the Group may award the tender to China Telecommunications and/or its associates.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Engineering Framework Agreement on the same terms (except the pricing terms) for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Engineering Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Engineering Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Ancillary Telecommunications Services Framework Agreement

Pursuant to the ancillary telecommunications services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Ancillary Telecommunications Services Framework Agreement"), China Telecommunications and/or its associates provide the Group with certain repair and maintenance services, including repair of telecommunications equipment, maintenance of fire equipment and telephone booths, as well as other customer services. The pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Ancillary Telecommunications Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Ancillary Telecommunications Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Ancillary Telecommunications Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Internet Applications Channel Services Framework Agreement

Pursuant to the Internet applications channel services framework agreement signed between the Company and China Telecommunications on 16 December 2013 and the related supplemental agreement subsequently entered into between the two parties (collectively, the "Internet Applications Channel Services Framework Agreement"), the Company provides Internet applications channel services to China Telecommunications and/or its associates. The channel services mainly include the provision of telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc. The pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Internet Applications Channel Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Internet Applications Channel Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Internet Applications Channel Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

(2) CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN CHINA TELECOM FINANCE AND THE GROUP, THE PARENT GROUP AND THE CCS GROUP RESPECTIVELY

On 1 February 2019, China Telecom Finance entered into the financial services framework agreement with each of the Company, China Telecommunications (together with its associates and its commonly held entity held with the Group, excluding the Group and the CCS Group, the "Parent Group") and CCS (together with its subsidiaries, "CCS Group"). China Telecommunications, the controlling shareholder of the Company, holds approximately 51.39% of the issued share capital of CCS and CCS is a subsidiary of China Telecommunications. Pursuant to Chapter 14A of the Listing Rules, China Telecommunications and CCS and their associates are connected persons of the Company. As the Company holds 70% of the issued share capital of China Telecom Finance, China Telecom Finance is a subsidiary of the Company. Meanwhile, China Telecommunications and CCS each respectively holds 15% of the issued share capital of China Telecom Finance. Pursuant to Chapter 14A of the Listing Rules, China Telecom Finance is a connected subsidiary of the Company and an associate of the China Telecommunications and CCS, which is also a connected person of the Company. Accordingly, the transactions under the China Telecom Financial Services Framework Agreement entered into between the Company and China Telecom Finance, the China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecom Finance and China Telecommunications and the CCS Financial Services Framework Agreement entered into between China Telecom Finance and CCS constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

China Telecom Financial Services Framework Agreement entered into between the Company and China Telecom Finance

Pursuant to the financial services framework agreement entered into between the Company and China Telecom Finance on 1 February 2019 ("China Telecom Financial Services Framework Agreement"), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the Group. As each of the applicable percentage ratios of the annual caps for the deposit services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 exceeds 5% but is less than 25%, such continuing connected transaction is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapters 14A of the Listing Rules. The independent shareholders of the Company considered and approved the deposit services and the applicable annual caps under the China Telecom Financial Services Framework Agreement at the extraordinary general meeting of the Company held on 18 April 2019.

As the loan services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant loan services will not be secured by the assets of the Group, such loan services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy:

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the Group shall be the same as those interest rates

and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan Services

The loan interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the loan interest rates of the same type of loan services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The loan interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the loan services offered by China Telecom Finance to the Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units. The above loan services provided by China Telecom Finance to the Group do not require the Group to pledge any security over its assets or make other arrangements for the loan services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Group under the China Telecom Financial Services Framework Agreement. The fees charged for other financial services provided by China Telecom Finance to the Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or China Banking and Insurance Regulatory Commission (including its designated institution) ("CBIRC") (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative

commercial banks of the Group.

Under the same conditions, the fees standard charged to the Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecom Financial Services Framework Agreement, under the same conditions, the Group should, in principle, choose the services provided by China Telecom Finance. If the Group considers it is appropriate and beneficial to the Group, the Group has the discretion to engage one or more major cooperative commercial banks of the Group as its financial services providers.

