

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

1. DESCRIPTION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

In the first half of 2025, the communications industry operated stably. Volume and revenue of telecommunications businesses continued to grow, with cumulative telecommunications business revenue reaching RMB905.5 billion, representing an increase of 1% year-on-year. The construction of new infrastructure advanced in an orderly manner, with the total number of 5G base stations reaching 4.549 million, the number of internet broadband access ports reaching 1.234 billion, and the total length of optical cable lines reaching 73.77 million kilometres. The user base continued to expand, with the total number of mobile phone subscribers reaching 1.81 billion, 5G subscribers reaching 1.118 billion, and the total number of wireline broadband access subscribers reaching 684 million. Mobile internet access traffic maintained rapid growth, with cumulative mobile internet traffic reaching 186.7 billion GB.

The Company adhered to a customer-centric approach, kept abreast of the new scenarios and trends in digital consumption, continuously enriched the supply of high-quality products and services. Guided by strategic emerging businesses, it solidly promoted the dual-engine and innovative development of its fundamental businesses and Industrial Digitalisation business. **The Company continued to promote the innovative development of its fundamental businesses and accelerated the upgrade of connectivity speed.** The Company expedited the upgrade of mobile networks towards 5G-A and home broadband towards gigabit and FTTR, and continuously expanded direct-to-satellite services and Quantum-encrypted Calls and Messages. **The Company accelerated the integrated intelligent upgrade of terminals.** took the lead in releasing the self-developed XingXiaochen agent to empower the upgrade of terminals, expedited the large-scale development of terminals such as AI phones, AI central monitors and AI cameras, and actively explored frontier areas such as AI glasses and AI robots. **The Company accelerated the integrated intelligent upgrade of applications,** continuously promoted the intelligent renewal of services such as Communications Assistant, Cloud Drive, Cloud Computers, and Colour Ringback Tone with Video through AI upgrades, and launched new intelligent applications like AI cultural and creative products, further upgraded the "Beautiful Home" product system, allowing subscribers to enjoy multi-scenario smart home applications such as safe home, healthy home, entertainment home, low-carbon home, and intelligent home. **The Company accelerated the integrated intelligent upgrade of platforms.** On the basis of continuously promoting the integration of

platforms such as Digital Village, Smart Community, and Smart Family, the Company further leveraged AI IoT and AI IoT to accelerate the intelligent upgrade of platforms, driving the steady increase in the scale and value of fundamental businesses. **The Company continuously promoted the innovative development of Industrial Digitalisation business, accelerating the creation of industry-leading large model scenario applications,** with cumulatively over 80 industry large models and more than 30 industry agents launched. The Xingchen MaaS Platform and Xingchen Industry Agent Platform have been rolled out, providing integrated intelligent cloud services and forming mature business models in areas such as government affairs, emergency response, industry, energy and chemical, housing and construction. **The Company accelerated the upgrade of its industry digital platform capabilities.** Focusing on key areas such as smart cities, social livelihood, and emergency security, it launched a package of industry solutions and continued to empower various industry customers with over 120 digital platforms. **The Company accelerated the establishment of an integrated product system for 5G customised networks, featuring "5G + AI + Cloud + Applications".** With products such as 5G industrial control agents launched and widely applied in fields such as mining, manufacturing, and electric power, it managed to help customers improve production efficiency, reduce safety risks, and enhance production quality. **The Company accelerated the establishment of a "5 Ones"¹ innovative standard ICT capability system,** provided integrated solutions for general scenarios such as office and production for small and medium-sized enterprise customers, pioneered an integrated computing network server that combined all-optical networking, general computing power, and intelligent computing, with nearly 500,000 sets of new integrated gateways developed cumulatively.

In the first half of 2025, the Company's operating revenues amounted to RMB271.5 billion, representing an increase of 1.3% year-on-year. Of which, service revenues amounted to RMB249.1 billion, representing an increase of 1.2% year-on-year. The Company's mobile communications service revenues continued to maintain favourable growth, amounting to RMB106.6 billion, representing an increase of 1.3% year-on-year. The penetration rate of 5G network users increased by 6.1 p.p. compared to the end of last year, and mobile ARPU reached RMB46.0. Wireline and Smart Family service revenues amounted to RMB64.1 billion, representing an increase of 0.2% year-on-year. Broadband blended ARPU reached RMB48.3. Industrial Digitalisation business maintained its favourable development momentum, with its revenue amounting to RMB74.9 billion.

For detailed business analysis of the Company, please refer to "2. Chairman's Statement" under "Section III Management's Discussion and Analysis" of this report.

¹ 5 Ones: 1 set of end-to-end technical framework and standards, 1 new operation platform integrating internal and external capabilities, 1 set of new end-side hardware facilities, 1 cloud-end collaborative exclusive architecture, and 1 set of complete SME scenario applications (including large models)

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2. CHAIRMAN'S STATEMENT

At present, a new round of sci-tech revolution and industrial transformation is developing rapidly, and artificial intelligence is profoundly changing human production and lifestyles, becoming an important driving force for promoting high-quality economic and social development. As artificial intelligence enters the first year of large-scale application, AI applications such as large models and agents are accelerating their adoption and deep integration across various fields, supporting the transformation and upgrading of traditional industries and opening new tracks for the development of strategic emerging industries and future industries, ushering in

vast opportunities for industry development. In the first half of 2025, the Company completely, accurately, and comprehensively implemented the new development principles, resolutely fulfilled its responsibilities in building China's strength in cyberspace, science and technology, Digital China, as well as safeguarding network and information security. By accurately grasping the trends in sci-tech innovation and industrial development, the Company fully embraced artificial intelligence, promoted the upgrade of its corporate strategy from "Cloudification and Digital Transformation" to "Cloudification, Digital Transformation and AI for Good", and continuously advanced its high-quality development.



