

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 2026, the communications industry maintained generally stable performance. Revenue from the telecommunications businesses amounted to RMB887.3 billion, representing a year-on-year decrease of 2.1%. User bases of 5G, gigabit network and the Internet of Things continued to expand. As at the end of June, the total number of mobile phone subscribers reached 1,844 million, including 1,288 million 5G subscribers, representing a penetration rate of 69.9%. The number of wireline Internet broadband subscribers totalled 701 million, among which 258 million subscribed to wireline Internet broadband with access speeds of 1 Gbps and above, representing a penetration rate of 36.8%. Mobile IoT terminal subscribers amounted to 2,994 million. Mobile Internet access traffic maintained fast growth, reaching a cumulative 219.7 billion GB in the first half of the year, an increase of 17.7% year-on-year.

Actively adapting to the evolving trends in the AI era, the Company restructured its business model around Token operations, further developed its Five-Sphere Integrated intelligent cloud system, and strengthened the provision of high-quality, secure, inclusive, and integrated intelligent services. It consolidated the Communications Business as the bedrock of value creation, grew the Intelligence Business as the new driver of revenue growth, and continuously explored new frontiers for value growth.

In terms of the Communications Business, the Company accelerated connectivity upgrades. Leveraging its differentiated strengths of 5G-A in integrated communication and sensing, together with high-speed, ubiquitous coverage, the Company delivered an exceptional next-generation mobile connectivity experience featuring ultra-high speed, low latency and high reliability, thereby enhancing both customer value and perception. It continued to promote the upgrade of "Gigabit + FTTR", and further improved broadband speeds and indoor coverage quality, solidifying household digital

infrastructure. It expanded virtual networks, dedicated lines and corporate all-optical network businesses, further tapping into the value of vertical markets. The Company accelerated the development of its space-aerial-ground integrated network, and promoted multi-network synergies across mobile communication, all-optical and satellite networks, achieving advantages in connectivity across all domains. **The Company strengthened customer operations.** Leveraging customer operation intelligent agents' empowerment, the Company built full-process AI digital intelligence capabilities for customer insights, strategic package matching, precise reach, review and audit. Focusing on customers' personalised needs for communications services, the Company launched packages of diversified privileges covering mobility, catering, entertainment, healthcare and other scenarios in collaboration with ecosystem partners to improve the one-stop service system integrating "connectivity + terminal + application + privilege". The Company's high-value integrated customer base continued to expand. **The Company enhanced its scenario-based marketing.** For customer-facing (ToC) business, leveraging 5G-A, the Company created scenario-based applications such as high-speed rail and subway travel, cultural tourism and sports events and live streaming. For household customers (ToH), it created applications such as home security and elderly care powered by its smart family platforms and smart community platforms. For government-facing (ToG) business, it developed scenario-based applications such as AI local governance, AI fire prevention and control, and AI market supervision. For enterprise-facing (ToB) business, it created scenario-based applications such as enterprise dedicated networks, 5G factories, and low-altitude surveying and mapping leveraging its 5G customised networks, IoT, low-altitude economy platforms and industry platforms, driving the adoption of customised, integrated solutions and maintaining a market-leading position in industry digitalisation delivery capabilities.

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In terms of the Intelligence Business, at the IaaS layer, the Company optimised its AIDC layout by focusing on eight national computing hub nodes and key urban nodes. Sixteen data centre campuses at the 100MW level have been built with a total power capacity of nearly 8GW, enabling low-latency, high-bandwidth, and efficient scheduling of computing power between eastern and western regions, and continuously amplifying the strengths of computing-network integration capabilities.

At the PaaS layer, the Company upgraded the Xirang computing power interconnection scheduling platform to Xirang 2.0, which supported computing power from more than 20 types of heterogeneous chips, while the total scale of proprietary and accessed intelligent computing power exceeded 118.8 EFLOPS, providing efficient, low-loss and low-latency Token transmission services. **At the DaaS layer,** the Company aggregated over 20 trillion Tokens of high-quality foundation model training data and 500 high-quality industry datasets. Two of these datasets were selected as exemplary achievements for high-quality datasets in the "Intelligent Datasets for All Domains" initiative by the SASAC. The Company strengthened construction of the Xinghai Trusted Data Space, and opened up data circulation channels to foster market-oriented allocation of data elements.