The China Telecom Financial Services Framework Agreement became effective from 1 February 2019 and will expire on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement.

China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecom Finance and China Telecommunications

Pursuant to the financial services framework agreement entered into between China Telecom Finance and China Telecommunications on 1 February 2019 (“China Telecommunications Corporation Financial Services Framework Agreement”), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the Parent Group. As the deposit services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the loan services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 exceeds 0.1% but is less than 5%, such loan services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy:

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Parent Group shall comply with the relevant requirements of the People’s Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People’s Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the Parent Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan Services

The loan interest rates offered by China Telecom Finance to the Parent Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the loan interest rates of the same type of loan services for the same period offered by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The loan interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the loan services offered by China Telecom Finance to the Parent Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units.

The above loan services provided by China Telecom Finance to the Parent Group do not require the Parent Group to pledge any security over its assets or make other arrangements for the loan services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance to the Parent Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the Parent Group. Under the same conditions, the fees standard charged to the Parent Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecommunications Corporation Financial Services Framework Agreement, under the same conditions, the Parent Group should, in principle, choose the services provided by China Telecom Finance. If the Parent Group considers it is appropriate and beneficial to the Parent Group, the Parent Group has the discretion to engage one or more major cooperative commercial banks of the Parent Group as its financial services providers.

The China Telecommunications Corporation Financial Services Framework Agreement became effective from 1 February 2019 and will expire on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement.

CCS Financial Services Framework Agreement entered into between China Telecom Finance and CCS

Pursuant to the financial services framework agreement entered into between China Telecom Finance and CCS on 1 February 2019 (“CCS Financial Services Framework Agreement”), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the CCS Group. As the deposit services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.90 of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for loan services provided by China Telecom Finance to CCS Group under the CCS Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 exceeds 0.1% but is less than 5%, such loan services are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement for each of the years ending 31 December 2019, 2020 and 2021 is less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Pricing Policy:

(i) Deposit Services

The deposit interest rates offered by China Telecom Finance to the CCS Group shall comply with the relevant requirements of the People’s Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People’s Bank of China from time to time (if any) and the deposit interest rates of the same type of deposit services for the same period offered by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative

commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the deposit services offered by China Telecom Finance to the CCS Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by China Telecom Finance to other member units.

(ii) Loan Services

The loan interest rates offered by China Telecom Finance to the CCS Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the loan interest rates of the same type of loan services for the same period offered by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The loan interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the loan services offered by China Telecom Finance to the CCS Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units. The above loan services provided by China Telecom Finance to the CCS Group do not require the CCS Group to pledge any security over its assets or make other arrangements for the loan services as guarantee.

(iii) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the CCS Group under the CCS Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance to the CCS Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the CBIRC (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The handling fees standard shall be equivalent to or lower than those charged by the major cooperative commercial banks of the CCS Group. Under the same conditions, the fees standard charged to the CCS Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the CCS Financial Services Framework Agreement, provided that it is in compliance with the terms and conditions of the CCS Financial Services Framework Agreement, China Telecom Finance was appointed as one of the financial institutions providing financial services to the CCS Group. Prior to the signing of any specific agreement with China Telecom Finance in respect of respective transactions under the CCS Financial Services Framework Agreement, the CCS Group will compare the interest rates and terms or fees charged and other relevant transactions terms offered by China Telecom Finance with those interest rates and terms of the same type of deposit or loan services for the same period or fees charged and other relevant transaction terms for the same type of financial services offered by the major cooperative commercial banks of the CCS Group. Only when the interest rates and terms or fees charged or other relevant transactions terms offered by China Telecom Finance are equivalent to or better than those interest rates and terms offered or fees charged or other relevant transactions terms (e.g. transaction approval terms, procedures or time limit, etc.) offered by the major cooperative commercial banks of the CCS Group, the CCS Group has the discretion to enter into the transactions with China Telecom Finance. Under the circumstances which the CCS Group considers appropriate, the CCS Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

The CCS Financial Services Framework Agreement became effective from 1 February 2019 and will expire on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement.

