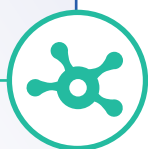


SECTION III
MANAGEMENT'S DISCUSSION AND ANALYSIS
(REPORT OF THE DIRECTORS)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(REPORT OF THE DIRECTORS)



Ke Ruiwen
*Chairman and
Chief Executive Officer*

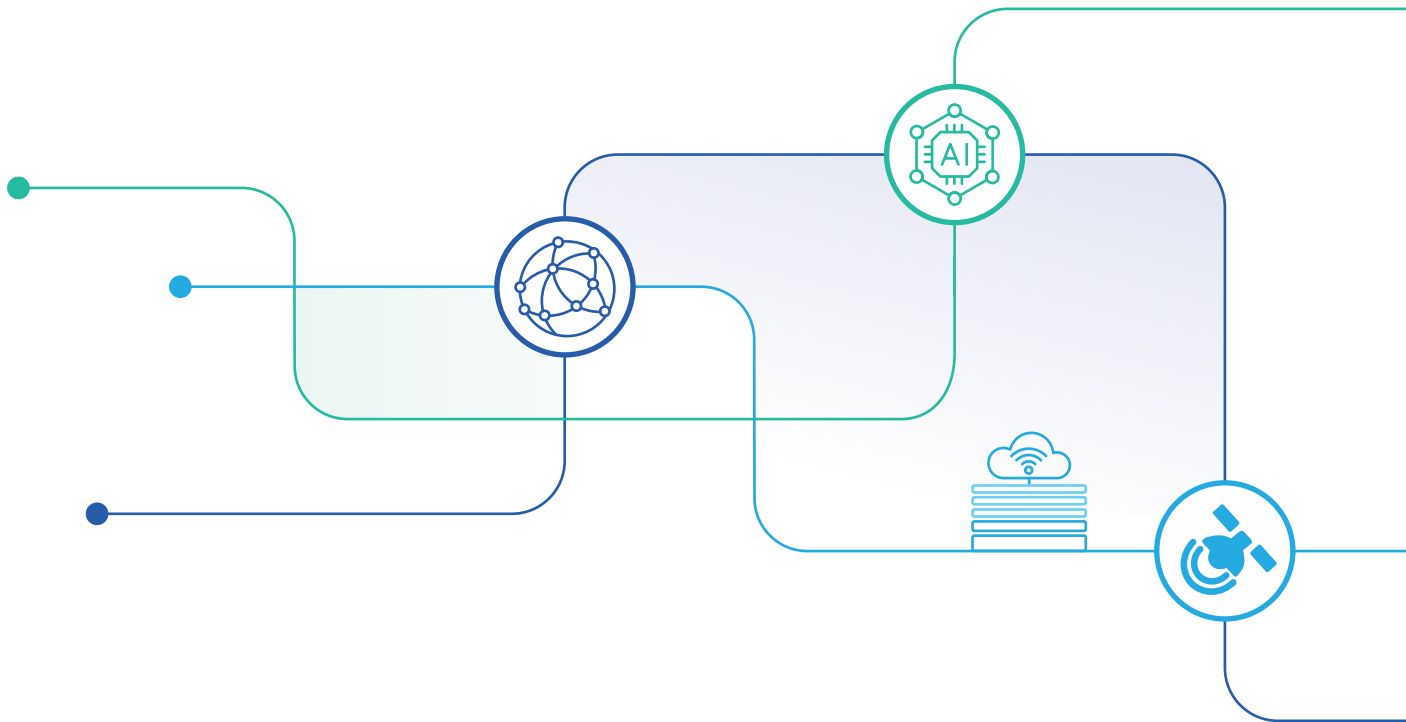


1. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

The Company actively seized the new trend of consumption upgrade driven by "AI+" and continued to advance the innovation and upgrade of its development model. Targeting new business models and new scenarios, the Company continuously enriched the supply of high-quality products, and took solid steps to promote the integrated development driven by the dual engines of fundamental businesses and Industrial Digitalisation business.

For individual customers, the Company continued to upgrade connectivity experiences. Focusing on demands in market segments such as live streaming and sports events, the Company increased efforts to enable the precise coverage and large-scale

commercialisation of 5G-A, enriched the benefits of 5G-A packages, and strove to deliver the next-generation communication service experience. The Company further upgraded personal applications, and leveraged intelligent agents to intensify product innovation and transformation. Specifically, it upgraded the AI call agent, launched a variety of AI mobile phones, enhanced the music agent, rolled out generative colour ringback tone services with audio and video such as e-Surfing Smart Ringback Tone, released AI applications including Cloud Smart Phone, developed personal life agents, and continuously iterated products such as AI cloud computers and AI Cloud Drive, empowering users to embrace a new chapter of life driven by AI. The Company continued to promote the ubiquitous aerial-ground integrated communication services, accelerated the scaling of user base for direct satellite connection services, stepped up the promotion of satellite services in coverable overseas areas, and drove the penetration of satellite-based services.



For home customers, the Company continued to upgrade the gigabit fibre network services, accelerated the penetration of gigabit fibre network and the construction of 10 gigabit fibre network, integrated ultra-gigabit connectivity, computing power and other capabilities, developed products such as "FTTR+X", and drove the iteration of home broadband toward home AI-powered all-fibre network. The Company kept advancing the upgrade of home applications through AI. By building home agents, the Company provided intelligent services for a full range of scenarios including security protection, health management, travel planning and cultural interaction, and launched "e-Surfing Smart Screen", an intelligent interactive terminal, as an entry point for home AI applications. The Company continued to advance the upgrade of the "platform + AI" development model, accelerated the AI upgrades of platforms such as smart communities, digital villages and IoVT, created AI scenarios connecting individuals, families and communities, actively innovated new development models, and expanded new market spaces.

For government and business customers, the Company continued to advance the all-round development of computing power, made ongoing efforts to strengthen and solidify the foundational network infrastructure, built a computing interconnection network for Access-to-Compute, Inter-Compute and Intra-Compute, and developed a cloud foundation featuring multi-chip architecture in one cloud, polymorphism and multi-type computing in one cloud, as well as full-stack capabilities integrating cloud and intelligence. As of now, the total scale of its self-owned and accessed intelligent computing power has reached 91 EFLOPS. The Company further promoted AI application across various scenarios. Relying on Xirang, a computing-network integrated service platform, the Company successfully developed more than 110 industry-

specific large models and over 350 industry-specific agents, serving over 37,000 customers in total. The Company deeply implemented the "AI+" initiative for state-owned central enterprises, building an "AI+" action demonstration base, and leading the construction of the computing power pool and trusted data space for state-owned central enterprises, with an AI penetration rate of 85% among state-owned central enterprises. The Company continuously increased the supply of industry-specific platforms, and focused on developing the Xingchen platform series to empower the digital transformation and upgrade of customers in manufacturing, education, healthcare, government and other sectors, with 16 platforms ranking among the top 5 of respective industries. The Company further enhanced the service capabilities of 5G customised networks across various scenarios, and developed 10 scenario-based private network solutions for customers in sectors such as manufacturing, nuclear power, ports, rail transit, low-altitude economy, campuses and automaking.

For international users, the Company continuously drove the high-quality development of international business, steadily advanced the development of global cloud-network infrastructure and ecosystem, further deepened the integration and coordination of domestic and overseas operations, strengthened the overseas adaptation and promotion of strategic emerging businesses including cloud, AI IoVT, IoT, satellite business, quantum business and security business, and actively expanded markets along the Belt and Road. In 2025, international business revenues reached RMB19.26 billion, representing a year-on-year growth of 14.1%.

For detailed business analysis of the Company, please refer to "5. MAJOR OPERATION DURING THE REPORTING PERIOD" in this section.

2. OVERVIEW OF THE COMPANY'S INDUSTRY DURING THE REPORTING PERIOD

1. INDUSTRY OVERVIEW

In 2025, amid the complex environment and multiple challenges, the telecommunications industry maintained steady growth in both volume and revenue, consolidating strengths in key areas, further advancing the development of new information infrastructure, and exhibiting increasingly notable enabling effects. With all development goals and tasks successfully accomplished, it brought the 14th Five-Year Plan to a satisfactory conclusion.

1. The telecommunications industry achieved steady growth through quality and efficiency improvement

Steady increase in both volume and revenue.

In 2025, the total volume of telecommunications businesses calculated based on the pricing adopted in the previous year increased by 9.1% year-on-year, contributing positively to economic growth. The revenue from telecommunications businesses for the year amounted to RMB1.75 trillion, representing an increase of 0.7% year-on-year. **New growth drivers continued to gain momentum.** The industrial structure was further optimised. Revenue from traditional businesses such as voice, SMS and traffic declined slightly, while the proportion of revenue from emerging businesses, primarily cloud computing, big data, IoT, and data centres, rose to 25.7%, representing an increase of 4.7% year-on-year and becoming the main driver of revenue growth of the industry. **Sci-tech innovation continued to deliver new achievements.** In 2025, the proportion of R&D expenses to telecommunications business revenue in the telecommunications industry rose to 4.6%, meeting the 14th Five-Year Plan target of 4.5%. This has effectively supported continuous innovation in key areas. The global share of China's 5G standard essential patent declarations reached 42%; the 5G-A network was deployed at a faster pace successively in commercial scenarios such as low-altitude economy and industrial Internet; interim achievements were made in the 6G system architecture and critical technology verification;

the integrated innovation of AI and communication technologies gathered pace, and quantum communication technology is moving from frontier research to practical application.

2. Upgrade of information communications infrastructure

The coverage of "dual-gigabit" networks continued to improve.

The construction targets for 5G and the gigabit fibre network as outlined in the "14th Five-Year Plan" were overstripped, achieving gigabit connectivity in every county and 5G connectivity in every township and more than 95% of administrative villages. As of the end of 2025, the number of 5G base stations in China reached 4.838 million, with an average of 34.4 5G base stations per 10,000 people, 8.4 more than the target set in the 14th Five-Year Plan. Further headway was achieved in gigabit fibre network construction, with the number of 10G PON ports capable of providing gigabit network services reaching 31.62 million, 2.6 times the target set in the 14th Five-Year Plan. Pilot deployment of 5G-A and 10-gigabit fibre networks was accelerated. The number of 5G RedCap base stations reached 2.064 million, with 5G-A covering more than 330 cities. Pilot deployment of 10-gigabit fibre network was smoothly carried out in the first batch of 168 residential communities, factories and industrial parks. **Coordinated development of computing power network achieved notable advances.** As of the end of 2025, optical fibre network extended steadily across the country, with a total length of 74.99 million km and the length of fibre cable lines newly built in the year reaching 2.113 million km. The supply of computing power was significantly increased, with the number of data centre cabinets provided to the public by the three fundamental telecommunications enterprises totalling 938,000, and the scale of schedulable intelligent computing power exceeding 94.4 EFLOPS (quintillion floating-point operations per second, FP16). Network transmission capacity achieved a generational leap. Development of the 400G all-optical inter-provincial backbone network continued to deepen, with service capabilities extending from backbone transmission to high-quality services for government and business customers. Breakthroughs were made in cutting-edge technologies, with the world's first on-site trial of 400G/800G converged network successfully implemented.

3. Simultaneous increases in the scale and quality of users

Users of 5G mobile phones accounted for more than 60% of the total. As of the end of 2025, the number of mobile phone users in China amounted to 1.827 billion, with a mobile phone penetration rate of 130 units per 100 people. Mobile phone users migrated rapidly to 5G network. The number of 5G mobile phone users reached 1.204 billion, with a net increase of 190 million in the year, accounting for 65.9% of all mobile phone users, which was 2.1 times the global average. **Users of high-quality networks such as gigabit fibre network grew rapidly.** As of the end of 2025, the number of wireline broadband access users reached 691 million, including 583 million household broadband access users. The household broadband penetration rate reached 117.9 units per 100 households. The number of users with access speeds of 1000 Mbps and above reached 238 million, accounting for 34.5% of wireline broadband access users, an increase of 3.6 percentage points from the end of the previous year. The scale of Fibre-to-the-Room (FTTR) users expanded rapidly, reaching 59.39 million as of the end of 2025. The upgrade of household digital infrastructure accelerated the evolution of household services from basic connectivity to "FTTR+X" integrated applications, expanding the scenarios for digital household services. In 2025, the total access bandwidth of wireline broadband users reached 346,000 Tbps, representing an increase of 12.7% year-on-year. The average contracted bandwidth per household reached 553.4 Mbps per household, representing an increase of 41.6 Mbps per household from the end of the previous year. **Mobile IoT terminals accounted for more than 60% of all mobile terminal connections.** As of the end of 2025, the number of mobile IoT terminal users in China reached 2.888 billion, representing a year-on-year increase of 8.7%, with a net increase of 232 million in the year, accounting for 61.3% of mobile terminal connections. The structural feature of IoT connections surpassing mobile phone users was further solidified. Mobile IoT terminals are widely used in public services, Internet of Vehicles, smart retail, smart home and other fields, with the user scale reaching 1.164 billion, 529 million, 365 million and 323 million respectively. Among them, the Internet of Vehicles and public services posted strong growth momentum, achieving double-digit user growth and becoming the main drivers of development.