At the MaaS layer, the Xingchen large model system was further enhanced by mastering stable and efficient training techniques for ultra-long contexts, independently developing a reinforcement learning framework for Agentic RL, and crafting a new generation of foundational large models with ultra-large parameter counts. The Xingchen TokenHub brought together 142 large models,

with the goal of becoming a cross-terminal, cross-business and cross-scenario integrated Token operation service platform. To further enhance the supply of "AI+" industry applications, the Company developed and promoted more than 420 industry-specific agents and 102 industry-specific Skills. **At the SaaS layer,** for ToC and ToH customers, the Company accelerated the launch of AI product series including e-Surfing Smart Screen, e-Surfing Smart Ringtone and e-Surfing Smart Cam with agents as the core capability. For ToB and ToG customers, the Company developed industry-specific applications covering energy, transportation, market supervision, government and enterprise hotlines, etc. through the model of "agents + industry models + industry datasets". Internally, the Company deployed 12 categories of digital employees at scale across five core areas: intelligent operations, intelligent services, intelligent marketing, intelligent R&D and intelligent management, thereby accelerating the integration of AI into core production workflows and generating cumulative cost savings and efficiency gains.

In the first half of 2026, the Company's operating revenues amounted to RMB260.5 billion. Revenue from principal businesses amounted to RMB244.1 billion, remaining stable on a comparable basis excluding the impact of VAT tax category adjustments, of which, revenue from Communications Business amounted to RMB213.0 billion, and revenue from Intelligence Business reached RMB31.1 billion, representing an increase of 7.1% year-on-year, and accounting for 12.8% of revenue from principal businesses, up 1.1pp year-on-year.

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

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2. CHAIRMAN'S STATEMENT

In the first half of 2026, China Telecom fully, accurately, and comprehensively implemented the new development philosophy, 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 fully implemented its "Cloudification, Digital

Transformation and AI for Good" strategy, continued to deepen the Five-Sphere Integrated intelligent cloud system, achieved remarkable results in sci-tech innovation, made further headway in the "AI+" initiative, and continuously enhanced cloud-network capabilities. It continued to deepen reform and opening up with "Intelligence Transformation" at the core, refreshed its growth drivers and optimised its structure, and made solid strides towards high-quality corporate development.



Ke Ruiwen
Chairman and Chief Executive Officer



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1. Overall results

In the first half of 2026, the Company's operating revenues amounted to RMB260.5 billion. Revenue from principal businesses¹ amounted to RMB244.1 billion, remaining stable on a comparable basis², of which, revenue from Communications Business amounted to RMB213.0 billion, and revenue from Intelligence Business reached RMB31.1 billion, representing an increase of 7.1% year-on-year, accounting for 12.8% of revenue from principal businesses, up 1.1pp year-on-year. Revenue from China Telecom Cloud reached RMB61.8 billion, representing an increase of 7.8% year-on-year. EBITDA³ amounted to RMB74.4 billion. Net profit⁴ amounted to RMB19.6 billion, maintaining favourable growth on a comparable basis. The basic earnings per share were RMB0.21. Capital expenditure was RMB32.4 billion, and free cash flow⁵ reached RMB28.9 billion, representing an increase of 121.3% year-on-year.

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 continue distributing an interim dividend in 2026, with the profit to be distributed in cash representing 75% of the profit attributable to equity holders of the Company for the first half of the year, representing an increase of 3pp year-on-year, i.e., RMB0.1606 per share (pre-tax), thereby continuously creating value for shareholders.