Review of Continuing Connected Transactions

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions the Company conducted in the year 2019.

The Company's external auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2019 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Group have reviewed the continuing connected transactions of the Group for the year ended 31 December 2019 and have confirmed to the Board that nothing has come to their attention that causes them to believe that the relevant continuing connected transactions:

- (1) have not been approved by the Board of the Company;
- (2) (for transactions involving the provision of goods or services by the Group) were not entered into, in all material respects, in accordance with the pricing policies of the Group;
- (3) were not entered into, in all material respects, in accordance with the terms of the agreements governing such transactions; and
- (4) have exceeded the annual caps as set by the Company.

A copy of the auditors' letter in relation to the continuing connected transactions has been provided by the Company to the Hong Kong Stock Exchange.

The Independent Non-Executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2019 to which the Group was a party:

- (1) had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business;
- (2) had been entered into either:
 - (i) on normal commercial terms or better; or
 - (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or (if applicable) from independent third parties; and
- (3) had been entered into in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-Executive Directors have further confirmed that:

The continuing connected transactions for the year ended 31 December 2019 entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

Related Party Transactions

Details of the related party transactions of the Group ("Related Party Transactions") are set out in note 43 of the consolidated financial statements. Only the Related Party Transactions set out in note 43(a) of the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the details of which (except for fully exempt continuing connected transactions) have been disclosed in the above section "Continuing Connected Transactions". Other Related Party Transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

5G Network Co-Build and Co-Share Cooperation with China Unicom

On 9 September 2019, the Company entered into a 5G network co-build and co-share framework cooperation agreement (the "Cooperation Agreement") with China Unicom. Pursuant to the Cooperation Agreement, the Company will cooperate with China Unicom to jointly co-build one 5G access network nationwide and co-share 5G spectrum resources while the 5G core network shall be respectively constructed by each party. The Company is cooperating with China Unicom on 5G network co-build and co-share. The Company believes that the cooperation is beneficial to the efficient construction of 5G network and the reduction of network construction and maintenance costs while enhancing efficiency in network and assets operation, which enables the Company to rapidly create 5G service capability and strengthen network quality and business experience so as to achieve a win-win situation for both parties. Please refer to the announcement published by the Company on 9 September 2019 for further details.

Business Review

Relating to the details of the material development of the Group in 2019, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement on pages 8 to 19, Business Review on pages 32 to 40 and Financial Review on pages 41 to 49 of this annual report. Description of the principal risks and uncertainties faced the Group can be found throughout this annual report, particularly in the Environmental, Social and Governance Report on pages 92 to 173 of this annual report. Particulars of important events affecting the Group that have occurred after 31 December 2019, if any, can also be found in the Notes to the Consolidated Financial Statements. The outlook of the Group's business is discussed throughout this annual report including in the Chairman's Statement and Business Review.

Description of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends can be found throughout this annual report, particularly in the Environmental, Social and Governance Report on pages 92 to 173 of this annual report. In addition, more details regarding the Group's performance by reference to financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Chairman's Statement, Business Review, Financial Review, Environmental, Social and Governance Report of this annual report. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

Compliance with the Corporate Governance Code

Please refer to the Environmental, Social and Governance Report set out on pages 92 to 173 of this 2019 annual report of the Company for details of our compliance with the Corporate Governance Code.

Material Legal Proceedings

As at 31 December 2019, the Company was not involved in any material litigation or arbitration, and as far as the Company is aware, no material litigation or claims were pending or threatened or made against the Company.

Auditors

Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP were appointed as the international and domestic auditors of

the Company, respectively for the year ended 31 December 2019. Deloitte Touche Tohmatsu has audited the consolidated financial statements set out in this report, which have been prepared in accordance with the International Financial Reporting Standards. The Company has appointed Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP since 29 May 2013. The relevant re-appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's international and domestic auditors, respectively for the year ending 31 December 2020 will be proposed to the 2019 Annual General Meeting of the Company to be held on 26 May 2020.

By Order of the Board

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China
24 March 2020