Ke Ruiwen
Chairman and Chief Executive Officer

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1. Overall results

In the first half of 2025, the Company's operating revenues amounted to RMB271.5 billion, representing an increase of 1.3% year-on-year. Of which, service revenues² amounted to RMB249.1 billion, representing an increase of 1.2% year-on-year. EBITDA³ amounted to RMB80.6 billion, representing an increase of 4.9% year-on-year. Net profit⁴ amounted to RMB23.0 billion, representing an increase of 5.5% year-on-year. The basic earnings per share were RMB0.25. Capital expenditure was RMB34.2 billion. Free cash flow⁵ reached RMB13.1 billion, representing an increase of 13.9% year-on-year.

The Company continued to promote the integrated development driven by the innovation-led dual engines of its fundamental businesses and Industrial Digitalisation business, with its fundamental businesses growing steadily and strategic emerging businesses developing rapidly. In the first half of 2025, the Company's mobile communications service revenues amounted to RMB106.6 billion, representing an increase of 1.3% year-on-year; Wireline and Smart Family service revenues amounted to RMB64.1 billion, representing an increase of 0.2% year-on-year. The number of mobile subscribers reached 433 million, and the number of broadband subscribers reached 199 million. Mobile ARPU⁶ reached RMB46.0, and broadband blended ARPU⁷ reached RMB48.3. Revenue from Industrial Digitalisation reached RMB74.9 billion, and AIDC revenues increased by 7.4% year-on-year. Revenue from key strategic emerging products maintained rapid growth, with revenue from China Telecom Cloud reaching RMB57.3 billion. Intelligent revenues⁸ reached RMB6.3 billion, representing an increase of 89.4% year-on-year. Revenue from the security business reached RMB9.1 billion, representing an increase of 18.2% year-on-year. Internet of Video Things (IoVT) revenues increased by 46.2% year-on-year, satellite revenues increased by 20.5% year-on-year, and quantum revenues increased by 171.1% year-on-year.

The Company attaches great importance to shareholder returns, continuously strengthens market value management, promotes the growth of market value and enterprise value, and strives to enhance its profitability and cash flow generation capabilities. The Board of Directors has decided to continue distributing an interim dividend in 2025, with the profit to be distributed in cash representing 72% of the profit attributable to equity holders of the Company for the first half of the year, i.e., RMB0.1812 per share (pre-tax), representing an increase of 8.4% year-on-year. It is intended that the proportion of profit to be distributed in cash by the Company to profit attributable to equity holders in 2025 would be further increased compared to 2024, thereby continuously creating greater value for shareholders.

2. Seizing opportunities to gain strategic initiative and making solid strides towards the high-quality development of the Company

2.1 Completing the construction of intelligent cloud system and deeply promoting the “AI+” initiative

With the No. 1 technology “Xirang” as the core, the Company completed the construction of intelligent cloud system, leveraging cloud-network integration to provide integrated intelligent cloud services encompassing “computing power + platform + data + model + application”. At the IaaS layer, the Company continued to optimise the computing power supply structure, with the total scale of self-owned and accessed computing power reaching 77 EFLOPS, providing heterogeneous computing power services covering general computing, intelligent computing, supercomputing and quantum computing. At the PaaS layer, the Company accelerated the upgrade of its intelligent computing platform, providing one-stop computing power scheduling and AI development services, efficiently meeting customers' needs for training and inference scenarios. At the DaaS layer,

² Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service revenues

³ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation. Although EBITDA has been widely applied in the global telecommunications industry as a benchmark to reflect operating performance, debt raising ability and liquidity, it is not regarded as a measure of operating performance and liquidity under the IFRS Accounting Standards. It also does not represent net cash from operating activities. In addition, our EBITDA may not be comparable to similar indicators provided by other companies

⁴ Net profit represents profit attributable to equity holders of the Company

⁵ Free cash flow = Net cash from operating activities – Capital expenditure

⁶ Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers

⁷ Broadband blended ARPU = monthly average revenues from broadband access and Smart Family/the average number of broadband subscribers

⁸ Intelligent revenues include the revenue from artificial intelligence and intelligent computing services provided to customers

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the Company built the “Xinghai” data intelligent middle platform to promote the deep integration of proprietary datasets, open-source datasets, and third-party datasets, aggregating over 10 trillion tokens of general large model corpus data and datasets from 14 industries, with a total volume exceeding 350TB. At the MaaS layer, the Company built a full-modal, full-size, and fully homegrown Xingchen large model. Third-party foundational large models and various industrial large models were actively introduced to meet the diverse needs for large model selection and application scenario innovation. At the SaaS layer, focusing on the digital needs of production, life, and governance, the Company created standardised AI products and launched industrial large model and agent services for scenario-based demands, serving the smart life of individual household subscribers and empowering the digital transformation of enterprise production and governance. In addition, the Company released Agent as a Service (AaaS) and Terminal as a Service (TaaS) systems, empowered the intelligent transformation and upgrading of industries, and popularised the applications of artificial intelligence.

To continuously meet customers' diversified, multi-level, and personalised AI needs, the Company accelerated the promotion of business intelligence integration and upgrades. For government and business customers, the Company accelerated the empowerment of the digital and intelligent transformation of industries through intelligent cloud services, continuously facilitating industrial upgrades. The transformation of IDC to AIDC has also been expedited, providing customers with secure, reliable, intelligent, agile, and green low-carbon computing services. Over 80 industrial large models and more than 30 agents have been developed to serve over 20,000 industry customers. The Company continuously advanced

the “State-owned Central Enterprise AI+” special expansion, collaborating with over 30 state-owned central enterprises to build AI+ application benchmarks, and unveiling the “AI+” Action Demonstration Base for State-owned Central Enterprises in Tianjin. Accelerating the integration of intelligence into 5G customised networks, the Company has independently developed applications such as 5G industrial control agents to meet enterprises' needs for AI energy conservation and AI quality inspection. In parallel, the construction of industry digital platforms has been expedited, with over 120 digital platforms continuously empowering key industry customers in their digital transformation. For individual and home customers, the Company accelerated the intelligent upgrade of terminals, released the self-developed XingXiaochen agent to empower the intelligent upgrade of terminals, and expedited the large-scale development of intelligent terminals such as AI anti-fraud phones and AI central monitors. Focusing on frontier areas, it vigorously developed more varieties of intelligent terminals. The Company accelerated the innovation and upgrade of applications, promoted the intelligent renewal of personal applications such as Colour Ringback Tone with Video through AI iteration, and further upgraded the “Beautiful Home” product system, delivering customers with brand-new smart experience, and allowing subscribers to enjoy multi-scenario smart home applications such as safe home, healthy home, entertainment home, low-carbon home, and intelligent home. The Company accelerated the intelligent upgrade of platforms, and on the basis of continuously promoting the integration of platforms such as Digital Village, Smart Community, and Smart Family, it further leveraged AI IoT and AI IoT to accelerate the intelligent upgrade and content enrichment of platforms, continuously enriching new scenarios for intelligent living.