2. Comprehensively implementing the “Cloudification, Digital Transformation and AI for Good” strategy and taking solid strides towards high-quality corporate development

The Company embraced AI on all fronts. It comprehensively implemented its “Cloudification, Digital Transformation and AI for Good” strategy, further intensified research into its No. 1 technology “Xirang”, continued to deepen the construction of the intelligent cloud system, and accelerated the development of new digital information infrastructure, making new headway in building itself into a service-oriented, technology-oriented, and secured enterprise.

2.1 Stepping up research on key and core technologies with the goal of becoming a leading sci-tech enterprise

The Company worked to enhance its sci-tech innovation capabilities, promoted the deeper integration of sci-tech innovation and industrial innovation, and increased the supply of high-quality technologies, thereby strengthening its core competitiveness. In the first half of 2026, R&D expenses⁶ reached RMB5.21 billion, representing an increase of 8.9% year-on-year. In terms of cloud and cloud-network integration, the Company participated in the “Ultra-large-scale Domestic Intelligent Computing Power System and Industrialisation Project of Pengcheng Cloud Brain”, which was honoured with the First Prize of the 2025 National Scientific and Technological Progress Award. The original technology source base for cloud computing and the cloud computing innovation consortium, the construction of which was led by the

¹ Revenue from principal businesses comprises revenue from Communications Business (including mobile communications, wireline communications, IoT, satellite services, information services, etc.) and revenue from Intelligence Business (including computing power, platforms, data, models, intelligent applications, etc.)

² On a comparable basis: excluding the impact of the adjustment to the scope of application of VAT classification items in the first half of 2026

³ EBITDA = operating revenues – operating expenses + depreciation and amortisation

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

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

⁶ R&D expenses are based on the China Accounting Standards for Business Enterprises

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Company, were rated Grade A by the State-owned Assets Supervision and Administration Commission (SASAC). Following CTyunOS, the self-developed operating system for China Telecom Cloud, the Company's self-developed database product TeleDB passed the national security and reliability assessment, marking a major breakthrough in self-developed foundational IT products. The ARM cloud platform, based on the TeleCloudOS 4.0 cloud operating system, set a new world record in SPEC Cloud performance testing, achieving globally leading performance evaluations, and launched its 5.0 version for the intelligent era, supporting AI business requirements such as large model training, inference, and Agent cloud hosting. In terms of network, the project "Key Technologies for Ultra-long-span Optical Communication under Extreme Environments and Its Applications" was awarded the Second Prize of the 2025 National Technological Invention Award. The Company completed the industry's first live-network validation of computing power interconnection using a 50-millisecond wavelength-switched optical network, and conducted a co-fibre transmission test combining 40 Tbps classical optical communication and QKD⁷ quantum key distribution over 100-kilometre hollow-core optical fibre, setting a new global record. It took the lead in initiating the first batch of 3GPP CT 6G standard projects and ranked in the first tier among global operators for its contributions to 3GPP RAN. In terms of AI, the Company deepened the integration of AI and communication technologies, and innovatively built the AI Flow system. It conducted research on key technologies, such as familial homogeneous models and generative transmission, to

address computing power transmission challenges in long-distance and cross-airspace extreme scenarios. These efforts earned the Company the highest accolade at the 2026 World Artificial Intelligence Conference, the Super AI Leader Award, together with the Best Paper Award. Its Xingchen large model claimed six championships at leading international AI conferences and competitions, including ACL and ACM MM. The Company expanded into the frontier field of embodied intelligence, and its innovatively developed PRTS⁸, a reinforcement learning-native VLA foundation model, ranked among the world's top three in MolmoSpaces, a global benchmark for embodied intelligence. In terms of quantum/security technologies, the distributed cryptosystem integrating QKD and PQC⁹ was selected as one of the ten landmark achievements of state-owned central enterprises' original technology source bases. With the Tianyan-P2000 photonic quantum computer being connected, the Tianyan quantum computing cloud platform became the world's first quantum computing cloud platform to offer quantum supremacy service capabilities across both photonic quantum and superconducting technology routes, and its comprehensive capabilities ranked in the world's top tier¹⁰. The Company also provided full-stack, integrated AI security protection capabilities, and its "Xingchen • ChangeWay" security large model ranked first in CyberSec-Eval.