4. Deepening of industry digitalisation

Mobile data traffic consumption remained robust. With the accelerated improvement of featured 5G applications, construction of a smart home ecosystem was accelerated, innovation and development were achieved in new businesses such as "AI+" products, cloud computers, cloud gaming and VR, and faster growth was recorded in mobile data traffic. In 2025, mobile Internet access traffic increased by 17.3% year-on-year, among which 5G mobile data traffic rose by 37.6% year-on-year. The dataflow of usage (DOU) for the year reached an average of 20.74GB/user month, and the DOU for December alone reached 23.04GB/user, both at historical highs. Mobile IoT terminal access traffic maintained rapid growth, up 42.7% year-on-year. **Development of integrated industry applications continued to advance in depth.** 5G and gigabit fibre networks have been deeply integrated with the real economy and widely applied across 91 major categories of the national economy. Industrial Internet has covered 41 major industrial categories, becoming a key engine driving the digital transformation and intelligent upgrades of various industries. Network infrastructure was continuously consolidated as a foundation. A total of 75,000 5G industry dedicated virtual networks have been built, 19,000 of which were added in the year. Innovative applications were deployed on a large scale, and the digital transformation of the industrial sector picked up pace. The "5G + Industrial Internet" projects numbered more than 23,000, with more than 100 million devices connected to key industrial Internet platforms, playing an increasingly prominent enabling role. New models and business forms such as unmanned mines, dark factories and smart ports emerged and flourished, demonstrating the strong vitality of the deep integration of digital and real economies.

Note: The above data are extracted from the "Statistical Communique of the Communications Industry in 2025 and its interpretations: The Telecommunications Industry Operates Steadily with New Drivers Fostered Faster" issued by the MIIT.

2. SIGNIFICANT IMPACT OF NEW LAWS, ADMINISTRATIVE REGULATIONS, DEPARTMENTAL RULES AND INDUSTRY POLICIES ON THE INDUSTRY

During the Reporting Period, a number of administrative regulations, departmental rules and departmental normative documents were promulgated and implemented, posing new requirements for the development and compliance operation of the industry.

On 5 January 2025, in order to faithfully implement the decisions and plans of the CPC Central Committee and the State Council, the National Development and Reform Commission and the Ministry of Finance jointly issued the *Notice on Further Intensifying and Expanding the Implementation of Large-Scale Equipment Renewal and Consumer Goods Trade-in Policies in 2025* (hereinafter referred to as the "Expansion Notice"), which became effective as of the date of promulgation. The *Expansion Notice* aims to increase the funding scale, expand the scope of support, optimise the implementation mechanism, amplify the leveraging effect, and further advance the "Four Major Initiatives". The *Expansion Notice* specifies 27 measures in five aspects, i.e. driving equipment renewal, expanding support for consumer goods trade-in, accelerating the improvement of recycling capabilities, fully leveraging the leading role of standards, and strengthening organisation and implementation. It further expands the scope of support to fields including electronic information, while providing subsidies for individual consumers purchasing digital products such as mobile phones, so as to further unleash consumption vitality, drive investment growth, promote industrial upgrade, and support green transformation.

On 12 February 2025, the Cyberspace Administration of China promulgated the *Measures for the Administration of Personal Information Protection Compliance Audits* (hereinafter referred to as the "Information Protection Audit Measures"), which took effect on 1 May 2025. The *Information Protection Audit Measures* detail the provisions on the conduct of compliance audits for personal information protection, the selection of compliance audit institutions, the frequency of compliance audits, and the obligations of personal information processors and specialised institutions in compliance audits. *Information Protection Audit Measures* aim to provide systematic, targeted and actionable norms for personal information processors in conducting compliance audits for personal information protection, improve the legal compliance of personal information processing activities, and protect individuals' rights to personal information.

On 7 March 2025, the Cyberspace Administration of China, the Ministry of Industry and Information Technology, the Ministry of Public Security and the National Radio and Television Administration jointly promulgated the *Measures for Labeling AI-Generated Synthetic Content* (hereinafter referred to as the "Labeling Measures"), which became effective on 1 September 2025. Focusing on the labeling of AI-generated synthetic content, the *Labeling Measures* aim to remind users to identify false information through labels, clarify the responsibilities and obligations of relevant service providers in labeling, regulate labeling behaviors across processes of content production and dissemination, improve security at a reasonable cost, and promote the accelerated application of AI in various scenarios such as text-based conversation, content production and auxiliary design. Also, the *Labeling Measures* are intended to mitigate the harms caused by the abuse of AI generation and synthesis technologies, prevent risky acts such as the production and dissemination of false information using AI technologies, and facilitate the healthy and orderly development of AI.

On 23 April 2025, the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the General Administration of Customs, the State Administration for Market Regulation and the National Radio and Television Administration jointly promulgated the *Provisions on the Administration of Direct-to-Terminal Satellite Services* (hereinafter referred to as the "*Direct-to-Terminal Satellite Services Provisions*"), which took effect on 1 June 2025. The *Direct-to-Terminal Satellite Services Provisions* clearly define the core obligations of service providers in terms of access licensing, equipment management, data security and information handling. The *Direct-to-Terminal Satellite Services Provisions* require that domestic services may only be connected to legally operated satellite communication systems within the territory, and that domestic user data shall be processed in domestic ground facilities, while strengthening the responsibility for preventing and controlling telecom and online fraud risks and handling illegal information. The policy is expected to further promote and regulate the healthy development of direct-to-terminal satellite services.

On 21 August 2025, the State Council issued the *Opinions of the State Council on Further Implementing the "AI+" Initiative* (hereinafter referred to as the "*AI+ Initiative' Opinions*"), which became effective on the date of promulgation. The *AI+ Initiative Opinions* require deeper implementation of the "AI+" initiative with the focus on science and technology, industry, consumption, people's livelihood, governance, global cooperation, among other fields, to foster new infrastructure, new technology systems, new industrial ecosystems and new job opportunities, accelerate the cultivation and development of new quality productive forces, share the outcomes of AI development, and better support the advancement of Chinese modernisation.

On 25 August 2025, the Ministry of Industry and Information Technology issued the *Guiding Opinions on Optimising Market Access to Promote the Development of the Satellite Communications Industry* (hereinafter referred to as the "*Satellite Communications Guiding Opinions*"), which became effective on the date of promulgation. The *Satellite Communications Guiding Opinions*

provide 19 measures in six aspects, i.e. gradually expanding market opening, continuously expanding application scenarios, fostering and strengthening the industrial ecosystem, optimising the supply of telecommunications resources, tightening satellite communications regulation, and enhancing collaboration and synergy. The *Satellite Communications Guiding Opinions* supports telecom operators to co-build and co-share resources with satellite enterprises, to further tap the application potential of high-orbit satellites such as Tiantong and Beidou, promote the application of direct satellite connection with terminals such as mobile phones, and provide satellite-based voice and short message services for terrestrial mobile communication users. The *Satellite Communications Guiding Opinions* also encourages telecom operators to expand high-speed data services on the basis of voice and short message services through low-orbit satellite internet, so as to advance the integrated development of space-based and terrestrial information infrastructure.

On 25 December 2025, the State Council promulgated the *Implementation Regulations of the Value-Added Tax Law of the People's Republic of China* (hereinafter referred to as the "*Value-Added Tax Law Implementation Regulations*"), which took effect on 1 January 2026. Aligned with the provisions of the Value-Added Tax Law and the current VAT system, the *Value-Added Tax Law Implementation Regulations* provide for specific rules in light of actual conditions and administration needs, covering VAT system elements, preferential policies, collection and administration, etc., with the aim to ensure that the VAT system is unified, standardised and actionable nationwide, safeguards fair competition, and helps stabilise market expectations.

The Company will conscientiously implement the relevant newly issued and revised laws, administrative regulations, departmental rules and industry policies, and proactively follow and study the relevant upcoming laws, administrative regulations, departmental rules and industry policies to ensure that the relevant business operations are in compliance with laws and regulations and that the Company operates in compliance with laws and regulations.

3. CHAIRMAN'S STATEMENT

In 2025, China Telecom fully, accurately, and comprehensively implemented the new development philosophy, and actively served and integrated into the new development paradigm. It resolutely fulfilled its responsibilities in building China's strength in cyberspace, science and technology, Digital China, as well as safeguarding network and information security. The Company accurately grasped the trends in technological innovation and industrial development, fully embraced AI, and drove the upgrade of its corporate strategy from "Cloudification and Digital Transformation" to "Cloudification, Digital Transformation and AI for Good", taking another solid step towards high-quality development.

1. ACHIEVING STEADY PROGRESS IN OPERATION AND DEVELOPMENT

The telecommunications industry has now entered a critical period where old growth drivers are being replaced with new ones. Seizing the historic opportunities arising from the new round of technological revolution and industrial transformation represented by AI, the Company adhered to innovation-driven development, continuously strengthened value creation, constantly optimised its revenue mix, and made solid progress in cost reduction and efficiency improvement, effectively driving innovation-led and high-quality development.

In 2025, the Company's operating revenues amounted to RMB529.6 billion. Of which, service revenues¹ amounted to RMB485.4 billion, representing an increase of 0.7% year-on-year. EBITDA² amounted to RMB143.9 billion, representing an increase of 2.1% year-on-year. Net profit³ amounted to RMB33.2 billion, representing an increase of 0.5% year-on-year. The basic earnings per share were RMB0.36. Capital expenditure was RMB80.4 billion, and free cash flow⁴ reached RMB44.7 billion.

The Company continued to promote the integrated development driven by the dual engines of innovation-led fundamental businesses and Industrial Digitalisation business, with revenue from fundamental businesses amounting to RMB330.5 billion in 2025, representing an increase of 0.7% year-on-year. The number of mobile subscribers totalled 439 million, and the 5G network subscriber penetration rate was 68.8%. The number of broadband subscribers reached 201 million, and the gigabit broadband penetration rate was 31.6%. Revenue from Industrial Digitalisation business reached RMB147.3 billion, representing an increase of 0.5% year-on-year, of which, resource-based revenues⁵ reached RMB63 billion, representing an increase of 1.1% year-on-year. Strategic emerging businesses continued to maintain rapid growth, and revenue from China Telecom Cloud amounted to RMB120.7 billion, raising the Company's market share of public cloud IaaS to the second place in China, while the IaaS+PaaS market share ranks among the top three⁶; revenue from AIDC reached RMB34.5 billion, revenue from the security business reached RMB16.6 billion, and intelligent revenues⁷ reached RMB12.3 billion; Internet of Video Things (IoVT) revenues increased by 31.2% year-on-year, quantum revenues increased by 65.4% year-on-year, and satellite revenues increased by 30.7% year-on-year.

¹ Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues

² EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation

³ Net profit represents profit attributable to equity holders of the Company

⁴ Free cash flow = Net cash flow from operating activities – Capital expenditure

⁵ Resource-based revenue includes revenue from AIDC, networking dedicated lines, Internet of Things (IoT), and 5G customized networks

⁶ Data source: China's Public Cloud Services Market Tracking Report (2025Q3) by IDC

⁷ Intelligent revenue includes the revenue from artificial intelligence and intelligent computing services provided to customers

Taking the Company's profitability into full consideration, alongside cash flow levels and capital needs for its future development, the Board of Directors has decided to propose at the Annual General Meeting that the profit to be distributed in cash for the year 2025 shall represent 75% of the profit attributable to equity holders of the Company for the year. A final dividend of RMB0.0908 per share (pre-tax) will be declared for the year 2025. Together with the 2025 interim dividend of RMB0.1812 per share (pre-tax), which has been already distributed, the full year dividend of 2025 amounts to RMB0.2720 per share (pre-tax).

2. PROACTIVELY DRIVING THE UPGRADE OF CORPORATE STRATEGY

As a strategic technology leading the new round of technological and industrial transformation, AI is profoundly reshaping the ways we produce and live. Against this backdrop, the Company deeply understands the disruptive changes brought about by artificial intelligence, seizes the opportunities and rides on the momentum, accelerates the upgrade of its corporate strategy, continues to deepen the Five-Sphere Integrated intelligent cloud system, and further advances the "AI+" initiative, striving to build itself into an enterprise with "Three Orientations"⁸.

2.1 Deepening a Five-Sphere Integrated intelligent cloud system, and comprehensively and deeply advancing the "AI+" initiative

With its No.1 technology "Xirang" as the core, the Company leveraged the advantages of cloud-network integration, accelerated research on core technologies, successfully built and continuously deepened the integrated intelligent cloud system integrating computing power, platform, data,

model, and application. **At the IaaS layer**, the Company achieved a comprehensive upgrade from a basic computing power foundation to an AI-native computing power foundation. Relying on the integrated elastic computing of general computing, intelligent computing, supercomputing, and quantum computing, AI unified data storage, and AI high-performance cloud networking, it improved the collaborative efficiency of cloud-intelligence integrated computing, storage, and networking significantly, forming a large-scale production capacity for AI token with high concurrency, high throughput, and high computing efficiency. **At the PaaS layer**, the Company developed the Triless⁹ platform architecture to achieve triple decoupling of resources, frameworks, and tools. As of now, the total scale of its self-owned and accessed intelligent computing power has reached 91 EFLOPS. By making breakthroughs in technologies such as multi-level caching, heterogeneous computing, and model routing optimization, the Company provided tool services for various large models. **At the DaaS layer**, the Company developed high-quality datasets and trusted circulation toolchain, driving the deeper integration of self-owned, open-source, and third-party data sets, aggregating general large model corpus data of over 10 trillion tokens and high-quality datasets covering over 14 industries, with a total volume exceeding 500TB. **At the MaaS layer**, the Company continuously strengthened the first full-modal, full-size, and fully homegrown Xingchen large model system for state-owned central enterprises, establishing industry-leading advantages in semantics, speech, visual perception, and multi-modality. **At the SaaS layer**, the Company built a standardised AI product system and launched industry-specific large models and agent services adapted to multiple scenarios, making AI more accessible and easier to use, and continuously empowering the digital and intelligent transformation of the economy and society.