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The Company deeply advanced AI technology empowerment, creating over 160 AI applications across 21 key areas, and effectively driving cost reduction while enhancing quality and efficiency. In terms of customer management, the upgrade of whole-chain precision marketing was driven through AI, and the Company built the marketing agent based on the large model for customer management, which covered scenarios including AI-aided opportunity exploration, customer insight, and smart recommendation, serving about 60,000 frontline employees, and recording more than 20 million calls per month. In terms of customer service, the Company promoted the embedding of intelligent service capabilities into the 10000 hotline, continuously iterated and upgraded the application scenarios of the large customer service model. The proportion of intelligent customer service reached 87.5%, effectively enhancing customer perception and maintaining an industry-leading level of overall satisfaction. In terms of channel operations, "AI + full-service digital stores" covered 12,000 self-operated business halls, accelerating the transformation of offline stores from traditional experiential marketing to AI intelligent marketing. The Company upgraded the online sales model with an "AI + live streaming" approach, with AI live streaming digital humans providing 24/7 uninterrupted live streaming services. In terms of network operations, the Company comprehensively enhanced the automation and intelligence level of cloud network operations, launched 29 high-value scenario L4 pioneer actions, and created 23 types of digital employees based on the network large model. The number of faulty work orders reduced by 9.8%, the work order processing time reduced by 13%, and the fault handling time for home broadband installation and maintenance agents reduced by 8.7%.

The Company continued to optimise the supply of "Quantum+" product capabilities, continuously promoted "Quantum+" empowerment across various industries, and reinforced its leadership in the quantum industry market. In quantum communication, quantum-encrypted messages have achieved full coverage of six mainstream systems, taking the lead in passing the network security protection capability completeness assessment of the software platform under the "Foundation Building Program" of China Academy of Information and Communications Technology, while quantum-encrypted calls and quantum intercoms continued to enrich the application ecosystem, fully adapting to mainstream terminals. The user base for quantum communication has surpassed 6 million, serving over 3,000 industry clients in sectors such as government affairs, finance, and energy. In quantum computing, the Company achieved the commercialisation of three major application scenarios being, quantum computing real-machine deployment, cloud platform applications, and quantum information education, and implemented multiple major projects. In quantum measurement, the commercialisation and market application of quantum precision measurement technology products accelerated, with strong demand for applications in typical scenarios such as low-altitude detection and exploration.

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2.2 Striving for innovation and development, accelerating the construction of a leading sci-tech enterprise

The Company continued to promote high-level self-reliance and self-improvement in science and technology, accelerate breakthroughs in key core technologies, and strengthen the supply of high-quality science and technology. It has been included in the list of outstanding enterprises of sci-tech innovation among state-owned central enterprises for two consecutive years. The Company comprehensively promoted AI-oriented technological innovation from underlying infrastructure to upper-layer applications, and its self-developed China Telecom Cloud server operating system has passed the national security and reliability assessment. The Company achieved breakthroughs in key technologies such as computing power integrated scheduling and training/inference acceleration, and put forward the innovative proposal of the Triless architecture, achieving a triple decoupling of resources, frameworks, and tools. Such breakthroughs promoted interconnected and interoperable diverse computing power across service providers, regions, and architectures, helping the Company secure the first place once again in China's computing power interconnection scheduling market and maintain its leadership in China's intelligent computing cloud service market⁹. Through continuously upgrading the Company's Xingchen multimodal large model,

developing human-like natural conversation capabilities, and innovatively proposing full-modal, explainable deepfake detection capabilities, the Company has won the championship in AI deepfake detection at ICCV 2025 and IJCAI 2025. By innovatively building the AI Flow technology system and tackling three key technologies, key breakthroughs were made in generative intelligent transmission, homologous model and intelligent emergence based on connections and interactions, thereby promoting the deep integration of communication, network, and artificial intelligence. A high-performance privacy computing protocol cluster was developed, successfully overcoming the performance bottleneck of joint computing involving tens of billions of massive data. This achievement earned the Company the "Wu Wenjun AI Science and Technology Progress Award". Key technologies for constructing and governing high-quality dataset were successfully tackled, with the Company's "Network Large Model" and "Urban Governance" datasets being selected as "Outstanding Construction Achievements of High-Quality Datasets in the State-owned Central Enterprise AI Industry". The world's first distributed cryptographic system integrating QKD¹⁰ and PQC¹¹ was released by the Company. Additionally, the Company pioneered the industry's first cloud-network-endpoint collaborative anti-DDoS technology and launched China's first open source large model foundational security guardrail with protection capability reaching an industry-leading level. The Company continued to deepen basic theoretical research, with

⁹ Source: CCID Consulting

¹⁰ QKD: Quantum Key Distribution, which refers to the remote key distribution leveraging the physical properties of quantum such as indivisibility, non-replication, and uncertainty

¹¹ PQC: Post Quantum Cryptography, which refers to cryptographic technologies and relevant algorithms capable of resisting quantum computer attacks

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its research on a new framework for generative coding images based on diffusion models winning the only "Best Paper Award" at ICME 2025. It has also built high-level scientific and technological innovation infrastructures, with its large-scale sci-tech innovation facility for cloud-network integration being included in the pilot test and verification platform for state-owned central enterprises. Furthermore, the Company consistently developed patents of high quality and high standards, with its 5G patents winning the Silver Patent Award in the 25th China Patent Award selection.