⁷ QKD: Quantum Key Distribution, which refers to the remote key distribution leveraging the physical properties of quantum such as indivisibility, non-replication, and uncertainty

⁸ PRTS: Primitive Reasoning and Tasking System, a reinforcement learning native VLA foundation model independently developed by China Telecom

⁹ PQC: Post Quantum Cryptography, the cryptographic technology and corresponding algorithm capable of resisting attacks from quantum computers

¹⁰ Source: ICV TA&K, 2026 Global Quantum Computing Cloud Platform Assessment Report

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2.2 Focusing on Token operations and accelerating progress towards becoming a leading AI service provider

The Company continued to advance the upgrade and effective implementation of its strategies, further refined its intelligent cloud system, and vigorously pushed forward Token operations. It continued to enrich the substance of its positioning as a service-oriented enterprise in the intelligent era, strove to improve the quality and efficiency of Communications Business, drive the rapid growth of Intelligence Business, and open up new room for value growth. The Company was the first in the industry to launch nationwide Token packages. It launched and continued to enhance its Xingchen TokenHub, providing easily accessible and high-quality computing power, data, models and AI applications for customers, increasing Token consumption rapidly.

In terms of the Communications Business, the Company advanced the upgrade of its connectivity business from a "communication channel" to an "intelligent portal", accelerating the integration of AI into the connectivity business and expanding new value frontiers for connectivity. The Company accelerated connectivity upgrades to maintain its user base. For mobile networks, it sped up the large-scale commercial deployment and capability upgrade of 5G-A. Leveraging the differentiated strengths of integrated communication and sensing as well as high-speed ubiquitous coverage, it delivered an exceptional next-generation mobile connectivity experience featuring ultra-high speed, low latency and high reliability. The penetration rate of 5G network subscribers was 72.9%, 5G-A subscribers reached 4.68 million, and the DOU of mobile subscribers rose by 10.6%

year-on-year. For broadband networks, the Company continued to promote the upgrade of "Gigabit + FTTR", made ongoing efforts to strengthen and solidify household digital infrastructure, and continuously improved broadband speeds and indoor coverage quality, with the gigabit broadband penetration rate reaching 34.3%, an increase of 2.7pp from the end of the previous year. For the connectivity services in the government and enterprise business, the Company actively promoted the expansion of virtual networks, dedicated lines and corporate all-optical network businesses. It cultivated vertical industry scenarios and uncovered the value of vertical markets by rolling out innovative applications. The Company accelerated the development of its space-aerial-ground integrated network, promoted multi-network synergies across mobile communication, all-optical and satellite networks, achieving advantages in connectivity across all domains. It strengthened customer operations and stabilised customer value. Leveraging customer operation intelligent agents' empowerment, the Company accelerated the improvement of precision in customer operations, built full-process AI digital intelligence capabilities for customer insights, strategic package matching, precise reach, review and audit, accurately meeting customers' personalised needs and continuously enhancing marketing conversion efficiency. To optimise touchpoint services, the Company strengthened the integration of online and offline services to achieve a dual improvement in customer value and perception. To enrich privilege products, the Company launched packages of diversified privileges covering mobility, catering, entertainment, healthcare and other scenarios in collaboration with ecosystem partners to improve the one-stop service system integrating "connectivity + terminal + application + privilege". As a result, revenue