⁸ Enterprise with "three orientations": service-oriented, technology-oriented, and secured enterprise

⁹ Triless refers to the "Three Irrelevances", namely being resource-irrelevant, framework-irrelevant, and tool-irrelevant

The Company comprehensively and deeply advanced the "AI+" initiative. It continued to embed AI into the core parts of its operations, and developed a map of AI application scenarios spanning five key areas, i.e. intelligent customer services, intelligent marketing, intelligent operations, intelligent R&D, and intelligent management, and has launched more than 250 applications in total, revolutionising workflows with AI and comprehensively improving operating efficiency. In terms of intelligent customer services, the proportion of intelligent customer services increased by 5.2 percentage points compared with the end of 2024. In terms of intelligent marketing, AI capabilities covered 100% of its self-operated business halls. Empowered by "Zhixiaowei", the ICT services for small and micro-sized businesses recorded an increase of 21% in average monthly revenue. In terms of intelligent operations, the Company created more than 900 cloud-network digital employees, which boosted the fault handling efficiency by 30% and brought the autonomous intelligence level of cloud-network operations to L4. In terms of intelligent R&D, AI-generated code made up 40% of the total, enhancing R&D efficiency by 20%. In terms of intelligent management, the Company promoted the application of AI in scenarios such as legal affairs, procurement and supply, achieving intelligent management across business lifecycles. The Company drove AI into more households and empowered more industries. The Company actively built a unified entry point for personal and home AI applications driven by the "Xingxiaochen", a self-developed agent, accelerated the AI-integrated upgrade of existing products, created new AI-native products, and innovated AI terminals, with the value contribution from AI applications increasing by 22% year-on-year, and AI adoption rate rising by 5.3 percentage points year-on-year. The Company developed over 110 industry-specific large models and over 350 agents, forming AI application standard paradigms covering 15 industries including industry and government affairs, serving over 37,000 industrial customers. Moreover, it built the "AI+" action demonstration base and led the construction of the trusted data space and computing power

pool for state-owned central enterprises, with an AI penetration rate of 85% in state-owned central enterprises. The Company built an intelligent and endogenous cloud-network operation and customer service system. In terms of cloud-network operation, it accelerated the evolution from a traditional cloud network to an AI-native one, achieving a comprehensive upgrade to "intelligence-driven and dynamically orchestrated", and accelerating the unified management of underlying resources and the API-fication of capabilities. AI will orchestrate computing power and connectivity in real time based on business intent, transforming resource supply from passive configuration to active adaptation, thereby ensuring service certainty while enhancing efficiency and effectiveness. In terms of customer service, the Company leveraged AI to reshape customer service processes, moving from being "primarily offline" to "online intelligent services", with the service provider gradually shifting from humans to AI agents. Traditional offline, manual, and standardised interfaces are being switched to online, autonomous, and intelligent ones, in which AI agents proactively understand intentions and solve problems, achieving simultaneous improvements in efficiency and experience.

During the Spring Festival, the Company promoted its Smart Ringback Tone business, which received an enthusiastic market response, with over 4 million users creating content with AI and a 14-fold increase in average daily token consumption. The intelligent cloud system provided secure, stable, and highly elastic resources and operational support for high-concurrency and large-scale business operations, effectively driving the transformation of the business model from traditional traffic-based operations to token value-based operations. Since March, the Company has relied on its intelligent cloud system and leveraged the advantages of its channels and delivery teams to achieve one-click secure and rapid deployment of OpenClaw through cloud computers, cloud hosts, and e-Surfing Smart Boxes, etc., driving more than 60,000 new cloud computer activations and a 10-fold increase in average daily token consumption.

2.2 Building a service-oriented, technology-oriented, and secured enterprise, with the transformation yielding continuous results.

The Company deeply advanced the initiative to build itself into a service-oriented, technology-oriented, and secured enterprise, achieving a series of iconic achievements and breakthroughs, and taking a solid step towards corporate transformation and strategic upgrading.

Taking a customer-centric approach and deepening the efforts to build a service-oriented enterprise

Upholding a demand-centric approach, the Company developed token services as its main business line. Centering on the goal of building itself into a leading AI service provider, the Company integrated system integration capabilities of elements such as technology, talent, and channels to provide integrated, digital-intelligent, and localised AI services, creating new forms of the intelligent economy, promoting the accelerated promotion of new-generation intelligent terminals and agents, driving the commercialised and large-scale application of artificial intelligence in key industries and fields, and cultivating new intelligent-native business formats and models. It improved the "All Customers' Say" service mechanism, and strove to deliver "Dedicated, Trusted and Satisfying" services to support users' aspirations for a better life. **For individual and home customers**, the Company made greater efforts to advance customer value management. Taking the customer operation agent as a key enabler, the Company continuously enhanced the digital capabilities in customer demand insight and precise service matching. By building more accurate and multi-dimensional customer profiles, the Company further refined the operation of 5G, FTTR and value-added services to effectively stabilise customer value. The Company made greater efforts to promote AI-driven product upgrade. Precisely seizing the new trend of "AI+ consumption" among customers, the Company

leveraged agents to intensify product innovation and restructuring, securing a strategic position at the AI entry point. The Company strengthened the supply of AI call agent capabilities and developed various AI-customized mobile phones; through home agents, it provided all-scenario smart home life services covering security, health, communication, entertainment, and smart control, and launched the e-Surfing Smart Screen, an intelligent interactive terminal; it utilized self-developed multi-modal large models to upgrade music agents and launched the e-Surfing Smart Ringback Tone, a generative color ringback tone service with audio and video, reshaping traditional product forms. The Company made greater efforts to drive the ubiquitous aerial-ground integrated communication services. It accelerated the scaling of user base for direct satellite connection services in coverable areas, stepped up the promotion of satellite services overseas, with the number of handset direct-to-satellite users exceeding 8.2 million and the number of vehicle direct-to-satellite users totalling more than 100,000. The Company made greater efforts to advance the upgrade of the "Platform + AI" development model. It continuously deepened the AI upgrades of digital platforms including smart communities, digital villages and IoVT. Focusing on production, daily life, and social governance, the Company created AI scenarios linking individuals, families, and communities, actively innovated new development models, and expanded new market spaces. **For government and business customers**, the Company further deepened the integration of AI with digital economy, digital livelihood and digital government affairs. The Xingchen series of platforms has achieved comprehensive AI scenario-based upgrades to empower the digital and intelligent transformation of various industries. In terms of digital economy, "Industrial Intelligence 2.0" has created more than 50 scenario-based intelligent agents. Through an AI implementation paradigm of "small model detection, large model decision-making, integrated collection and control execution, and digital twin prediction", it assisted enterprises in their transformation and upgrading in scenarios such as production line changeovers, flexible production

and intelligent production scheduling. The newly launched "e-Surfing Smart Enterprise 2.0" achieved the upgrades of infrastructure, AI applications and data operations through the innovative application of AI technology and ecosystem aggregation, helping small and medium-sized enterprises achieve transformation and leapfrog development at low cost and with high efficiency. In terms of digital livelihood, the Xingchen Smart Education Platform has strengthened intelligent analysis of learning situations and created an intelligent agent matrix that empowers home-school-community synergy, achieving intelligent teaching, learning, management and research, covering over 160 prefecture-level cities. The Xingchen Smart Healthcare Platform has restructured its dual product lines of regional healthcare and smart hospitals, focusing on providing AI empowerment for scenarios such as intelligent auxiliary diagnosis and medical report interpretation, with implementation in over 120 prefecture-level cities. In terms of digital government affairs, relying on the Xingchen Smart Government Platform and the Xingchen Smart City Platform, the Company has created a new "AI+" paradigm to empower core scenarios such as market regulation, social governance and urban operations. This assisted customers in optimising business processes and achieving scientific decision-making and efficient governance in over 250 prefecture-level cities. The Company deeply engaged in quantum communication, quantum computing and quantum precision measurement, accelerating the launch of full-stack quantum products. Quantum communication recorded users exceeding 6.8 million, serving more than 5,000 industry customers in sectors such as government administration, finance, and energy. The Company achieved commercialisation of products for three major scenarios, i.e., real quantum computer deployment, cloud platform applications, and quantum information education, providing quantum computing power and academic support

for universities. The Company accelerated the progression of quantum precision measurement technology from the engineering stage to the market stage, with deployments in typical scenarios such as geological exploration. The Company has made forward-looking strategic deployments in the new low-altitude economy sector, creating a newly upgraded AI+ "1+1+4+N"¹⁰ low-altitude economy capability system and developing over a thousand application scenarios. It provided one-stop solutions for scenarios such as low-altitude infrastructure, operational supervision, safety protection, and intelligent operations, with its products being implemented in more than 160 cities, comprehensively enhancing the digitalization, intelligence, and safety levels of low-altitude operations, and assisting the low-altitude economy to "fly safely and fly efficiently."

Upholding innovation-driven development and accelerating efforts to build a leading sci-tech enterprise

The Company accelerated the development of self-reliance and self-strengthening in high-level science and technology fields and concentrated efforts on developing its No.1 technology "Xirang". With the focus on four core fundamental technologies, it stepped up efforts to drive breakthroughs for key and core technologies, with its R&D expenses¹¹ reaching RMB15.6 billion, representing an increase of 7.3% year-on-year, leading to significant achievements in scientific and technological innovation. **In terms of cloud and cloud-network integration**, the Company's server operating system CTyunOS passed the national security and reliability assessment, constructed a "multi-element heterogeneous, software-hardware synergy, and computing-network integration" cloud-edge-terminal collaborative inference network, achieved breakthroughs in technologies such as ubiquitous computing power perception, computing-power

¹⁰ 1+1+4+N: 1 integrated service foundation, 1 low-altitude intelligent network, 4 major platforms coordinated safeguard, and N scenarios application drive

¹¹ R&D expenses are based on the China Accounting Standards for Business Enterprises

synergy, heterogeneous inference, and edge acceleration, and realised autonomous, controllable, and proximity-access token production and transmission. **In terms of network**, its 5G core patents have been awarded the China Patent Award Silver Medal for three consecutive years; with regard to 6G, the Company led the initiation of multiple 3GPP standard projects, including low-altitude sensing and IoT NTN, spearheaded breakthroughs and trials in multiple key technologies, including high-orbit video semantic communication, medium-orbit NR-NTN, multimodal integrated communication and sensing fusion, and released the Ubiquitous Intelligent-benefit Network technical system; regarding optical networks, it set a new world record for single-wavelength 800G/1.2T real-time unrepeated single-span transmission. **In terms of AI**, the Company continued to advance the key technologies for the Xingchen large model. With breakthroughs in technical difficulties such as human-like natural dialogue, intelligent interaction between humans and cameras, and processing of tasks with complex semantics, the model was honoured with the "2025 Super AI Leader (SAIL) Award" at the World Artificial Intelligence Conference. The Company innovatively developed a technical system for AI flow, which was selected for NeurIPS 2025 and other top-tier international conferences in artificial intelligence, and launched generative video compression technology, enabling smooth, lag-free, low-latency video transmission in weak network environments. **In terms of quantum/security technologies**, the Company unveiled the world's first distributed cryptosystem integrating QKD¹² and PQC¹³, built "Tianyan-287", a superconducting quantum computer capable of achieving "quantum computational advantage" with performance at a world-leading level. It also released China's first open-source basic safety guardrail for large models, and developed the industry-leading

security dataset "Qianmo Shuju". The Company's technological innovation capabilities have been repeatedly recognized, with its technological influence continuing to grow. The "Xingchen" large model system has been successively named as part of the "2025 Top Ten National Mega-Projects of State-owned Central Enterprises", and the e-Surfing Artificial Intelligence of Things (AIoT) has been included in the "Top Ten Super Projects of State-owned Central Enterprises for 2025". The Company promoted the deep integration of technological and industrial innovation, creating outstanding products, expanding the scale of strategic emerging businesses, helping improve the quality and efficiency of enterprise operations, and shaping new momentum and advantages for high-quality development.

Consolidating key capabilities and making all-out efforts to build a secured enterprise

The Company consistently integrated secure development into all aspects of its production and operations, and continuously improved and perfected its institutional system, solidly enhanced governance capabilities, focused on building a robust technological foundation, continuously optimized service guarantees, and firmly consolidated the cyber and information security defenses. The Company placed equal emphasis on security construction and security operation. Security agents have been widely deployed internally, with the automatic detection rate of security incidents exceeding 97%, the full-network protection coverage increasing by 16 percentage points, and the operating efficiency improving by 37 percentage points. The Company attached great importance to AI security governance, and continuously improved the AI security governance framework covering environment, data, model, content, and application.

¹² QKD: Quantum Key Distribution, which refers to the remote key distribution leveraging the physical properties of quantum such as indivisibility, non-replication, and uncertainty

¹³ PQC: Post Quantum Cryptography, which refers to cryptographic technologies and relevant algorithms capable of resisting quantum computer attacks

The Company issued the *White Paper on AI Agent Security Governance*, the first of its kind in the industry, and kept upgrading the comprehensive, dynamic AI-driven protection system. The Company strove to develop top-tier security products, first-class security services, and industry-grade security integration capabilities, to provide customers with more diverse and reliable security protection solutions. The Company built a product matrix with Anti-DDoS Cloud Dam, Yunmai Zero Trust, Security Brain, and Cloud Mirror Host Security at the core, and accelerated the integration of AI into security. The "Xingchen • Jianwei" large model fully covered various security operation scenarios; empowering a wide range of sectors including government affairs, energy and finance; the Managed Security Service Provider (MSSP) Cloud Dam accelerated intelligent upgrading and multi-category expansion, serving more than 8,000 customers in total. The Company launched the first operator-grade agent security solution in China — e-Surfing Smart Security, assisting users in building OpenClaw-type agent security solutions with its full-process control, real-time defense, and behavior traceability capabilities. By deeply integrating IoVT, IoT and AI capabilities, the Company worked to develop integrated security governance solutions for urban operation, public security, emergency management and other scenarios, driving the deep integration of security capabilities across cloud, network, edge, terminal and application layers, and forming replicable, scalable and customisable industry-grade security integration paradigms.