2.3 Leveraging the advantages of cloud-network integration and expediting the intelligent upgrade of digital information infrastructure

Adhering to the principle of network as the foundation, cloud as the core, the Company fully leveraged the advantages of cloud-network integration, seizing the direction of intelligent development, especially adapting to the network requirements arising from the traffic and flow patterns in the AI era, and accelerating the intelligent upgrade of the digital information infrastructure to provide a solid foundation for the development of artificial intelligence. The Company moderately and preemptively deployed computing power infrastructure, and continuously promoted the construction of reasoning pools based on market demand. Building on the clusters with ten thousand GPUs in the Beijing-Tianjin-Hebei region and the Yangtze River Delta, the Company vigorously introduced new technology and built hyper-node topology clusters in the Guangdong-Hong Kong-Macao Greater Bay Area hub nodes. This has enabled a dual enhancement in both the quality and quantity of intelligent computing supply, with self-owned intelligent

computing power reaching 43 EFLOPS, alongside extensive integration of partner computing power. The Company built a new generation of AIDC with a "centre + edge" hierarchical layout and triple elastic upgrades in space, cooling, and power supply, effectively adapting to the functional partitioning of intelligent computing services and wide power fluctuations. The number of datacentre cabinets exceeded 580,000, with the eight major hub nodes accounting for 85%. The Company built a holistic smart computing network system integrating cloud-edge-device resources, with collaborative Access-Compute, Inter-Compute, and Intra-Compute networks, launched China's first 400G quantum secure OTN encrypted computing-connected dedicated line, accelerated the construction of new metropolitan networks, and advanced the renewal and upgrade of backbone optical cables and the trial commercial use of hollow-core optical cables. These efforts have enabled the Company to efficiently meet diverse intelligent computing demands such as real-time inference and large-scale training. Furthermore, the Company also promoted the upgrade and evolution of networks to achieve ultra-high speed and large capacity. The number of 10G PON ports of Gigabit fibre network exceeded 9.88 million, with a coverage of over 96% of gigabit residential areas in cities and towns. The Company comprehensively deepened co-building and co-sharing, continuously enhancing industry value, and building a high-quality network with high-/mid-/low-band coordination as well as 4G/5G integration. The total number of 5G mid-/high-band base stations reached 1.49 million, and low-band base stations reached 880,000. The Company continued to promote the upgrade of 5G-A network capabilities, having deployed 100,000 5G-A carrier aggregation base stations and 600,000 Redcap base stations in over 300 cities.

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2.4 Empowering green initiatives, safeguarding security, and promoting green and secure economic and social development

The Company actively practised the concept of green development, driving a two-digit decrease in the carbon emissions per unit of total volume of telecommunications services, and ranking among the top central enterprises in the "Central Enterprise Green Development Evaluation". Accelerating the green transformation of digital information infrastructure, the Company implemented green renovation of facility buildings and green upgrades of base stations, while advancing the innovative application of green energy-saving technologies such as liquid cooling and AI. AI energy-saving initiatives covered over 5.96 million base station sectors and 3,400 facility rooms, achieving annualised energy-savings of approximately 1.1 billion kWh. The transformation of the energy consumption structure advanced significantly, with the application of green electricity exceeding 1.4 billion kWh. The Company's innovative efforts promoted the synergistic development of computing power and electricity, resulting in the creation of a green, low-carbon, safe, omni-efficient, and economically applicable energy utilisation model. The Company strengthened empowerment with green products and services, and advanced the development of key products such as environmental protection cloud and green lighting. Green ICT services have expanded coverage across multiple fields, including environmental monitoring and smart manufacturing, providing green solutions such as energy-saving transformation and integration of new energy services.

The Company continued to explore the potential of integrated innovation and two-way empowerment of security and AI. It accelerated "security intelligence integration" to create the security corpus "Qianmo Shuju", and established a risk classification and labelling system. Leveraging multiple general AI technologies, such as content interpretation, and automatic analysis and disposal, the Company drove the iteration of the "Xingchen • Jianwei" security large model, and expedited the coverage of the intelligent upgrade of its security capability across "terminals, edges, networks, clouds, and data". These efforts improved security assurance for critical infrastructure internally and promoted the deployment of more intelligent security products externally. The cleaning capacity of Anti-DDoS Cloud Dam exceeded 18Tbps, maintaining its leading position in protection capability and market share. The Managed Security Service Provider (MSSP) Cloud Dam provided intelligent, multi-category managed security services, with the total number of connected customers exceeding 7,000. The Company strengthened the "Security Protection for Intelligence" and addressed common security issues arising from the development of the AI industry, built large model foundational security guardrail, enhanced AI security governance, and promoted safer, more reliable, and more controllable artificial intelligence. In addition, the Company deeply integrated quantum technology with next-generation networks, cloud computing, and other technologies, utilising QKD technology to ensure the secure transmission of AI training data and cross-cluster data, thereby building a quantum-level security defense for AI.

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3. Further deepening reform and opening up on all fronts, improving the governance system and enhancing governance capabilities

The Company comprehensively advanced its actions to deepen and enhance state-owned enterprise reform, accelerating the establishment of new production relations that are compatible with new quality productive forces, and stimulating the momentum and vitality for the high-quality development of the enterprise. With a deep understanding that "talent is the primary resource", the Company actively fostered a favorable environment conducive to the work and entrepreneurship of a wide range of talents. Making solid strides to advance the "Everest", "Kunlun", and "Five Mountains" programmes, the Company also implemented the "one-person, one-strategy" top talent cultivation and support programme, and strengthened the cultivation and introduction of top talents and leading sci-tech talents. Adhering to an actual results-oriented approach, the Company selected 24 new chief experts. The echelon pattern of sci-tech talents, comprised of 5 leading talents, approximately 1,000 chief/senior experts, and approximately 10,000 technical experts, has continuously improved. The Company continued to optimise the RDO¹² R&D organisational system, improve the innovation evaluation and incentive mechanism, and introduce a series of support policies for original and exploratory sci-tech innovation to enhance the efficiency of sci-tech achievement transformation. Reform at the Company's headquarters was further advanced, with innovative allocation of production elements and improved coordination mechanisms between provincial companies and professional companies, as well as among professional companies, which effectively fostered a synergy for development. It deepened the reform of

professional companies, strengthened their market entity status, established Artificial Intelligence Technology (Shanghai) Co., Ltd., and fully supported the construction of the National Artificial Intelligence Innovation Application Pilot Zone. For three consecutive years, the cloud company and the digital intelligence company have been assessed as benchmark enterprises in the "Sci-tech Reform Action" by the SASAC. Reform of provincial and city-level branches also progressed, with continued enhancement of the construction of the main process centred around the cloud core platform, improving end-to-end integrated delivery and operation service levels.