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from privilege partnerships increased by 75% year-on-year. The Company improved the "All Customers' Say" service mechanism and enhanced customer service quality, with the scale of high-value integrated customers steadily expanding, the number of integrated subscribers exceeding 130 million and the blended ARPU reaching RMB128. The Company deepened scenario-based marketing and continuously innovated development paths. Focusing on key scenarios such as digital life, local services and governance, and leveraging digital platforms as the capability foundation, it continuously built scenario-based integrated applications and promoted the integrated and mutually beneficial development of GBHC. For customer-facing (ToC) business, leveraging 5G-A, the Company created scenario-based applications such as high-speed rail and subway travel, cultural tourism and sports events and live streaming. For household customers (ToH), it created applications such as home security, elderly care, one-click care and smart education powered by its smart family platforms and smart community platforms. For government-facing (ToG) business, it developed scenario-based applications such as AI local governance, AI fire prevention and control, and AI market supervision. For enterprise-facing (ToB) business, it created scenario-based applications such as enterprise dedicated networks, 5G factories, low-altitude surveying and mapping, smart campuses, smart finance and smart healthcare leveraging its 5G customised networks, IoT, low-altitude economy platforms and industry platforms, driving the adoption of customised, integrated solutions and maintaining a market-leading position in industry digitalisation delivery capabilities.

In terms of the Intelligence Business, at the IaaS layer, the Company formed a computing power layout covering general computing, intelligent computing, supercomputing, and quantum computing, and achieved comprehensive coverage of all-optical networks, computing power internet, mobile communication networks, and satellite networks, providing a computing foundation characterised by cloud-network integration. Revenue from AIDC business grew by 9.3% year-on-year, and revenue from intelligent computing increased by 95.0% year-on-year. At the PaaS layer, the Company upgraded the Xirang computing power interconnection scheduling platform to Xirang 2.0, which supported computing power from more than 20 types of heterogeneous chips, while the total scale of self-owned and accessed intelligent computing power exceeded 118.8 EFLOPS; 16 algorithms enabled the integrated scheduling of computing power, networks and models, providing efficient, low-loss and low-latency Token transmission services. At the DaaS layer, the Company accelerated the expansion of high-quality data products, aggregating over 20 trillion Tokens of high-quality foundation model training data and 500 high-quality industry datasets. Two of these datasets were selected as exemplary achievements for high-quality datasets in the "Intelligent Datasets for All Domains" initiative by the SASAC. Construction of the Xinghai Trusted Data Space was strengthened. Supported by three core capabilities, i.e. trusted connection, controllable processing and flexible trading, it opened up data circulation channels to foster market-oriented allocation of data elements. At the MaaS layer, the Xingchen large model system was further enhanced by mastering stable and efficient training techniques for ultra-long contexts, independently

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developing a reinforcement learning framework for Agentic RL, and crafting a new generation of foundational large models with ultra-large parameter counts. The Xingchen TokenHub brought together 142 large models and built a cross-terminal, cross-business and cross-scenario integrated Token operation service platform. To further enhance the supply of "AI+" industry applications, the Company developed and promoted more than 420 industry-specific agents and 102 industry-specific Skills. At the SaaS layer, internal AI adoption and external empowerment were accelerated. Centring on the five core areas of intelligent operation, intelligent services, intelligent marketing, intelligent R&D and intelligent management, 12 categories of digital employees were deployed at scale, accelerating the integration of AI technology into core production workflows, delivering cumulative cost reductions and efficiency gains totalling over RMB1.4 billion. Both internal adoption and external empowerment continued to progress. The Company accelerated the large-scale deployment of AI technology, and worked to develop AI-native products. Xingchen super intelligent agent, TeleAgent, the Company's self-developed AI-native application, features characteristics such as high performance, low cost, security and controllability, plug-and-play, full-scenario support for office work, including document drafting, in-depth research, data analysis, development, operations and maintenance. The Company continued to advance the AI-enabled upgrade of traditional products, and created core AI products including e-Surfing Smart Ringtone, e-Surfing Smart Screen, e-Surfing Smart Cam and cloud-intelligence handsets, bringing new intelligent service experiences to countless households. It accelerated the