2.3 Upgrading the intelligent and comprehensive digital information infrastructure to build a solid foundation for the development of AI

The Company deepened its development philosophy of "network as the foundation, cloud as the core, network moving with the cloud, cloud-network integration, and intelligent-benefit symbiosis", and accelerated the upgrade of its digital information infrastructure for the AI era.

Based on the integrated computing network nationwide, the Company drove the integrated layout and upgrade of computing power, storage capacity, connectivity, AIDC, and electricity. In terms of computing power, it has built China's first commercial super-node cluster at a hub node in the GBA, and established provincial-level inference pools in hotspot regions such as Beijing and Jiangsu to promote efficient collaboration of computing resources. Its self-owned intelligent computing power reached 46 EFLOPS. In terms of storage capacity, it has formed a 2+31+X¹⁴ storage capacity layout, and launched pilot programs of tiered storage capacity in Guangdong and Hunan, significantly reducing long-term data storage costs. In terms of connectivity, it has built an intelligent, collaborative, agile and efficient computing interconnection network for Access-to-Compute, Inter-Compute and Intra-Compute. The backbone optical cables were upgraded, and the interconnection latency among eight major hubs was reduced to less than 12 milliseconds. The Company deepened the construction of new

¹⁴ 2+31+X: 2 national storage centres (Inner Mongolia, Guizhou), 31 provincial-level storage nodes, and X edge storage nodes

metropolitan networks with integrated cloud and network, and fully adopted technologies such as SRv6 and network slicing to build elastic and agile access-to-compute capabilities. In terms of AIDC, centred around the "East-to-West Computing Resource Transfer" strategy, the Company optimised its layout and appropriately advanced its reserves of facility buildings, electricity, and energy resources at national hub nodes, built an efficient, green and intelligent computing infrastructure in line with the "Two Highs, Two Flexibles"¹⁵ standards. The Company's rack power capacity exceeded 3.2GW, with the total power of high-power racks increased by more than 35% year-on-year, actively carrying out global AIDC deployment. In terms of electricity, the Company deepened synergistic development between computing power and electricity, promoted the upgrade of the power supply architecture. It explored new power supply models, pioneering the creation of four national benchmarks. The Company built the world's first underwater data centre project powered by an offshore wind farm in Shanghai, where more than 95% of the total electricity is supplied directly by the offshore wind farm.

The Company continued to advance the evolution and upgrade of its integrated space-aerial-ground and international and domestic information and communication network infrastructure. It constructed 10 million 10G PON ports in the gigabit fibre network, and its gigabit broadband covered over 97% of urban residential areas. The Company actively drove the project approval and construction of the new-generation high-orbit mobile communication satellites and high-orbit high-throughput satellites. The Company opened access to its Tiantong satellite services, and initiated the commercial trial of Beidou Short Message Service. It built an international network system featuring "one axis, two wings, three networks, and four centres", and advanced the construction of full-service gateway offices in Kunming and Haikou. The Company led the construction of the Asia Direct Cable (ADC)¹⁶, the first international submarine cable connected to Chinese mainland in nearly five years,

actively serving business expansion in the direction of the Belt and Road. It built a shared network characterised by high-/mid-/low-band coordination as well as 5G/4G integration, further contributing Chinese wisdom and solutions to the world. The Company operated over 1.54 million 5G mid-/high-band base stations and more than 1 million low-band base stations. Its 5G network achieved continuous coverage across townships and above nationwide, with steady improvements in the deep coverage of key scenarios and user experience. The Company continued to upgrade its 5G-A network capabilities, having deployed over 110,000 5G-A carrier aggregation base stations and over 650,000 RedCap base stations in more than 300 cities.

2.4 Actively practicing the concept of green development and empowering the comprehensive green transition of economic and social development

The Company actively practiced the concept of green development, and implemented a multi-pronged approach to achieve a sustained reduction in carbon emissions. It ranked among the top performers in the "Green Development Assessment of State-Owned Central Enterprises", and won the largest number of awards across the industry in national competitions such as the "New Green Cup" and the "Qingshan Cup" events. Internally, the Company comprehensively drove the green transformation and upgrade of its cloud-network infrastructure. It operated a total of 43 national green computing facilities, maintaining a leading position in the industry. By launching special initiatives including the green renovation of facility buildings and green upgrade of base stations, the Company completed the green retrofit of over 800 facility buildings and more than 50,000 base stations, resulting in an annual carbon reduction of over 450,000 tonnes. It continued to scale up the application of AI-driven energy-saving technologies, having covered over 6 million 5G/4G base station sectors and more than 9,000 facility rooms, with an annual carbon reduction of over 540,000 tonnes.

¹⁵ "Two Highs, Two Flexibles": high density, high IT productivity, flexible expansion, and flexible construction

¹⁶ ADC: Asia Direct Cable

Furthermore, the Company steadily advanced the transformation of its energy consumption structure, using 4.2 billion kWh of green electricity in 2025, representing a year-on-year increase of 56%. In collaboration with China Unicom, the Company deepened the 5G/4G network co-building and sharing initiative, promoting green and sustainable development. Together, the two companies reduced carbon emissions by over 13 million tonnes in the year. Externally, the Company strengthened green empowerment. Focusing on areas such as ecological protection, pollution control, and efficiency improvement, it offered a diversified portfolio of green products and solutions. The Company accelerated the market expansion of key products including Environmental Protection Cloud, Green Lighting and Green Industry, empowering the green transition of key industries, and supporting the development of zero-carbon park benchmarks. It completed the intelligent upgrade of more than 1.5 million devices in public spaces, saving electricity by over 130 million kWh and reducing carbon emissions by over 70,000 tonnes in total, injecting momentum into the comprehensive green transition of economic and social development.

3. COMPREHENSIVELY DEEPENING REFORM AND OPENING UP, CONTINUOUSLY STRENGTHENING TALENT DEVELOPMENT, ENHANCING CORPORATE GOVERNANCE CAPABILITIES

The Company deepened reform and opening up on all fronts, and upheld the principle that talent is the primary resource. It accelerated institutional and mechanism innovation and market-oriented transformation, efficiently integrated internal and external resources, and continuously unleashed internal impetus and innovative vitality to drive its high-quality development.

Driving deep-level reforms and stimulating the vitality of various factors

In line with the requirements of its strategic upgrade, the Company continuously promoted the transformation of its organisational processes and mechanisms. It used the deepening of reforms as a key lever to persistently drive the capability upgrade of its Five-Sphere Integrated intelligent cloud system and accelerated the formation of new production relations compatible with new quality productive forces. The Company deepened the reform of its scientific and technological innovation systems and mechanisms, established the "Xirang" chief technologist system and a joint research mechanism, and concentrated efforts to accelerate breakthroughs in core technologies. It deepened the reform of the product management mechanism for provincial-professional/professional-professional¹⁷ synergy, improved the internal open-source sharing of self-developed products and the demand response mechanism between its provincial and professional companies, and continuously enhanced the supply of high-quality products and services. It strengthened resource integration, established cross-domain professional teams to efficiently support the rapid implementation of key projects such as "AI+" for central and state-owned enterprises, continuously promoted the penetration of main process optimisation — with the cloud core platform as the hub — to district and county companies, and constantly improved delivery and operation capabilities. It deepened the reform of its assessment, incentive, and resource allocation mechanisms, continuously enhanced the corporate governance capabilities of management at all levels, and fully stimulated the vitality and momentum for innovation and development. By improving efficiency through AI and enhancing efficiency through reform, the Company has boosted overall labour productivity, improved the efficiency of fixed asset investment, and comprehensively enhanced the level of refined management of costs and expenses.

¹⁷ Provincial-professional/professional-professional: provincial companies and professional companies, and among professional companies

Increasing investment in talents to foster the internal driver for high-quality development

The Company thoroughly implemented the project of strengthening the enterprise with talents. It continuously scaled up the cultivation and recruitment of sci-tech talents in line with its strategic direction and key areas of sci-tech innovation. The echelon pattern of sci-tech talents, composed of 5 leading talents, over a thousand chief/senior experts, and over ten thousand technical experts, has become more robust. The Company introduced a series of groundbreaking policies to support original and exploratory scientific and technological innovation, and worked to forge young, high-level research teams centred on top talents with its cost of labour for R&D personnel increasing by 7.8% year-on-year. As a result, the talent aggregation effect and brand influence continued to improve, and the role of talent as a fundamental and strategic support was significantly strengthened. By continuously improving the incentive and guarantee mechanism and deepening the training and empowerment of all employees, the cohesion of its employees has been increasingly consolidated and the innovation vitality has been fully released, injecting strong endogenous power into the high-quality development of the enterprise.

Expanding high-standard opening up and forging a new pattern for win-win cooperation

The Company further advanced high-standard opening up and cooperation, to create an industrial ecosystem built, governed and shared by all. The Company continuously strengthened collaboration with academia and research institutes. It collaborated to organize and advance the development of the Sci-Tech Innovation Space for Quantum Talents of State-Owned Central Enterprises, continuously strengthened the quantum communication innovation consortium, and successfully applied for a number of national-level scientific and technological projects in partnership with high-level universities. The Company continued to enhance capital operations. The first rounds of capital increase and strategic investor introduction for China Telecom Artificial Intelligence Technology (Beijing) Co., Ltd. (China Telecom AI Company) and Tianyi Shilian Technology Co., Ltd. were completed, with their development potential and valuation scales being recognized by the market. Focusing on the "AI+" segment, the Company invested in multiple AI enterprises including Moore Threads and MetaX. Modelers.cn became the largest domestic open-source AI community driven by homegrown computing power, empowering development of innovative AI applications and promoting the prosperity of the AI ecosystem. The World Broadband Association (WBBA), with more than 220 members in 50 countries and regions, has served as an important bridge for international cooperation and new digital infrastructure construction under the Belt and Road Initiative. The influence of cooperation platforms such as the Digital-Intelligent Technology Ecosystem Conference, the Cloud Ecosystem Conference and AI Ecology Forum continued to improve. Together with partners from various industries, the Company strove to build a prosperous ecosystem featuring joint technological research, resource sharing and value co-creation.

4. PROACTIVELY FULFILLING SOCIAL RESPONSIBILITIES AND GAINING EXTENSIVE RECOGNITION FROM THE CAPITAL MARKET

The Company successfully provided communications support for major events such as the launch of the Shenzhou-21 manned spacecraft and the 15th National Games, and leveraged satellite communications and low-altitude platforms to efficiently support earthquake relief, flood control, and rescue efforts. The Company carried out rural revitalization and universal service initiatives, developing 490,000 digital villages and bridging the digital divide. The Company improved the public welfare service capability of its Caring Stations, covering 80,000 urban and rural business halls and strengthening services for specific groups such as sanitation workers and elderly people. Leveraging technological capabilities, the Company strengthened the "protection network" against fraud, with its e-Surfing intelligent anti-fraud and e-Surfing anti-harassment services benefiting the vast number of users. The Company organized and carried out a university AI competition "e-Surfing Xirang Cup" to provide university students with free computing power, data, and platforms, assisting in the cultivation of AI talent.

The Company consistently adhered to a high level of corporate governance, strictly complied with laws and regulations, continuously improved the quality and transparency of information disclosure, and made ongoing efforts to build a scientific

and comprehensive compliance management system. The Shareholders' Meeting and the Board of Directors operated in a standardised manner with efficient decision-making, providing a strong support for the Company's stable development in the long run. The Company proactively strengthened investor relations management by actively building platforms of communication with investors, analysts, and the media through various forms such as results briefings, investor presentations, and road shows. This allows the Company to multidimensionally showcase its strategic layout and operating results, thereby enhancing the market's recognition of the Company's values.

For its remarkable performance, the Company has earned high praise from domestic and international capital markets. It won "Asia's Best CSR" award for the sixth consecutive year in the Asian Excellence Award 2025 organised by Corporate Governance Asia. It was named "Best Telecommunication Services Company in China" for the third consecutive year in the Asia's Best Companies Poll 2025 launched by FinanceAsia, and won the Gold Award of The Asset Corporate Sustainability Leadership Awards 2025. In the 2025 China Securities "Golden Bauhinia Awards" selection, the Company was awarded two prizes, including "Best Listed Company in Investment Value" and "Listed Company with Outstanding Investor Relations Management". It was also included in the China Association for Public Companies' lists of "Best Practices in Investor Relations Management for Listed Companies" and "2025 Top Listed Companies by Cash Dividend Payouts".