Systematic open cooperation capabilities were comprehensively enhanced by the Company, with active leadership in deepening collaboration across multiple fields and proactive efforts to build a more prosperous cooperation ecosystem. In science and technology, the Company strengthened open collaboration by accelerating the internal opening and sharing of elements such as computing power and data, driving the enhancement of sci-tech research efficiency. This included collaborations with Shanghai Artificial Intelligence Laboratory and deep involvement in the application and implementation of DeepLink's ultra-large-scale cross-domain mixed training technology. The intelligent computing cluster with ten-thousand GPUs was built, promoting the benefits of artificial intelligence to more fields. Open cooperation in digital information infrastructure was strengthened through active promotion of comprehensive inter-industry sharing and cross-industry, cross-domain collaborative sharing in areas such as satellite networks and low-altitude communications, contributing to the healthy development of the industry. The Company strengthened open cooperation in capital, acquired a controlling stake in Quantumctek and achieved comprehensive layout

¹² RDO: Fundamental research (R), applied technological research and development (D) and operational development (O)

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in the three major areas of the quantum information industry. International opening up and cooperation was also strengthened. The handset direct-to-satellite service was officially launched for commercial use in Laos, and services were expanded to Southeast Asian countries. Additionally, the e-Surfing IoT International Platform was officially released, providing open and co-created intelligent video services to the global market with the industry ecosystem.

Through further deepening reform and opening up on all fronts, the Company broke down institutional and mechanism barriers that hinder high-quality development, and promoted the modernisation of its corporate governance system and governance capabilities. By pursuing deep insights into customer demands, the Company continued to enhance the quality of its product and service supply, effectively addressing challenges and creating value for customers. Taking root downward and empowering upward, the Company continuously enhanced sci-tech innovation capabilities. The Company took concrete steps to improve the security protection capabilities and independent controllability level of cloud networks, and continuously enhanced risk prevention capabilities. Relying on data resources, intelligent platforms and applications, the Company boosted operating efficiency and the performance of products and services, further enhancing digital and intelligent capabilities. By fully leveraging the primary role of its talent team in corporate governance, the Company continuously strengthened its strategic execution capabilities.

4. Proactively fulfilling social responsibilities and gaining widespread recognition from the capital market

The Company successfully completed communications assurance tasks for multiple key events, including the Harbin Asian Winter Games, the Boao Forum for Asia, and the launch of the Shenzhou-20 manned spacecraft, while also utilising technical means such as Tiantong satellites and drones in emergency rescue and disaster relief efforts to establish an unimpeded "communications lifeline". Through empowerment of rural revitalisation with digital intelligence, the Company stimulated the vitality of the rural digital economy, and continuously fulfilled its universal service obligations, with inclusive services in Caring Stations implemented in 80,000 urban and rural business halls. More than 80,000 caring activities were organised, benefiting over 8.6 million people. The "e-Surfing Security Anti-Fraud" platform was launched to strengthen the technological defense against fraud. The Company effectively protected the legitimate rights and interests of employees, continuously optimised the employee care system, provided diversified growth platforms, and assisted in employees' career development.

The Company has always adhered to a high level of corporate governance, strictly complied with laws and regulations, continuously improved the quality and transparency of information disclosure, and constantly built a scientific and comprehensive compliance management system. The Shareholders' Meeting, the Board of Directors, and the Supervisory Committee operate in a standardised manner, with efficient decision-making and strong oversight, ensuring the Company's long-term stable development. The Company proactively strengthens investor relations management by actively building communication bridges with investors, analysts, and the media through various forms, including 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 its investment value.

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Receiving high affirmation from domestic and international capital markets for its outstanding performance, the Company was honored with the "Asia's Best CSR" award for the sixth consecutive year in the "Asian Excellence Award 2025" organised by *Corporate Governance Asia*. The Company also received the "Investor Relations Management Shareholder Return Award" in the 16th Listed Company Investor Relations Management "Tianma Award" selection organised by *Securities Times* and was selected for the "Best Practise of Investor Relations Management for Listed Companies" by the China Association for Public Companies, achieving an A-grade in the 2025 Sino-Securities Index ESG comprehensive rating.

5. Riding on the momentum, seizing the direction and promoting the enterprise strategy upgrades

In recent years, the Company has comprehensively implemented the Cloudification and Digital Transformation strategy, continuously promoting its transformation from a traditional telecommunications operator to a service-oriented, technology-oriented, and secured enterprise, with steadily improving operating performance and service revenue growth consistently higher than the industry average for many consecutive years. Significant achievements were made in sci-tech innovation, with four technology directions identified and the layout of seven major strategic emerging businesses completed. The Company made a number of landmark achievements in cloud, AI, quantum, satellite, and network fields, creating China Telecom's No. 1 technology "Xirang", and forming an "1+1+1+M+N"¹³ AI development layout. The digital information infrastructure, with cloud-network integration as its core features, was continuously consolidated, and China Telecom Cloud fully took the shape as the national cloud framework, entering a new stage of intelligent cloud development. The Company continued to deepen its enterprise reform, and extensively carried out opening up and cooperation, earning Grade A in the assessment of key reform tasks of state-owned central enterprises for four consecutive years. It constantly explored a new path

for operator transformation and development with China Telecom characteristics, made solid new strides towards high-quality development, and gained strategic initiative with enhanced confidence in its development.