transition from ICT to AICT, targeted key areas including government administration services, social livelihood and industrial economy, built a team of intelligent engineers, leveraged its strengths in customised delivery and localised services, and delved into customers' core production workflows to empower the digital and intelligent transformation of various industries. Leveraging the dual-foundation capability advantages of the "Xirang" and Xingchen TokenHub platforms, the Company accelerated the development and business-model innovation of localised intelligent-cloud city platforms across 30 cities. Meanwhile, the Company focused on quantum communication, quantum computing and quantum precision measurement. To that end, the Company continuously upgraded quantum product capabilities and expanded market coverage, developed quantum-enabled application scenarios across key products such as Internet of Video Things (IoVT), IoT, low-altitude economy, and cloud services, with the number of quantum communication subscribers reaching 7.2 million. The Company continued to expand its footprint in IoVT. Its "Home-School-Village" solution benefited more than 3,900 schools nationwide; Security Smart Eye covered over 20,000 governance institutions; and Transparent Kitchens and Stoves served over 510,000 merchants. The number of terminals connected to its IoVT has reached the 100-million level. The Company built the AI+ "1+1+4+N"¹¹ low-altitude economy core capability system, which fully covered critical links such as low-altitude infrastructure, flight services, and security prevention and control, to strengthen low-altitude security protection and scale up scenario deployment, with more than 1,500 application scenarios being operationalised to date.

¹¹ 1+1+4+N: 1 integrated service solution foundation, 1 low-altitude intelligent network, 4 major supporting platforms, and N scenario-based applications

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2.3 Comprehensively advancing the development of a secured enterprise and driving deeper integration between AI and security

Balancing development and security, and placing great emphasis on security governance in the AI era, the Company accelerated the refinement of a security protection system compatible with the development of intelligent cloud, and further advanced the mutual empowerment of AI and security. The Company continued to enhance independent and controllable security protection capabilities. It consolidated the defence system for cloud and network foundation, built the full-stack "1+N+1"¹² security capabilities for intelligent cloud, and enhanced security technologies for computing power network integration. It deepened the systematic governance of data security, strengthened the protection capabilities for data circulation, and forged trusted computing and privacy computing capabilities. The "ChangeMore" security dataset was optimised, and the "Xingchen • ChangeWay" security large model family was developed. The Company continuously strengthened AI-enabled security operations. It promoted the agent-based operation model, launched digital security employees, and further empowered scenarios such as risk identification, vulnerability detection, event monitoring and emergency response, boosting efficiency by over 50% in key links. The Company upgraded security products and enhanced intelligent capabilities. The Cloud Dam Anti-DDoS protection capacity reached 18.4 Tbps, maintaining the No. 1 market share in China. Cloud WAF and Yunmai SASE remained among the top three in the domestic market, while the Yunxi AI security integrated platform

served more than 9,300 government and enterprise customers. The Company sped up the improvement of AI security governance capabilities. It enhanced compliance management, risk assessment, and technical protection capabilities, and developed an AI security evaluation platform, which was selected as a model case of AI applications by MIIT and a model case of AI for Good by ITU. It built an agent security situational awareness platform and a trusted Skill repository to provide security protection for the Xingchen super intelligent agent with protection accuracy of over 97%. Products such as the Agent Security Guardrail and e-Surfing Security Brain Agent Protection Gateway safeguarded the secure operation of agent applications. A Token security router was launched to consolidate the defence line for large-scale AI applications.

2.4 Accelerating the construction of intelligent and integrated digital information infrastructure

Leveraging its comprehensive and industry-leading communications infrastructure foundation, the Company adopted "high speed and ubiquitous, aerial-ground integration, cloud-network integration, intelligent and agile, green and low-carbon, secure and controllable" as the core requirements for network deployment. Building on its first-mover advantage in existing infrastructure, it undertook the appropriately forward-thinking construction of a next-generation communications network and a computing power network, and accelerated the upgrade of intelligent and comprehensive digital information infrastructure.