5. OUTLOOK

2025 marked the conclusion of the 14th Five-Year Plan period and the beginning of the 15th Five-Year Plan period. Over the past five years, the Company has implemented the "Cloudification and Digital Transformation" strategy on all fronts, forging a new path for transitioning from a traditional telecom operator to a service-oriented, technology-oriented, and secured enterprise. This has driven a new leap in the Company's operating results and comprehensive strengths, fully validated its direction of transformation, and enabled the Company to achieve fruitful results in technological innovation, improve cloud-network capabilities across the board, further deepen reform and opening up, and elevate high-quality development to a new height. During the 14th Five-Year Plan period, the Company realised robust growth in fundamental businesses, continuously scaled up the Industrial Digitalisation business, and completed the construction of China Telecom Cloud, ushering in a new stage of intelligent cloud development in all aspects. Service revenues recorded sound growth, with a CAGR of 5.4%. Net profits grew faster than revenues, with a CAGR of 9.7%. The Company continuously grew new growth momentum and built up new competitive edges, laying a solid foundation for its development in the 15th Five-Year Plan period.

2026 marks the beginning of China's 15th Five-Year Plan period. China's economy is underpinned by a stable foundation, numerous advantages, strong resilience and great potential, and the long-term positive trend remains unchanged. A new round of technological revolution and industrial transformation is accelerating, and intelligence, green transition and integration have become the development directions for building China's modern industrial system. "AI+" is deepening and expanding in all aspects, and new forms of the intelligent economy are rapidly taking shape, giving rise to broad and vigorous market space. The Company will seize the strategic opportunities for

development, fully implement its "Cloudification, Digital Transformation and AI for Good" strategy, continue to deepen the Five-Sphere Integrated intelligent cloud system. Aiming to become a leading AI service provider, and taking token services as the main line of business, the Company will strengthen original innovation, tackle key and core technological challenges, create high-quality digital and intelligent products and services, and accelerate the construction and upgrading of intelligent and comprehensive digital information infrastructure. The Company will further deepen reform and opening up on all fronts, comprehensively enhance corporate governance capabilities, ensuring a good start for the 15th Five-Year Plan period, enabling the Company to take the lead, shoulder the responsibilities, and set an example in Chinese modernisation!

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to all shareholders and customers for their continued care and support, and our sincere thanks to all our employees for their hard work and contributions. Furthermore, I would also like to extend our heartfelt gratitude towards Mr. Yeung Chi Wai, Jason for his outstanding contribution to the Company during his tenure. Meanwhile, I would also like to welcome Mr. Lee Sunny Wai Kwong and Madam Guan Lixin to join our Board of Directors!



Ke Ruiwen

Chairman and Chief Executive Officer
Beijing, China

24 March 2026

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The Company resolutely fulfilled its responsibilities in building China's strength in cyberspace, science and technology, Digital China, as well as safeguarding network and information security. With the aim of becoming a leading AI service provider, it fully embraced AI, comprehensively implemented the "Cloudification, Digital Transformation and AI for Good" strategy, improved corporate governance capability in all aspects, and deepened efforts to build itself into a service-oriented, technology-oriented, and secured enterprise, to accelerate its high-quality development and enable a good start for the 15th Five-Year Plan period.

Technological strength and innovation efficiency were significantly enhanced, expediting the innovation and development of AI. The Company accelerated the development of self-reliance and self-strengthening in high-level science and technology fields. With the focus on four core fundamental technologies, it stepped up efforts to drive breakthroughs for key and core technologies, and achieved remarkable results in scientific and technological innovation. **In terms of cloud and cloud-network integration,** the Company concentrated efforts on developing its No.1 technology "Xirang", realised full-stack technology autonomy and control, and built a "multi-element heterogeneous, software-hardware synergy, and computing-network integration" cloud-edge-terminal collaborative inference network. CTyunOS, the server operating system for China Telecom Cloud, passed the national security and reliability assessment. **In terms of network,** technological achievements such as high-speed and large-capacity all-optical transmission based on new-type optical fibres and multi-generation coexistence and convergent evolution of 50G PON reached internationally advanced levels. The Company completed the industry's first semantic

communication trial of standard-definition video via high-orbit satellites. Its 5G core patents have been awarded the China Patent Award Silver Medal for three consecutive years. **In terms of AI,** the Company continued to advance the key technologies for the Xingchen large model, and was honoured with the "2025 Super AI Leader (SAIL) Award". The Company innovatively developed a technical system for AI flow, and launched generative video compression technology. **In terms of quantum/security technologies,** the Company unveiled the world's first distributed cryptosystem integrating QKD and PQC, and built "Tianyan-287", a superconducting quantum computer capable of achieving "quantum computational advantage". It also released China's first open-source basic safety guardrail for large models, and developed the industry-leading security dataset "Qianmo Shuju". The Company's technological innovation capabilities have been repeatedly recognised, with the "Xingchen" large model system named as part of the "2025 Top Ten National Mega-Projects of State-owned Central Enterprises" and the e-Surfing Artificial Intelligence of Things included in the "Top Ten Super Projects of State-owned Central Enterprises for 2025".

The intelligent cloud system was continuously consolidated, driving AI into more households and empowering more industries. The Company built and continuously improved the intelligent cloud system integrating computing power, platform, data, model, and application. At the IaaS layer, it improved the collaborative efficiency of cloud-intelligence integrated computing, storage, and networking significantly, forming a large-scale production capacity for AI token with high concurrency, high throughput, and high computing efficiency. At the PaaS layer, the Company developed the Triless platform architecture to achieve triple decoupling of resources, frameworks, and tools. It also achieved breakthroughs in several critical technologies, to provide tool services for various large models. At the DaaS layer, the Company developed high-quality datasets and trusted circulation toolchain, driving the deeper integration of self-owned, open-

source, and third-party data sets, and aggregating general large model corpus data of over 10 trillion tokens and high-quality datasets covering over 14 industries, with a total volume exceeding 500TB. At the MaaS layer, the Company continuously strengthened the first full-modal, full-size, and fully homegrown Xingchen large model system for state-owned central enterprises, establishing industry-leading advantages in semantics, speech, visual perception, and multimodality. At the SaaS layer, the Company built a standardised AI product system and launched industry-specific large models and agent services adapted to multiple scenarios, making AI more accessible and easier to use. For individual and home scenarios, the Company accelerated the large-scale application of smart terminals such as AI mobile phones, e-Surfing Smart Screen and e-Surfing Smart Camera, upgraded applications including e-Surfing Cloud Computer and e-Surfing Intelligent Anti-fraud, explored innovative products such as AI glasses and humanoid robots, and built the agent "Xingxiaochen" as a unified cross-terminal entry point to provide users with smarter and more convenient services. For industrial scenarios, the Company built leading industrial agents, tools, and solutions, further advanced the "AI+" initiative for state-owned central enterprises, and upgraded the capabilities of platforms such as "e-Surfing Smart Enterprise" for SMEs, continuously driving the deeper integration of AI with new industrialisation, digital government services, smart education, and smart healthcare, among other scenarios.

New digital information infrastructure was further upgraded, bolstering the foundation for AI development. The Company deepened its development philosophy of "network as the foundation, cloud as the core, network moving with the cloud, cloud-network integration, and intelligent-benefit symbiosis", and accelerated the upgrade of its digital information infrastructure for the AI era. **In terms of fundamental network,** the Company constructed 10 million 10G PON ports in the gigabit fibre network; led the construction of the Asia Direct Cable (ADC), the first international submarine cable connected to Chinese mainland in nearly five years; operated over 1.54 million 5G mid-/high-band base stations, and deployed over 110,000 5G-A carrier aggregation base stations and over 650,000 RedCap base stations in more than 300 cities. **In terms of**

computing power, the Company has built China's first commercial super-node cluster at a hub node in the GBA, and established provincial-level inference pools in hotspot regions to promote efficient collaboration of computing resources. Its self-owned intelligent computing power reached 46 EFLOPS. **In terms of storage capacity,** the Company has formed a 2+31+X storage capacity layout, and launched pilot programs of tiered storage capacity, significantly reducing long-term data storage costs. **In terms of connectivity,** the Company has built an intelligent, collaborative, agile and efficient computing interconnection network for Access-to-Compute, Inter-Compute and Intra-Compute. It upgraded the backbone optical cables, deepened the construction of new metropolitan networks with integrated cloud and network, and fully adopted technologies such as SRv6 and network slicing to build elastic and agile access-to-compute capabilities. **In terms of AIDC,** the Company appropriately advanced its reserves of resources at national hub nodes, built an efficient, green and intelligent computing infrastructure with a rack power capacity of more than 3.2GW, and actively carried out overseas AIDC deployment. In terms of electricity, the Company deepened synergistic development between computing power and electricity, and promoted the upgrade of the power supply architecture. It explored new power supply models, pioneering the creation of four national benchmarks. The Company built the world's first underwater data centre project powered by an offshore wind farm in Shanghai, where more than 95% of the total electricity is supplied directly by the offshore wind farm.

Security protection capabilities were further strengthened, and a comprehensive AI-enabled protection system was taking shape. The Company continued to strengthen infrastructure security foundation, upgraded the cyber attack protection platform Cloud Dam and the Managed Security Service Provider platform, and established an active defense system covering cloud, network, edge and terminal. The Company issued the White Paper on AI Agent Security Governance, the first of its kind in the industry, and kept upgrading the comprehensive, dynamic AI-driven protection system. Based on quantum security infrastructure, the Company continued to iterate ubiquitous quantum products, and accelerated the large-scale promotion of

"Quantum+" applications. The Company systematically built security defenses for AI large models and applications, enhanced key capabilities of large models including but not limited to basic guardrails, attack-defense ranges and security scanners, and comprehensively improved capabilities in data security, content security, instruction security, and sensitive information identification. Thus, the Company formed a model and agent security system featuring defensible inputs, monitorable processes, and controllable outputs, ensuring the compliant, secure, and stable operation of AI applications. The Company launched the first operator-grade agent security solution in China — e-Surfing Smart Security, assisting users in building OpenClaw-type agent security solutions with its full-process control, real-time defense, and behavior traceability capabilities. The Company strengthened AI governance, actively participated in the formulation of national AI governance frameworks and rules, continuously improved its AI governance system, and worked with all parties in the industry to analyse and proactively address risks arising from AI applications, so as to ensure the secure, reliable and controllable development of AI.

5. MAJOR OPERATION DURING THE REPORTING PERIOD

The Company actively adapted to market and industry changes, precisely seized the upgrading trend of "AI + consumption", and upheld the business philosophy of "customer first, touchpoint priority, product as the foundation, service as the core and brand as the guidance". Focusing on the "AI + Initiative", the Company continued to enhance the supply of high-quality products and services, and took solid steps to promote the integrated development driven by the dual engines of fundamental businesses and Industrial Digitalisation business. In 2025, the Company's operating revenues amounted to RMB529.6 billion, of which service revenues amounted to RMB485.4 billion, representing an increase of 0.7% year-on-year.

For individual customers, the Company continued to upgrade connectivity experiences. Focusing on new scenarios and new business forms such as live streaming and sports events, the Company

accelerated the precise deployment and large-scale commercialisation of 5G-A, enriched the benefits of 5G-A packages, and made all-out efforts to deliver the next-generation communication services that are faster, stabler and smarter. **The Company further upgraded personal applications with AI.** It strengthened the capabilities of the AI call agent, and launched a variety of AI mobile phones. It leveraged the self-developed multimodal large model to upgrade the music agent, launched e-Surfing Smart Ringback Tone, a generative colour ringback tone service with audio and video, and provided intelligent search, text-to-music, text-to-video and image-to-video, among other content creation functions. The Company innovatively unveiled AI native applications such as Cloud Smart Phone, developed personal life agents, and iterated AI products such as AI cloud computers and AI Cloud Drive, empowering users to embark on a new, smart life driven by AI. **The Company continued to promote the ubiquitous aerial-ground integrated communication services.** It built comprehensive communication capabilities that are secure, reliable, and provide emergency backup, and further deepened the integration of AI capabilities with satellite services. It accelerated the scaling of user base for direct satellite connection services, stepped up the promotion of satellite services in coverable overseas areas, and drove the penetration of satellite-based services. In 2025, the Company's mobile communications service revenues reached RMB204.5 billion, representing an increase of 1.0% year-on-year. The net addition of mobile subscribers was 14.13 million, bringing the total number of mobile subscribers to 439 million, and mobile ARPU reached RMB45.1.

For home customers, the Company continued to upgrade the gigabit fibre network services, accelerated the penetration of gigabit fibre network and the construction of 10 gigabit fibre network, integrated ultra-gigabit connectivity, computing power and other capabilities, innovatively developed intelligent products such as "FTTR+X", and drove the iteration of home broadband toward home AI-powered all-fibre network. **The Company kept advancing the upgrade of smart home applications through AI.** Guided by the "Beautiful Home" brand, the Company built home agents and provided intelligent services for a full range of scenarios including security protection, health management,

travel planning and cultural interaction. It also launched "e-Surfing Smart Screen", an intelligent interactive terminal, as an entry point for home AI applications to support users' expectation for a more intelligent, secure and convenient life. **The Company continued to advance the upgrade of the "platform + AI" development model**, and accelerated the AI upgrades of platforms such as smart communities, digital villages and IoVT. Focusing on production, daily life, social governance and other key scenarios, the Company accelerated the delivery of differentiated services including community smart eye, 15-minute living circles and home-school-community safety protection, continuously enriched AI scenarios connecting individuals, families and communities, actively innovated development models, and expanded new market spaces. In 2025, Wireline and Smart Family service revenues reached RMB126.0 billion, representing an increase of 0.2% year-on-year. Of which, revenue from the Smart Family business increased by 7.6% year-on-year to RMB23.8 billion. The number of broadband subscribers increased by 3.68 million to 201 million, and the broadband blended ARPU reached RMB47.1.