At present, global sci-tech innovation has entered an unprecedentedly active period, with a new round of sci-tech revolution and industrial transformation, represented by artificial intelligence and quantum technology, accelerating its development, bringing disruptive and remodeling impacts on economic and social development, and enterprises have entered a critical stage of development. The Company is riding on the momentum to promote the upgrading of its corporate strategy towards "Cloudification, Digital Transformation and AI for Good", adhering to a customer-centric approach, taking the fulfillment of customers' aspirations for a better life as its starting and ending point. The Company insists on reforming and opening up as the driving force, continuously breaking down institutional and mechanism barriers that hinder high-quality development. By adhering to sci-tech innovation as the core, the Company strengthens the supply of high quality technologies and promotes the deep integration of sci-tech innovation and industrial innovation. With cloud-network integration as the foundation, the Company is accelerating the construction and upgrading of digital information infrastructure. The Company persists in green safety as the background, empowering the green and safe development of the economy and society. Adhering to the digital intelligence platform as the hub, the Company has been widely gathering various internal and external resources and capabilities of the enterprise. The Company regards its talent team as the foundation, focusing on cultivating and building an innovative talent team with a reasonable structure, excellent quality, and mastery of key core technologies. This will effectively drive the modernisation of corporate governance systems and governance capabilities and the execution of strategies, as well as accelerate the high-quality development of the Company.

¹³ 1+1+1+M+N: 1 foundation for intelligent cloud, 1 foundation for the general-purpose large models, 1 data foundation, "M" refers to the number of large models for own use, and "N" refers to the number of vertical models

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Going forward, the Company will comprehensively implement the Cloudification, Digital Transformation and AI for Good Strategy, and strengthen the innovation-driven integrated development of the dual engines of fundamental businesses and Industrial Digitalisation business. It will deeply promote the "AI+" initiative, allowing the dividends of intelligence to better benefit thousands of industries and households. The Company will accelerate the intelligent evolution and upgrade of digital information infrastructure, making intelligent services more easily accessible. Reform and opening up will be deepened across all fronts, with a focus on stimulating the vitality and dynamics for the high-quality development of the Company. Core functions will be continuously enhanced and core competitiveness will be strengthened to accelerate the building of a world-class enterprise. The Company will firmly undertake responsibilities in building China's strength in cyberspace, science and technology, Digital China, as well as safeguarding network and information security, and take the lead, shoulder the responsibility and set an example in driving 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 attention 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. Chen Shengguang for his outstanding contributions to the Company's development made during his tenure. At the same time, I would like to extend a warm welcome to Mr. Lyu Yongzhong on joining our Board of Directors!



Ke Ruiwen

Chairman and Chief Executive Officer
Beijing, China

14 August 2025

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

3. ANALYSIS OF THE 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. By accurately grasping the trends in the new round of sci-tech revolution and industrial transformation, the Company fully embraced artificial intelligence, promoted the upgrade of its corporate strategy to "Cloudification, Digital Transformation and AI for Good", and strove to build a world-class service-oriented, technology-oriented, and secured enterprise, fully empowering the digital and intelligent transformation and development of the economy and society.

Accelerated construction of digital information infrastructure, with comprehensive enhancements in intelligence, security and environmental sustainability.

The Company sped up the deployment of intelligent computing power, building up its intelligent computing capabilities that were nation-wide, hot spot-concentrated, technologically advanced, and all-domain dispatchable. The Company built hyper-node topology clusters in the Guangdong-Hong Kong-Macao Greater Bay Area hub nodes, establishing an efficient and collaborative intelligent computing network to promote the upgrade of traditional DCs to AIDCs. The Company built a holistic smart computing network system integrating cloud-edge-device resources, with collaborative Access-Compute, Inter-Compute, and Intra-Compute networks, and a flexible, elastic, and green new-generation AIDC, and constructed new metropolitan networks with fixed-mobile convergence and cloud-network integration. The Company resolutely assumed the responsibility for emergency communication support, responding quickly and making every effort to ensure emergency communications for emergency rescue and disaster relief.

Significantly enhanced the leading role of sci-tech innovation.

By building China Telecom's No.1 technology "Xirang", the Company comprehensively promoted AI-oriented technological innovation from underlying infrastructure to upper-layer applications. In the field of networking, the Company pioneered a new type of metropolitan network with a Spine-leaf architecture and enhanced the wireless uplink technology that supported TDD/FDD hybrid deployment and multi-frequency sharing. In the field of cloud computing, the "Xirang" integrated intelligent computing service platform pioneered the Triless architecture in the industry, the self-developed China Telecom Cloud server operating system has passed the national security and reliability assessment, and the large-scale sci-tech innovation facility for cloud-network integration was included in the pilot test and verification platform for state-owned central enterprises. In the field of artificial intelligence, by innovatively building the AI Flow technology system and tackling three key technologies, key breakthroughs were made in generative intelligent transmission, homologous model and intelligent emergence based on connections and interactions. The Company continuously upgraded the full-modal, full-size, and fully homegrown Xingchen large model, established the "AI+" Action Demonstration Base for state-owned central enterprises. In the field of quantum/security, the Company released the world's first distributed cryptographic system integrating QKD and PQC and launched China's first open-source large model foundational security guardrail.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Application-oriented approach became more prominent, with continuous upgrades in product and service innovation. This year marked the first year of large-scale application of artificial intelligence, and the Company's primary focus was to empower the intelligent transformation of thousands of industries. With the No. 1 technology "Xirang" as the core, the Company completed the construction of intelligent cloud system, leveraging cloud-network integration to provide integrated intelligent cloud services encompassing "computing power + platform + data + model + application". More than 80 industry large models have been built in fields such as industry, emergency response, and transportation, serving over 20,000 customers. Secondly, the Company met the people's needs for intelligent technology. Deeply implementing the "AI+" Action, it promoted the AI-powered upgrade of products such as Cloud Computers and Cloud Drive, and embedded the Xingchen large model in e-Surfing AI mobile phones. Thirdly, the Company built benchmarks for intelligent industry applications, created over 160 AI applications across 21 key areas, including cloud-network operations, customer service, channel marketing, technology R&D, and enterprise management to drive cost reduction while enhancing quality and efficiency. The Company released network large models and established the world's first network large model alliance. Fourthly, the Company continuously promoted strategic emerging overseas businesses and achieved phased breakthroughs. It accelerated the deployment and construction of global resources, with international transmission backbone bandwidth exceeding 160T. The handset direct-to-satellite capabilities and services were expanded to Southeast Asian countries, and the e-Surfing IoT International Platform was built to provide intelligent services.