¹² 1+N+1: 1 Yunxi integrated AI security platform, N core AI security capabilities, 1 Agentic SOC

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The Company constantly consolidated its leading position in cloud and network by promoting the iteration of the next-generation communications network. The Company leveraged new technologies to guide the improvement of new infrastructure. It pioneered technologies such as uplink and downlink decoupling and intelligent link enhancement, leveraging the advantages of its 1.8G+2.1G large-/mid-band spectrum to effectively support high-uplink business demands of mobile networks. The latency of transmission has been significantly reduced in high-value scenario applications through the adoption of hollow-core optical fibre in optical networks. The Company's satellite network is the first in China to achieve communication and navigation integration through "Tiantong + Beidou", enabling domestic satellite-based high-precision positioning. The Company has promoted cost reduction and efficiency improvement with new methodologies and capabilities. The Company continued to advance mobile network co-building and co-sharing, promoting 5G/4G full-band coordination, bringing the number of high-/mid-band 5G base stations to over 1.65 million. The large-scale deployment of OSU capabilities on the OTN optical fibre network significantly improved the carrying efficiency of dedicated lines during transmission. The Company, as the first in the world, launched the EPON/10G-EPON/50G-PON tri-generation co-existence technology to support the 10-gigabit upgrade without replacing EPON terminals. The Company comprehensively accelerated efforts to strengthen the foundations and expand the capacity of new infrastructure. It advanced its 5G-A network upgrades, deploying over 150,000 5G-A carrier aggregation base stations and over 700,000 Redcap base stations. Meanwhile, the number of base stations serving low-altitude intelligent networks has also remarkably increased. It steadily promoted the large-scale application of high-bandwidth optical networks, and conducted 10-gigabit service trials in more than a hundred cities. Through hardware-software decoupling of the infrastructure, the Company built a secure, resilient and unified platform and a hardware resource pool. Leveraging AI-enabled network governance and intelligent networks, the Company accelerated the efficient interconnection and intelligent co-control of various networks including mobile, optical, low-altitude, IoT, IoVT and quantum networks to empower industrial development.

The Company undertook advanced planning and deployment, accelerating the large-scale construction of a computing network. In AIDC construction, it increased the application of new technologies such as integrated and centralised power supply, high-voltage direct current, and high-efficiency cooling, and is building new-generation AIDCs in accordance with the standards of "high power density, high IT output rate, flexible construction, and flexible expansion". The proportion of newly added power for cabinets above 100kW exceeded 50%, with a total power capacity of nearly 8GW, and 16 data centre campuses at the 100MW level. In terms of building an inter-compute network, the Company constructed the new "Eight Verticals and Eight Horizontals" backbone optical cable network, which further reduced latency and continuously increased the capacity of government and enterprise OTN. Relying on the metropolitan all-optical interconnected network, the Company achieved millisecond-level access-compute. In terms of computing power supply, the Company focused on eight major hub node regions and collaborated with industry chain partners to develop multi-modal intelligent computing capabilities. An additional 24.8 EFLOPS of proprietary intelligent computing capacity was added, reaching a cumulative total of 70.8 EFLOPS. Four heterogeneous computing power clusters, each with 10,000 GPUs and capable of integrated resource scheduling, were built, and the utilisation rate of intelligent computing reached 94%. In terms of computing power scheduling, leveraging the "Xirang" Computing Power Interconnection and Scheduling Platform 2.0, the Company accelerated the construction of the computing power network to achieve full-domain visibility, availability, and controllability of computing power, helping customers centrally manage their own resources and conveniently access public computing power, thereby achieving on-demand access and efficient utilisation of computing power resources.

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The Company further upgraded its cloud network operation capabilities, released Intelligent Cloud Network Operating System 3.0, and created an industry-leading digital foundation and intelligent hub for cloud network infrastructure. The level of autonomous cloud-network operations improved steadily, reaching L4 in multiple high-value scenarios. The Company won the TM Forum's "Excellence in Autonomous Networks" award for the second consecutive year. The project "Empowering Intelligent Cloud Network Operation and Maintenance Scenarios with Network Large Models" was selected for the "Intelligent Scenarios for All Industries" list of strategic high-value applications by SASAC.