For government and business customers, the Company continued to scale up computing power services. It continuously upgraded Xirang, an industry-leading computing-network integrated service platform, built a computing interconnection network for Access-to-Compute, Inter-Compute and Intra-Compute, and provided customers with tailored solutions along with exclusive, secure, reliable, intelligent, agile, green and low-carbon computing power services. As of now, the total scale of its self-owned and accessed intelligent computing power has reached 91 EFLOPS. **The Company further promoted the scaled application of industry-specific large models.** It has developed more than 110 industry-specific large models and over 350 industry-specific agents, serving over 37,000 industrial customers in total. The Shennong No.1 large model has served more than 50,000 agriculture-related enterprises and specialised farmers' cooperatives; the grassroots governance large model covered over 10,000 grids, and the emergency response large model covered 176 prefecture-level cities; the travel planning agent improved users' travel planning efficiency by 10%, and the intelligent cockpit agent

achieved a semantic parsing accuracy rate of over 98%. **The Company continuously advanced the scaled development of industry-specific digital platforms**, and developed the Xingchen platform series to comprehensively empower the digital transformation in multiple sectors. Relying on big data, cloud computing and AI technologies, the Xingchen government service platform delivers integrated government services featuring efficient collaboration and intelligent decision-making, serving over 31 provinces, over 200 prefecture-level cities and more than 3,000 governments at all levels. Based on AI and big data technologies, the Xingchen smart city platform enabled intelligent management and services, covering scenarios such as urban operation, management and service, holistic tourism, digital villages, and work safety risk monitoring and warning, and serving 31 provinces and more than 250 prefecture-level cities. Built on the industrial internet infrastructure integrated with multiple technologies, the Xingchen industrial internet platform covers scenarios such as intelligent renovation of production lines, digital factories, and synergy among multiple systems and production lines in factories, serving 28 provinces in total. As a case in point, it has boosted detection efficiency by 500% and enabled a defect detection rate of 99.9% for a machinery factory. Supported by the national intelligent health infrastructure and an AI+ cloud native architecture, the Xingchen smart healthcare platform provides an integrated service platform covering regional healthcare and smart hospitals, serving 23 provinces and more than 120 prefecture-level cities. With enhanced intelligent academic performance analysis, the Xingchen smart education platform aims to build an agent matrix to empower family-school-community collaboration and enable intelligent teaching, learning, management and research, covering 31 provinces and over 160 prefecture-level cities. **The Company further scaled up the application of 5G across various industries**, with 34 self-developed products covering terminals, gateways, wireless base stations, core networks, and platforms, and meeting customers' demands for end-to-end, in-depth, and flexibly customised services. The Company developed 10 scenario-based private network solutions, integrating self-developed AI capabilities into end, edge, and cloud. The Company innovated the aerial-ground integrated, millimeter-wave communication and sensing integration solution, which has achieved low-altitude coverage

below 300 meters in hotspot areas of the Yangtze River Delta region such as Jiangsu, Shanghai and Anhui, facilitating applications in low-altitude scenarios. In 2025, the Industrial Digitalisation business achieved robust development, with the revenue reaching RMB147.3 billion, representing an increase of 0.5% year-on-year.

For international customers, the Company continuously strengthened product and service innovation in international business. Focusing on the needs of Chinese enterprises going global and foreign enterprises investing in China, the Company promoted the upgrade of basic connectivity products such as OTN and SD-WAN, and sped up the overseas expansion of strategic emerging businesses in the fields of cloud, AI IoT, IoT, satellite, quantum and security. China Telecom has emerged as a leading operator in cloud services. **The Company further stepped up global ecosystem cooperation,** launching the OneGrowth global cooperation program, expanding its ecosystem by actively participating in major international exhibitions including GITECH 2025 and AfricaCom, and significantly enhancing its operating system and market expansion capabilities. In 2025, international business revenue reached RMB19.26 billion, representing a year-on-year growth of 14.1%.

6. FINANCIAL REVIEW

In 2025, the Company implemented the new development principles completely, accurately and comprehensively, and accurately grasped the trends of sci-tech innovation and industrial development. The Company drove the upgrade of its corporate strategy towards "Cloudification, Digital Transformation and AI for Good", accelerated its development as a service-oriented, technology-oriented, and secured enterprise, further enhanced its core functions and core competitiveness, delivered robust overall operating performance,

and attained new results in corporate high-quality development. In 2025, operating revenues were RMB529,559 million, remaining in line with year 2024. Service revenues were RMB485,424 million, representing an increase of 0.7% from year 2024. Operating expenses were RMB489,885 million, representing an increase of 0.1% from year 2024. The profitability of the Company continued to improve. Profit attributable to equity holders of the Company was RMB33,185 million, representing an increase of 0.5% from year 2024. Basic earnings per share were RMB0.36. EBITDA amounted to RMB143,872 million, representing an increase of 2.1% from year 2024. EBITDA margin¹⁸ was 29.6%.

Operating Revenues

In 2025, the Company adhered to customer-oriented principles, and created innovative, high-quality digital and intelligent products and services to stimulate new demand for digital and intelligent consumption. By deeply empowering product and service innovation and upgrades through strategic emerging elements such as AI, the Company constantly strengthened the supply of high-quality products and services. Fundamental businesses remained stable, the Industrial Digitalisation business continued to expand, and the revenue structure was continuously optimised. In 2025, operating revenues were RMB529,559 million, remaining in line with year 2024. Service revenues were RMB485,424 million, representing an increase of 0.7% from year 2024.

¹⁸ EBITDA margin is calculated based on EBITDA divided by service revenues

The following table sets forth a breakdown of the operating revenues for 2025 and 2024, together with their respective rates of change:

(RMB million, except percentage data)	For the year ended 31 December		
	2025	2024	Rates of change
Service revenues	485,424	482,033	0.7%
Of which: Mobile communications service revenues	204,528	202,524	1.0%
Wireline and Smart Family service revenues	125,979	125,680	0.2%
Industrial Digitalisation service revenues	147,307	146,588	0.5%
Other service revenues	7,610	7,241	5.1%
Revenue from sales of goods and others	44,135	47,384	(6.9%)
Total operating revenues	529,559	529,417	0.0%

Mobile communications service revenues

In 2025, the Company continued to advance 5G network upgrades, increased 5G network coverage in key scenarios, and persistently promoted the intelligent upgrade of 5G applications, resulting in a steady enhancement of mobile subscribers scale and value. In 2025, mobile communications service revenues were RMB204,528 million, representing an increase of 1.0% over last year and accounting for 38.6% of operating revenues.

Wireline and Smart Family service revenues

In 2025, the Company promoted gigabit and FTTR quality upgrade as well as service innovation, continuously optimising household networking quality through AI empowerment, and persistently advancing the intelligent upgrade of Smart Family applications. The value contribution from Smart Family service continued to increase. In 2025, Wireline and Smart Family service revenues were RMB125,979 million, representing an increase of 0.2% year-on-year and accounting for 23.8% of operating revenues.

Industrial Digitalisation service revenues

In 2025, the Company proactively seized opportunities arising from network-based, digitalised, and intelligent transformation and development of the economy and society, accelerated the deep integration of sci-tech innovation and industrial innovation, and successfully built a Five-Sphere Integrated intelligent cloud system integrating computing power, platform, data, model, and application, driving the continued expansion of Industrial Digitalisation business. In 2025, revenue from Industrial Digitalisation business reached RMB147,307 million, representing an increase of 0.5% year-on-year and accounting for 27.8% of operating revenues.

Other service revenues

In 2025, revenue from other services amounted to RMB7,610 million, representing an increase of 5.1% from year 2024.

Revenue from sales of goods and others

In 2025, revenue from sales of goods and others amounted to RMB44,135 million, representing a decrease of 6.9% from year 2024, mainly due to the decline in the sales volume of mobile terminals.

Operating Expenses

The Company continued to accelerate the scale expansion of its strategic emerging businesses, increasing investment in key fields such as sci-tech innovation, 5G and Industrial Digitalisation. At the same time, deepening AI empowerment in cost reduction and efficiency enhancement, the Company continuously increased efficiency of resources utilisation to support corporate high-

quality development and long-term value creation. In 2025, operating expenses were RMB489,885 million, representing an increase of 0.1% from year 2024. Operating expenses accounted for 92.5% of operating revenues.

The following table sets forth a breakdown of the operating expenses in 2025 and 2024 and their respective rates of change:

(RMB million, except percentage data)	For the year ended 31 December		
	2025	2024	Rates of change
Depreciation and amortisation	104,198	101,044	3.1%
Network operations and support	162,054	165,598	(2.1%)
Selling, general and administrative	66,182	66,663	(0.7%)
Personnel expenses	97,826	98,279	(0.5%)
Other operating expenses	59,625	58,030	2.7%
Total operating expenses	489,885	489,614	0.1%

Depreciation and amortisation

In 2025, the Company maintained a prudent investment strategy, continuously enhanced investment efficiency and implemented precise measures by category, while further deepening 5G co-building and co-sharing as well as 4G network co-sharing. Depreciation and amortisation amounted to RMB104,198 million, representing an increase of 3.1% from year 2024 and accounting for 19.7% of operating revenues.

Network operations and support

In 2025, the Company further enhanced its network quality and capabilities to accelerate the expansion of strategic emerging businesses. The Company appropriately increased investment in the building of capabilities. Meanwhile, leveraging AI empowerment, the Company strengthened precise management of costs, optimised cost structure and further increased resource utilisation efficiency. Network operations and support expenses amounted to RMB162,054 million, representing a decrease of 2.1% from year 2024 and accounting for 30.6% of operating revenues.

Selling, general and administrative

In 2025, the Company maintained necessary input of marketing resources to expedite the scale development with value. At the same time, the Company leveraged AI and big data technologies to drive marketing digitalisation and enhanced marketing efficiency. Selling, general and administrative expenses amounted to RMB66,182 million, representing a decrease of 0.7% from year 2024 and accounting for 12.5% of operating revenues. Of which, selling expenses were RMB48,352 million, representing a decrease of 3.6% from year 2024.

Personnel expenses

The Company attached great importance to talent team development and maintained stable investment in personnel expenses. In 2025, personnel expenses amounted to RMB97,826 million, representing a decrease of 0.5% from year 2024 and accounting for 18.5% of operating revenues. For details regarding the number of employees, remuneration policy and training programs, please refer to the 2025 Sustainability (ESG) Report.

Other operating expenses

In 2025, other operating expenses amounted to RMB59,625 million, representing an increase of 2.7% from year 2024 and accounting for 11.3% of operating revenues. The increase was mainly due to further acceleration of international business development by the Company, leading to an increase in interconnection settlement charges.

Net finance costs

In 2025, net finance costs amounted to RMB388 million, representing an increase of RMB160 million from year 2024. The increase was mainly because of a decrease in interest income from bank deposits, as a result of the Company's optimisation of its fund structure, where bank deposits were converted into low-risk structured deposits with relatively higher yields recognised as investment income.

Profitability Level

Income taxes

The Company's statutory income tax rate is 25.0%. In 2025, income tax expenses were RMB9,457 million while the effective tax rate was 22.2%, representing an increase of 0.4 percentage points from last year. The reason for the effective tax rate to be lower than the statutory tax rate was because income from investment in the associate company, China Tower Corporation Limited ("China Tower"), was not subject to tax during the period of the investment held, the application of preferential policies such as additional tax deduction from research and development expenses, and some subsidiaries and some branches located in the western region of China enjoyed low tax rates.

Profit attributable to equity holders of the Company

The Company adhered to leading industrial innovation through sci-tech innovation, accelerated the development of new quality productive forces, and promoted the scale expansion of strategic emerging businesses. The resource utilisation and operating efficiency of the Company continued to increase while its profitability remained stable. In 2025, the profit attributable to equity holders of the Company was RMB33,185 million, representing an increase of 0.5% from year 2024.

Capital Expenditure and Cash Flows

Capital expenditure

In 2025, the Company maintained a prudent investment strategy, focused more on investment efficiency, continuously advanced the enhancement and upgrade of new digital information infrastructure, and consolidated the key foundation for high-quality development. At the same time, the Company further deepened 5G co-building and co-sharing as well as 4G network co-sharing. Capital expenditure for the year was RMB80,364 million, representing a decrease of 14.1% from year 2024.

Cash flows

In 2025, the net decrease in cash and cash equivalents was RMB20,708 million.

The following table sets forth the cash flow position in 2025 and 2024:

(RMB million, except percentage data)	For the year ended 31 December		
	2025	2024	Rates of change
Net cash flow from operating activities	125,069	145,049	(13.8%)
Net cash used in investing activities	(100,288)	(103,432)	(3.0%)
Net cash used in financing activities	(45,489)	(40,545)	12.2%
Net increase in cash and cash equivalents	(20,708)	1,072	(2,031.7%)

In 2025, the net cash inflow from operating activities was RMB125,069 million, representing a decrease of 13.8% year-on-year. It was mainly because the payback period of the Industrial Digitalisation business was relatively long, resulting in a relatively large increase in accounts receivable. Meanwhile, the Company has actively fulfilled its social responsibilities, supported the development of the industrial chain, and made timely payments in strict accordance with contractual agreements.

In 2025, the net cash outflow in investing activities was RMB100,288 million, representing a decrease of 3.0% year-on-year, mainly because of the decrease in cash outflows for capital expenditure resulting from the Company's precise investment strategy.

In 2025, the net cash outflow in financing activities was RMB45,489 million, representing an increase of 12.2% year-on-year, mainly due to the increase in cash outflows attributable to the repayment of interest-bearing liabilities such as borrowings.