Continuously strengthened security governance, ensuring high-quality development with high-level security. The Company has consistently strengthened its AI security governance, building a large model protection system to achieve technological safety, reliability, and controllability. Leveraging the comprehensive advantages of a secured enterprise, the Company built a protection system integrating infrastructure, data, content, algorithms, and applications, and provided secure operation services. The Company established a risk classification and labelling system covering over 10 billion tokens, significantly enhancing data security, and built a protection system with preventable input, detectable reasoning process, and controllable output. The Company pioneered the industry's first cloud-network-endpoint collaborative anti-DDoS technology, with the large model foundational security guardrail's protection capability reaching an industry-leading level. The Company actively promoted the inclusion of quantum into its cloud-network infrastructure, advanced the construction of quantum backbone networks and metropolitan networks in key cities, and accelerated the establishment of vertically and horizontally connected, cross-domain interoperable quantum security service capabilities.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

4. MAJOR OPERATION DURING THE REPORTING PERIOD

OPERATING REVENUES

In the first half of 2025, the Company accurately grasped the development trend of the new round of sci-tech revolution and industrial transformation, fully embraced artificial intelligence, promoted the upgrade of its corporate strategy to "Cloudification, Digital Transformation and AI for Good", steadily improved its operating performance, and took solid strides towards high-quality development. In the first half of the year, operating revenues amounted to RMB271,469 million, representing an increase of 1.3% over the same period of last year. Service revenues amounted to RMB249,112 million, representing an increase of 1.2% over the same period of last year. Of which, mobile communications service revenues¹⁴ amounted to RMB106,572 million, representing an increase of 1.3% over the same period of last year. Wireline and Smart Family service revenues¹⁵ amounted to RMB64,133 million, representing an increase of 0.2% over the same period of last year. Industrial Digitalisation service revenues¹⁶ amounted to RMB74,853 million, representing an increase of 1.5% over the same period of last year.

OPERATING EXPENSES

The Company maintained investment in key areas such as sci-tech innovation, 5G and Industrial Digitalisation, supporting the sound development of strategic emerging businesses, and at the same time deeply advanced the "AI+" initiative, driving cost reduction while enhancing quality and efficiency. In the first half of 2025, the Company's operating expenses were RMB242,920 million, representing an increase of 0.9% over the same period of last year. Operating expenses accounted for 89.5% of operating revenues, representing a decrease of 0.3 percentage point over the same period of last year.

The Company accelerated the upgrading of its digital information infrastructure, appropriately advanced the deployment of computing power infrastructure, and built an efficient and collaborative intelligent computing network. In the first half of the year, depreciation and amortisation amounted to RMB52,039 million, representing an increase of 5.1% over the same period of last year.

The Company continued to enhance network quality and capabilities, deepened the AI-empowered refined cost management, and improved resource utilisation efficiency. In the first half of the year, network operations and support expenses amounted to RMB78,288 million, representing a decrease of 2.3% over the same period of last year.

¹⁴ Mobile communications service revenues represent the aggregate amount of mobile communications service fees, mobile Internet access service fees and short messaging service fees, etc., charged to customers for the provision of mobile services

¹⁵ Wireline and Smart Family service revenues represent the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees charged to customers for the provision of wireline services

¹⁶ Industrial Digitalisation service revenues represent the aggregate amount of fees charged to customers for the provision of Internet datacentre services, cloud services, digital platform services, dedicated Internet access services, etc.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company continued to promote the digitalised construction of its marketing services, accelerated the transformation to AI intelligent marketing, and improved the utilisation efficiency of selling expenses. In the first half of the year, the selling, general and administrative expenses amounted to RMB32,783 million, representing a decrease of 0.9% over the same period of last year.

The Company firmly seized the opportunities arising from the development of the digital economy, strengthened sci-tech innovation, and effectively managed the recruitment of high-tech talents and incentives for frontline employees and high-performance teams. In the first half of the year, personnel expenses amounted to RMB50,438 million, representing a decrease of 0.3% over the same period of last year. Excluding the profit or loss from fair value changes in share appreciation rights, the year-on-year growth would have been 2.8%.

In the first half of the year, other operating expenses amounted to RMB29,372 million, representing an increase of 7.1% over the same period of last year. The increase was mainly because with the growth in interconnection settlement revenue and revenue from sales of goods, the interconnection settlement charges and charges from sales of goods increased accordingly.

NET FINANCE COSTS

In the first half of 2025, the Company's net finance costs amounted to RMB294 million, representing an increase of 17.3% over the same period of last year. The increase was mainly because the Company optimised its capital structure, converting bank deposits into lower-risk structured deposits with relatively higher returns, which were reflected in investment income, thus leading to a decrease in interest income from bank deposits.

PROFITABILITY LEVEL

The Company accurately grasped the trends in science and technology and industrial development, leading the integration of dual-driven development through technological innovation. The resource utilisation and operating efficiency of the Company continued to increase with its profitability favourably enhanced. In the first half of the year, profit attributable to equity holders of the Company reached RMB23,017 million, representing an increase of 5.5% over the same period of last year. EBITDA was RMB80,588 million, representing an increase of 4.9% over the same period of last year.