Working Capital

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2025, the working capital (total current assets minus total

current liabilities) deficit was RMB117,578 million, representing a decrease in deficit of RMB19,674 million compared to the end of 2024. As at 31 December 2025, the unutilised credit facilities were RMB207,111 million (2024: RMB196,413 million). Given the stable net cash inflow from operating activities and sound credit record, the Company has sufficient working capital to satisfy operational needs. As at the end of 2025, cash and cash equivalents amounted to RMB61,394 million, among which cash and cash equivalents denominated in Renminbi accounted for 89.0% (2024: 92.6%).

Assets and Liabilities

In 2025, the Company continued to maintain a solid financial position. At the end of 2025, the total assets increased by 0.5% from RMB866,625 million as at the end of 2024 to RMB870,644 million. The total liabilities decreased from RMB410,073 million at the end of 2024 to RMB402,384 million, representing a decrease of 1.9%. The debt-to-asset ratio was 46.2% at the end of 2025, representing a decline of 1.1 percentage points.

Indebtedness

The indebtedness analysis as at the end of 2025 and 2024 is as follows:

(RMB million)	As at 31 December	
	2025	2024
Short-term debts	2,448	2,835
Current portion of long-term debts	1,466	1,238
Long-term debts	6,109	7,459
Total indebtedness	10,023	11,532

As at the end of 2025, the total indebtedness¹⁹ was RMB10,023 million, representing a decrease of RMB1,509 million from the end of 2024, which was mainly due to the Company's scheduled repayment of long-term borrowings, resulting in a decrease in interest-bearing liabilities. Of the total indebtedness, loans denominated in Renminbi, US Dollars and Euro

accounted for 98.1% (2024: 98.1%), 1.2% (2024: 1.3%) and 0.7% (2024: 0.6%), respectively. 58.8% (2024: 66.0%) of the indebtedness were loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

¹⁹ Total indebtedness refers to interest-bearing debts excluding lease liabilities

As at 31 December 2025, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2024: Nil).

Most of the revenues received and expenses paid in the course of the Company's business operation were denominated in Renminbi. Therefore, there were no significant risk exposures arising from foreign exchange fluctuations.

Contractual Obligations

Contractual obligations as at 31 December 2025 are as follows:

(RMB million)	Total	Within 1 year	Between 1 to 2 years	Between 2 to 5 years	Thereafter
Short-term debts	2,477	2,477	–	–	–
Long-term debts	8,195	1,587	1,197	4,938	473
Lease liabilities	41,598	15,209	12,999	10,772	2,618
Capital commitments	16,771	16,771	–	–	–
Total contractual obligations	69,041	36,044	14,196	15,710	3,091

Note: Amounts of short-term debts, long-term debts and lease liabilities include recognised and unrecognised interest payable, and the amounts shown above were not discounted.

7. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

1. INDUSTRY LANDSCAPE AND TREND

At present, development of the information and communications industry brings new strategic opportunities. AI has become a key variable influencing industry development during the 15th Five-Year Plan period, reshaping the industrial landscape, bringing crucial opportunities while posing huge challenges. The information and communications industry should proactively and accurately analyse and assess the situation, actively respond to changes, seize opportunities, and open up new prospects.

First, the changes unseen in a century are evolving faster across the world. Major-country relations influence the international landscape, whose evolution in turn exerts a profound impact on domestic development. China's development

is at a stage where strategic opportunities coexist with risks and challenges and uncertain and unpredictable factors are on the rise. Internationally, the world's once-in-a-century changes are unfolding at an accelerated pace, and breakthroughs are gathering pace in the new round of technological revolution and industrial transformation. China sees many tailwinds that help it proactively manage the room for maneuver in the international area and shape its external environment. Meanwhile, the world is marked by intertwined changes and turmoil, with escalating volatility, frequent and recurring geopolitical conflicts, rising threats from hegemonism and power politics, severe challenges to the international economic and trade order, and increasingly complex and intense game among major countries. Domestically, China's economic foundation is stable, with multiple advantages, strong resilience, and great potential. The long-term favourable supporting conditions and fundamental trends remain unchanged. China's advantages in the socialist system with Chinese characteristics, the super-large-scale market, the complete industrial system, and the abundant talent resources are becoming even more pronounced. Nevertheless, the problem of unbalanced and inadequate

development remains acute, as reflected in the insufficient effective demand, bottlenecks and obstacles in the domestic economic circulation, difficulties in the transition from old to new growth drivers, weaknesses in ensuring people's wellbeing, new challenges posed by demographic changes to economic development and social governance, as well as risks and hidden dangers in key areas.

Second, breakthroughs are accelerating in the new round of technological revolution and industrial transformation.

AI, quantum technology, unmanned aerial vehicles (UAVs), embodied intelligence, 6G and other technologies are being iterated, integrated and applied faster, speeding up the industrialisation process. The in-depth integration of AI with all sectors of the economy and society is reshaping how we work and live, driving a revolutionary leap in productivity and profound changes in production relations. Quantum communication is moving from the introduction stage to the growth stage, and quantum computing has entered an early breakthrough phase of crossing the critical threshold of practical application. The commercial application of new-type general aviation equipment such as UAVs picks up pace in urban air mobility, logistics and distribution, emergency rescue and other fields, expediting the development of the low-altitude economy. Embodied intelligence is increasingly integrated into production and emergency response scenarios, and gradually expands into pan-family scenarios, becoming a key part of intelligent services. R&D of 6G has shifted from technical accumulation to a critical stage of securing a dominant position in standard-setting.

Third, there is enormous room for intelligent, green and integrated development.

Production, life and governance scenarios are increasingly integrated, with demands evolving toward solutions integrating infrastructure, platforms, data, products and services. In terms of production, the digital and intelligent transformation of large enterprises has entered a stage of systematic restructuring, with whole-process digital upgrade advanced across the board, creating new development opportunities. The number of SMEs exceeded 60 million, yet with a cloud adoption rate of less than 40%, leaving vast

room for digital transformation. Globalisation of Chinese enterprises has entered a challenging phase, spurring the innovation and development of digital trade. In terms of life, changes in the demographic structure fuel the rapid growth of the silver economy. The "AI + education" sector boasts huge market potential. The market size of AI-enabled healthcare solutions continues to expand rapidly. In terms of governance, the all-round digital transformation of cities makes solid progress, with huge potential in the smart city ICT market. China's cybersecurity market has exceeded RMB100 billion in scale. State-owned central enterprises drive the adaptation and innovation of IT system upgrade, unlocking a market worth over RMB1 trillion. The development of AI, Internet of Vehicles, low-altitude economy, etc. has given rise to urgent demands for security protection. New growth drivers represented by the low-altitude economy are fostered at a faster pace.

Fourth, the importance of building a strong security defense line becomes increasingly prominent.

In terms of corporate operations, greater emphasis should be placed on preventing and defusing various risks arising from the transition between old and new growth drivers, vicious competition, and supply chain cooperation. In terms of network and information security, priority should be given to critical infrastructure security, data and personal information leakage, online fraud and nuisance calls, etc. In terms of AI security, more attention should be paid to the unprecedented risks and challenges brought by AI, including common security issues arising from industrial development, such as cultural value deviations stemming from corpus bias, sensitive information leakage resulted from data feeding model training and inference, out-of-control model agents due to deceptive alignment, and the proliferation of disinformation caused by generative deepfakes.

In the face of the new situation and new tasks, the Company will accurately grasp its historical position, firmly seize new strategic opportunities, fully implement the "Cloudification, Digital Transformation and AI for Good" strategy, work faster to build itself into a world-class enterprise, and continuously create greater value for shareholders.

2. DEVELOPMENT STRATEGY OF THE COMPANY

China Telecom will resolutely fulfill its responsibilities in building China's strength in cyberspace, science and technology, Digital China, as well as safeguarding network and information security. With the aim of becoming a leading AI service provider, it will comprehensively implement the "Cloudification, Digital Transformation and AI for Good" strategy, fully embrace AI, uphold the customer-centric approach, strengthen core capabilities of sci-tech innovation, actively promote the construction of new digital information infrastructure, and build a platform that empowers the digitalised transformation of the economy and society, so as to provide customers with intelligent, convenient, green, secure, and excellent-quality digital-intelligent products and services. It will further deepen reform and opening up, comprehensively enhance corporate governance capabilities, and continuously improve corporate value, customer value, and employee value, accelerating its construction toward a world-class enterprise.

3. BUSINESS PLAN

In 2026, the Company will continue to seize the development opportunities of artificial intelligence and develop Token services as its main business line, comprehensively deepening the implementation of "Cloudification, Digital Transformation and AI for Good" strategy. It will continue to strengthen customer value management and the supply of high-quality products. For 2C and 2H customers, the Company will accelerate the reshaping of traditional products, the creation of AI innovative applications and the upgrade of AI terminals through the empowerment of agents, continuously expanding new space for the growth of fundamental businesses. For 2B and 2G customers, the Company will comprehensively deepen industry-specific AI empowerment and extensively expand key markets such as enterprises and government affairs, continuously driving steady improvement in both scale and quality of Industrial Digitalisation business. Through continuous enhancement in the service capabilities of online touchpoints, the Company will promote the ease of use and user-friendliness of online services, thereby continuously improving service quality and efficiency and user perception.

The Company will continue to enrich brand connotation, strengthen brand management and value creation capabilities, striving to elevate high-quality development to a new height.

4. POTENTIAL RISKS

Risks of adapting to economic and policy environment

China's development now enters a period where strategic opportunities coexist with risks and challenges, and uncertain and unpredictable factors continue to grow, but the supporting conditions and fundamental trend of long-term improvement remain unchanged. Internally, the Company advances the strategic transition toward "Cloudification, Digital Transformation and AI for Good". Amid the intense industrial competition, replacing old growth drivers with new ones remains a challenging task. The Company will continuously strengthen analysis of macro environment, better grasp changes in the situation and market, improve the synergy between reform and policies, enhance the internal motivation of high-quality development, continuously foster new momentum and new advantages for development, and accelerate its transformation into a service-oriented, technology-oriented and secured enterprise.

Risks relating to sci-tech innovation

The new round of sci-tech revolution and industrial transformation has developed in depth, giving rise to a large number of new scenarios, new business forms and new models. Large models have shown an explosive growth trend. AI, computing power service and cloud service have become the main development directions, and the value of data elements has been released rapidly. The Company's sci-tech innovation and the openness and commercialisation of proprietary R&D outcomes need to be continuously improved. Going ahead, the Company will strengthen original innovation and drive breakthroughs in core technologies with the focus on four key areas, i.e. cloud and cloud-network integration, network, AI, and quantum/security. The Company will further increase the deployment of high-level sci-tech innovation platforms around strategic emerging businesses and future industries, enhance R&D efficiency,

strengthen the commercialisation and application of innovative achievements, implement the project of strengthening the enterprise with talents, and build itself into a talent centre and innovation hub.

Network and data security risks

The network and data security issues are showing characteristics of complexity and diversity. While the threshold for the occurrence of cyber-attacks has greatly lowered, the scale of the attacks has increased significantly. The security risks brought by new technologies and new scenarios increased, and the dynamic characteristics of hybrid multi-cloud environments make security monitoring more complex. The use of data in compliance with laws and regulations and the prevention of data leakage face new challenges. The Company's network and data security system needs to be further improved, and the capabilities to maintain network and data security needs to be continuously fortified. The Company will further intensify the construction of the network and data security system, enhance the network security protection capabilities, strengthen the risk prevention of extreme scenarios, and improve the independent control of core network technologies. The Company will further deepen the protection of data security and users' personal information, improve the organisation for and capability in anti-fraud governance, and effectively safeguard the security of data and personal information.

Risks from emerging businesses in strategic emerging industries and future industries

The emerging businesses in strategic emerging industries and future industries are characterised by rapid technological iteration, frequent policy changes and increasingly fierce market competition, with numerous uncertainties constantly arising from development. This requires the Company to further improve R&D and application capabilities in its emerging businesses. The Company will gain further insight into customer needs, further strengthen ecological cooperation, increase investment in R&D, step up the creation of scene-based solutions, intensify the promotion of differentiated and standardised products and services, and promote the rapid development of emerging businesses in strategic emerging industries and future industries.

Operational risks of international business

At present, the world is undergoing accelerated transformation unseen in a century. Factors such as the intertwined and heightened turbulences, increasingly complex game of major countries, and the changes in the policy environment of the countries/regions where the Company's business and investments are located have led to increased uncertainties in international business expansion. The Company still has certain deficiencies in terms of overseas products and services, government and enterprise product development and operation capabilities, and sales channel expansion. The Company will closely track changes in the international situation, pay attention to changes in policies and rules of relevant countries/regions, and actively use the rule of law and rules to safeguard its legitimate rights and interests. The Company will strengthen the building of overseas compliance management and risk prevention systems, and conduct risk assessment and regular tracking and monitoring of international business operations to enhance risk response capabilities.

8. OTHER DISCLOSURES

1. Principal Business

The principal business of the Company and the Group is digital information services including mobile communications, wireline communications, satellite communications, Internet access, cloud computing and computing power, Big Data, AI, quantum, ICT integration, etc.

2. Dividend Policy

The basic principles of the Company's profit distribution policy are:

- (1) The Company attaches great importance to reasonable investment returns to investors, and the Company's profit distribution policy will take into account the overall interests of all shareholders, the Company's long-term interests and the Company's sustainable development;

- (2) Under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company takes into account the continuous profits, meets regulatory requirements, operates regularly and develops in the long term, the Company will give priority to cash distribution of dividends.

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 profitability enhancement and at the same time continue to deliver favourable dividend return for the shareholders. Details of the dividend policy of the Company are set out in the "Corporate Governance, Environment and Society" of this annual report.

3. Dividends

The Board of Directors proposes a final dividend of RMB0.0908 per share (pre-tax) based on total number of issued share capital of the Company at the record date for the implementation of the dividend distribution. Cash dividend proposed to be distributed amounts to an aggregate of approximately RMB8,309 million calculated based on 91,507,138,699 shares, being the total number of issued share capital of the Company as at 31 December 2025. Together with the 2025 interim dividend of RMB0.1812 per share (pre-tax) which has been distributed, the full year dividend of the year 2025 amounts to RMB0.2720 per share (pre-tax) in an aggregate amount of approximately RMB24,890 million which represents 75% of the profit attributable to equity holders of the Company for the year 2025. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Tuesday, 19 May 2026 (the "2025 AGM"). Dividends will be denominated and declared in Renminbi. Details of the profit distribution of the Company for 2025 are set out in the "Corporate Governance, Environment and Society" of this annual report.

Dividends for holders of A 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 2025 AGM. The proposed final dividends are expected to be paid on or before 8 July 2026 upon approval at the 2025 AGM.

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" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the proposed 2025 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 2026.

Pursuant to the "Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)", 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 on his own or through an agent or the Company in accordance with the relevant requirements of the *"Announcement of the State Taxation Administration on Promulgating the Administrative Measures for Non-resident Taxpayers for Treatments under Tax Treaties"* (Announcement [2019] No. 35 of the State Taxation Administration), they shall submit the *"Information Report on Non-resident Taxpayers for Treatments under Tax Treaties"* (Announcement [2019] No. 35 of the State Taxation Administration), and collect and file such information.

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 2026 (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 Wednesday, 3 June 2026. 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.

4. Directors and Senior Management of the Company

The following table sets out certain information of the Directors and senior management of the Company:

Name	Age	Position in the Company	Date of Appointment
Ke Ruiwen	62	Executive Director, Chairman and Chief Executive Officer	30 May 2012*
Liu Guiqing	59	Executive Director, President and Chief Operating Officer	19 August 2019*
Tang Ke	51	Executive Director and Executive Vice President	22 March 2022*
Li Yinghui	55	Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board	6 January 2023*
Liu Ying	52	Executive Vice President	25 March 2025**
Huang Zhiyong	54	Executive Vice President	16 May 2025**
Lyu Yongzhong	57	Non-Executive Director	21 May 2025*
Ng Kar Ling Johnny	65	Independent Non-Executive Director	6 January 2023*
Chen Dongqi	69	Independent Non-Executive Director	6 January 2023*
Lyu Wei	69	Independent Non-Executive Director	23 May 2023*
Lee Sunny Wai Kwong	66	Independent Non-Executive Director	16 December 2025*
Guan Lixin	54	Employee Director	25 December 2025*

* 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:

Due to change in work arrangement, Mr. Li Jun has resigned from his position as an Executive Director of the Company with effect from 22 January 2025.

Due to change in work arrangement, Mr. Liang Baojun has resigned from his positions as an Executive Director, the President and Chief Operating Officer of the Company with effect from 10 February 2025.

On 25 March 2025, Madam Liu Ying has been appointed as an Executive Vice President of the Company. The relevant appointment became effective from 25 March 2025 until the annual general meeting of the Company for the year 2025 to be held in year 2026.

On 16 May 2025, Mr. Liu Guiqing, an Executive Director of the Company, has been appointed as the President and Chief Operating Officer of the Company, and he no longer served as an Executive Vice President of the Company. The relevant appointment became effective from 16 May 2025 until the annual general meeting of the Company for the year 2025 to be held in year 2026.

On 16 May 2025, Mr. Huang Zhiyong has been appointed as an Executive Vice President of the Company. The relevant appointment became effective from 16 May 2025 until the annual general meeting of the Company for the year 2025 to be held in year 2026.

The appointment of Mr. Lyu Yongzhong as the Non-Executive Director of the Company was approved at the annual general meeting of the Company for the year 2024 held on 21 May 2025, and his term of office commenced from 21 May 2025 until the annual general meeting of the Company for the year 2025 to be held in year 2026. Due to change in work arrangement, Mr. Chen Shengguang no longer served as the Non-Executive Director of the Company with effect from 21 May 2025.

Pursuant to the relevant requirement issued by China Securities Regulatory Commission regarding the term of independent directors, as Mr. Yeung Chi Wai, Jason ("Mr. Yeung") had continuously served as an Independent Non-Executive Director of the Company for the prescribed period, Mr. Yeung resigned from his position as an Independent Non-Executive Director, and his resignation took effect on the date of election of the new Independent Non-Executive Director at the extraordinary general meeting held on 16 December 2025 (the "EGM"). The appointment of Mr. Lee Sunny Wai Kwong as

an Independent Non-Executive Director has been approved at the EGM, and the relevant appointment became effective from 16 December 2025 until the annual general meeting of the Company for the year 2025 to be held in year 2026.

Madam Guan Lixin has been unanimously elected by the employee representatives of the Company democratically as the Employee Director of the eighth session of the Board of the Company, with her term of office commencing from 25 December 2025 and ending upon the expiry of the term of office of the eighth session of the Board of the Company.

In addition, upon the approval by the shareholders at the extraordinary general meeting, H shareholders' class meeting and A shareholders' class meeting held on 16 December 2025 in respect of the relevant resolutions, the Company no longer maintains a Supervisory Committee. The Audit Committee of the Board assumes the functions and powers of the Supervisory Committee.

5. Share Capital

As at 31 December 2025, the total share capital of the Company was RMB91,507,138,699, divided into 91,507,138,699 shares at a nominal value of RMB1.00 per share (including 77,629,728,699 A Shares and 13,877,410,000 H Shares).

6. Material Interests and Short Positions In Shares and Underlying Shares of the Company

As at 31 December 2025, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power of the A Shares or the H Shares at the shareholders' meetings of the Company (excluding the Directors) 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 shareholder	Number of shares*	Class of share	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	58,240,172,066 (Long Position)	A Share	75.02%	63.65%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 [#] (Long Position)	A Share	7.23%	6.14%	Beneficial owner
CHINA CITIC FINANCIAL AMC INTERNATIONAL HOLDINGS LIMITED	1,217,572,000 (Long Position)	H Share	8.77%	1.33%	Beneficial owner
China CITIC Financial Asset Management Co., Ltd.	1,217,572,000 (Long Position)	H Share	8.77%	1.33%	Interest of controlled corporation
Ping An Asset Management Co., Ltd.	848,568,000 (Long Position)	H Share	6.11%	0.93%	Investment manager
Ping An Insurance (Group) Company of China, Ltd.	694,644,230 (Long Position)	H Share	5.00%	0.76%	Interest of controlled corporation

[#] As at 31 December 2025, the interest in the shares of the Company has been provided by such shareholder as security to a person other than a qualified lender, and the number of shares involved was 820,000,000.

^{*} The information disclosed above is based on the interests and short position as recorded in the register required to be maintained by the Company under Section 336 of the SFO. Pursuant to the relevant provisions of the SFO, shareholders only have to file a disclosure of interest on the occurrence of certain events — called "relevant events". Accordingly, the exact numbers of shares held by the above-mentioned shareholders as at 31 December 2025 may be different from those as disclosed above.

Save as disclosed above, as at 31 December 2025, 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.

7. Directors' Interests and Short Positions In Shares, Underlying Shares and Debentures

As at 31 December 2025, none of the Directors 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 C3 of the Listing Rules.

During the year 2025, the Company has not granted its Directors 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 to subscribe for the shares or debentures.

8. Directors' and Supervisors' Interests In Transactions, Arrangements or Contracts

Save as the service agreements entered into between the Company and the Directors and the Supervisors, for the year ended 31 December 2025, the Directors and the 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.

9. Service Contracts

None of the Directors 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).

10. Emoluments of the Directors

Please refer to note 34 of the audited consolidated financial statements for details of the emoluments of all Directors of the Company in 2025.

11. Employees and Emolument Policy

The details of the Group's emolument policy are set out in the "Corporate Governance, Environment and Society" in this annual report. The details of share appreciation rights are set out in the "Corporate Governance, Environment and Society" in this annual report and note 46 of the audited consolidated financial statements.

12. Purchase, Sale or Redemption of Listed Securities of the Company

In 2025, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As of 31 December 2025, the Company did not hold any treasury shares.

13. Material Acquisitions and Disposals

Reference is made to the announcement published by the Company on 11 March 2024. On 11 March 2024, China Telecom Quantum Information Technology Group Limited ("China Telecom Quantum Group"), a wholly-owned subsidiary of the Company, entered into the Share Subscription Agreement with Quantumctek, planning to subscribe for non-public issued shares of Quantumctek with self-owned funds. Reference is made to the announcement published by the Company on 15 November 2024. Pursuant to the offering application and review documents of Quantumctek, the number of shares issued to China Telecom Quantum Group was adjusted from 24,112,311 shares to 22,486,631 shares and the total amount of the offering was adjusted from approximately RMB1.903 billion to approximately RMB1.775 billion. On 15 November 2024, the Board considered and approved the

resolution in relation to the adjusted number of new shares subscribed by China Telecom Quantum Group in the offering of Quantumtek. Based on the adjusted number of shares subscribed, China Telecom Quantum Group held approximately 21.86% of the issued shares of Quantumtek. In the first half of 2025, Quantumtek completed the appointment of the new board members with the Group securing a majority of the board seats. As a result, the Group obtained control of Quantumtek and included it in its consolidated financial statements.

Save as disclosed above, for the year ended 31 December 2025, the Company had no material acquisitions and disposals of subsidiaries, associates or joint ventures.

14. Public Float

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

15. Summary of Financial Information

Please refer to pages 243 to 245 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 2025.

16. Bank Loans and Other Borrowings

Please refer to note 20 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

17. Charge On Assets

As at 31 December 2025, no fixed assets was pledged to banks as loan security (31 December 2024: Nil).

18. 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 2025.

19. 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 2025.

20. Reserves

Distributable reserves of the Company as at 31 December 2025 before deducting the proposed final dividends for 2025 amounted to RMB169,412 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 2025.

21. Equity-Linked Agreements

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist for the year ended 31 December 2025.

22. Donations

For the year ended 31 December 2025, the Group made charitable and other donations with a total amount of RMB6.311 million.

23. Subsidiaries and Associates

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 associates as at 31 December 2025.

24. Permitted Indemnity

For the year ended 31 December 2025 and as at the date of approval of this report, the Company has arranged appropriate insurance coverage in respect of legal actions against the directors of the Group.

25. Changes In Equity

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of the year.

26. Retirement Benefits

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

27. Pre-Emptive Rights

Pursuant to the Articles of Association, when the Company issues new shares to increase its registered capital, shareholders shall not have pre-emptive rights, unless otherwise resolved by a shareholders' meeting that shareholders shall have pre-emptive rights. Save as disclosed above, there are no provisions for pre-emptive rights in the Articles of Association or the laws of the PRC requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

28. Major Customers and Suppliers

For the year ended 31 December 2025, 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 2025, 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.

29. 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.

30. 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.

31. 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 "Significant Events" in this annual report. Other Related Party Transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

32. Business Review

The details of the material development of the Group in 2025, 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, description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business can be found throughout this annual report, particularly in this section. Particulars of important events affecting the Group that have occurred after 31 December 2025, if any, can also be found in the notes to the consolidated financial statements.

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 different parts of the annual report (including this section, "Corporate Governance, Environment and Society", etc.), and are particularly detailed in the 2025 Sustainability (ESG) Report of the Company published on the websites of the Hong Kong Stock Exchange and the Company. In addition, more details regarding the 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 also disclosed throughout this annual report (including this section, "Corporate Governance, Environment and Society", etc.) and the 2025 Sustainability (ESG) Report of the Company. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.

33. Compliance With the Corporate Governance Code

Please refer to the "Corporate Governance, Environment and Society" in this annual report for details of our compliance with the Corporate Governance Code.

34. Auditors

Reference is made to the announcements of the Company dated 30 July 2024 and 21 August 2024. In consideration of the Company's needs for audit services and in accordance with the relevant requirements for the selection and appointment of accounting firms by state-owned enterprises including the Administrative Measures for the Appointment of Accounting Firms by State-owned Enterprises and Listed Companies, after performing procedures for open selection and based on the results thereof, as recommended by the Audit Committee of the Company, the Board resolved to propose to the shareholders of the Company to approve, among other things, the appointments of KPMG and KPMG Huazhen LLP as the Company's external auditors for the year ended 31 December 2024 and to authorise the Board to fix the remuneration of the auditors. Shareholders of the Company have approved the resolution in relation to the change of external auditors of the Company for the year of 2024 at the extraordinary general meeting held on 21 August 2024. Accordingly, KPMG and KPMG Huazhen LLP have been appointed as the Company's external auditors for the year ended 31 December 2024.

The re-appointment of KPMG and KPMG Huazhen LLP as the Company's external auditors for the year of 2025 has been approved at the Annual General Meeting for the year of 2024. KPMG has audited the consolidated financial statements set out in this report, which have been prepared in accordance with IFRS Accounting Standards.

The Audit Committee and the Board of the Company have agreed on the re-appointment of KPMG and KPMG Huazhen LLP as the external auditors of the Company for the year of 2026 and would propose the re-appointment of KPMG and KPMG Huazhen LLP at the Annual General Meeting for the year of 2025 of the Company for consideration.

By Order of the Board

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China

24 March 2026