CAPITAL EXPENDITURE AND CASH FLOWS

The Company sped up the upgrade of its digital information infrastructure, progressively promoted the integration of cloud network and artificial intelligence, consolidated the foundation for AI development, and continued to invest in capital expenditures. In the first half of the year, the capital expenditure amounted to RMB34,235 million, and free cash flow was RMB13,072 million, representing an increase of 13.9% over the same period of last year, maintaining a robust cash flow level.

ASSETS AND LIABILITIES

The Company continued to maintain a solid financial position. As at 30 June 2025, the total assets increased to RMB887,224 million from RMB866,625 million as at the end of 2024, representing an increase of 2.4%. The total liabilities increased to RMB413,215 million from RMB410,073 million as at the end of 2024, representing an increase of 0.8%. The debt-to-asset ratio was 46.6%, and the capital structure remained robust.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

5. OTHER DISCLOSURE

(1) POTENTIAL RISKS

Risks of adapting to economic and policy environment

At present, the adverse impacts brought by changes in the external environment are deepening, and China's economic operation still faces many difficulties and challenges, but the supporting conditions and fundamental trend of long-term improvement remain unchanged. The Company's internal Cloudification and Digital Transformation and structural adjustments need to be further deepened, and the foundation for promoting the transformation of development mode, promoting the effective enhancement of quality and the reasonable growth of quantity needs to be further consolidated. The Company will proactively adapt to market, technology and business development trends, strengthen sci-tech innovation, deepen reform and opening up, focus on enhancing intrinsic motivation for high-quality development, continuously shape new momentum and new advantages for development, and accelerate corporate transformation to become 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, spawning a large number of new scenes, new business forms and new models. Large models have shown an explosive growth trend. Artificial intelligence, 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 proprietary R&D and control capabilities of products

need to be continuously improved. The Company will continue to strive for breakthroughs in key core technologies, strengthen original and leading sci-tech breakthroughs, further increase the deployment of high-level sci-tech innovation platforms around strategic emerging businesses and future industries, enhance R&D efficiency, strengthen the transformation and application of innovative achievements, implement the project of strengthening the enterprise with talents, and create a talent centre and innovation highland.

Network and data security risks

The network and data security problems 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 scenes 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 scenes, and improve the independent and self-control capability of core network technologies. The Company will further deepen the protection of data security and users' personal information, improve the building of organisation and capability of anti-fraud governance, and effectively safeguard the security of data and personal information.

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Risks from strategic emerging businesses and future industries

There are many uncertainties in the development of strategic emerging businesses and future industries. The competition in the digital service market has become more diversified, and the competition in business areas such as large models and intelligent computing cloud is fierce. The R&D and application capabilities of the Company's emerging businesses need to be further improved. 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 standardised and differentiated products and services, and promote the rapid development of strategic emerging and future industry emerging businesses.

Operational risks of international business

At present, factors such as the intertwined changes in the world, 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 product 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 the legitimate rights and interests of the Company. 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.

(2) OTHER DISCLOSURES

Purchase, Sale or Redemption of Listed Securities of the Company

During the six-month period ended 30 June 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2025, the Company did not hold any treasury shares.

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

As at 30 June 2025, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (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 HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules.

During the six-month period ended 30 June 2025, the Company has not granted its Directors or Supervisors, or their respective spouses or any of their respective minor child (natural or adopted) or on their behalf any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

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

As at 30 June 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 at the shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the SFO are as follows:

Name of shareholder	Number of shares*	Class of share	in issue	Approximate percentage of the respective class of shares	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	

As at 30 June 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 30 June 2025 may be different from those as disclosed above.

Save as disclosed above, as at 30 June 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.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Audit Committee

The audit committee has reviewed with management and the Company's external auditors the accounting principles and practices adopted by the Group and discussed risk management, internal control and financial reporting matters of the Group. The audit committee has reviewed the Interim Report for the six-month period ended 30 June 2025.

Compliance with the Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules to govern securities transactions by Directors and Supervisors. Based on the written confirmations from the Directors and Supervisors, the Company's Directors and Supervisors have confirmed their compliance with the Model Code regarding the requirements in conducting securities transactions for the period from 1 January 2025 to 30 June 2025.

Interim Dividend

The interim dividend is expected to be paid on or before 30 September 2025 to those shareholders whose names appear on the H Share Register of Members of the Company on Wednesday, 3 September 2025. For the purpose of determining H Share shareholders' entitlement to the interim dividend, the H Share Register of Members will be closed from Friday, 29 August 2025 to Wednesday, 3 September 2025 (both days inclusive). In order to be entitled to the interim dividend, holders of H Shares who have not registered the transfer documents are required to deposit the transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Thursday, 28 August 2025. The Company will announce the specific arrangement for the payment of interim dividend to holders of A Shares separately on the Shanghai Stock Exchange.

Dividends will be denominated and declared in Renminbi. 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 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 (i.e., 14 August 2025) [RMB0.909346 equivalent to HK\$1.00].

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 2025 interim dividend 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 Wednesday, 3 September 2025.

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

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Wednesday, 3 September 2025 (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 Thursday, 28 August 2025. 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 depositary 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 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 the Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

For H Share shareholders other than the Southbound Investors, the Company has appointed Bank of China (Hong Kong) Limited as the receiving agent in Hong Kong (the "Receiving Agent") and will pay to such Receiving Agent the interim dividend declared for payment to H Share shareholders other than the Southbound Investors. The Receiving Agent will pay the interim dividend net of the applicable tax on 30 September 2025. The relevant dividend warrants will be despatched to H Share shareholders by ordinary post and the risk of errors involved in the postage will be borne by the H Share shareholders. For the Southbound Investors, the interim dividend net of the applicable tax will be paid by the Company to the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited on 30 September 2025. The Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited will pay the interim dividend net of the applicable tax to the Southbound Investors.

Other Information

According to paragraph 40 of Appendix D2 of the Listing Rules, save as disclosed in this report, the Company confirms that the current company information in relation to those matters set out in paragraph 32 of Appendix D2 has not changed materially from the information disclosed in the Company's 2024 Annual Report prepared in accordance with IFRS Accounting Standards ("2024 Annual Report").