2.5 Upholding the green development concept and achieving fruitful results in green and low-carbon development

The Company fully integrated the green and low-carbon concept into corporate operations. It continued to promote the green and low-carbon transformation of digital information infrastructure, with its green electricity consumption exceeding 1.7 billion kWh, completed simplified deployment at more than 60,000 base stations, and applied AI energy-saving technologies to over 6.36 million base station sectors and 8,600 facility rooms. In the first half of the year, power conservation totalled over 1 billion kWh, cutting carbon emissions by 1.46 million tonnes in total. The Company deepened the computing-energy synergy, created new power supply models including direct green power access and source-grid-load-storage, and built China's first large-scale green power direct supply project featuring the computing-energy synergy in Ningxia, raising the proportion of green electricity used by newly built data centres at national hub nodes to over 80%, and driving both green transition and improvement in operating efficiency. The Company promoted empowerment with green products and services, expanded key products and solutions such as environmental protection cloud and green lighting, and deployed over 320,000 new green lighting and air-conditioner energy-saving product endpoints in the first half of the year, empowering the green and low-carbon transformation of various industries.

3. Further deepening reform and opening up on all fronts, and continuously enhancing its corporate governance capabilities

Following its "Optical Network Transformation" and "Cloudification" initiatives, the Company further deepened reform and opening up on all fronts with "Intelligence Transformation" at the core. The Company fully leveraged its technological, resource, and talent capabilities and advantages, accelerated reform and innovation of organisational processes and institutional mechanisms, and made greater efforts in opening up and cooperation to promote the large-scale application of AI.

The Company comprehensively deepened reform across all fields and accelerated the establishment of new production relations aligned with AI development. In response to customers' needs for AI, the Company advanced the upgrade from a cloud operation platform to an AI-centric platform, built main processes with the AI-centric platform as the hub, and expedited the development of an intelligent engineering team. The Company systematically enhanced its capabilities in customer demand insight, sales services, agile delivery and ongoing operations, solving the "last mile" problem in customer service efficiently. Aligning with market demands, it deepened reforms in areas such as government and enterprise business, cloud-network operations, ICT, data development, and AIDC construction and operation, continuously enhanced its organisational capabilities across all elements including cloud network, computing power, platforms, data, models, and applications, and thereby built new advantages in artificial intelligence development. The Company made further upgrades in its system and mechanisms for sci-tech innovation, strengthened original and exploratory sci-tech innovation, stimulated the enthusiasm of sci-tech personnel, and continuously provided a vital driving force to improve its capabilities in tackling key sci-tech challenges. The Company deepened the reform in its professional companies, optimised the business layout, strengthened the building of core capabilities, and enhanced the supply of both digital and intelligent platforms and products. It optimised the resource allocation mechanism, established a

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precisely oriented classified assessment and evaluation system, and improved the coordination mechanism for provincial-professional/professional-professional¹³, to further leverage the synergistic effects. Through innovative mechanisms, the establishment of platforms and the improvement of the medium- and long-term incentive system, the Company has fully unleashed the entrepreneurial spirit and drive of its junior and frontline employees to pursue their full potential.

With greater intensity and a firmer resolve in opening up, the Company enhanced the level of systematic opening up and cooperation to foster mutually beneficial partnerships. On the basis of continuously deepening the co-construction and co-sharing of mobile network infrastructure, the Company further expanded the scale and scope of sharing and cooperation, actively extended open sharing in areas such as network and computing power infrastructure and new technology facilities, and continuously improved the level of technological innovation in infrastructure planning, construction, maintenance, and optimisation, thereby optimising resource allocation efficiency and further effectively saving investment and costs. The Company advanced cooperation on sci-tech innovation with greater efforts. It further strengthened industry-academia-research cooperation, intensified basic research collaboration and core technology breakthroughs, and built the Sci-Tech Innovation Space for Quantum Talents of State-Owned Central Enterprises to high standards. The Company continuously leveraged capital to accelerate its investment layout in key AI fields such as intelligent computing, storage, and embodied AI, and collaborated with leading enterprises such as Moore Threads, MetaX, DapuStor, and Unitree Robotics to promote integrated development of technological innovation and industrial innovation in frontier fields. With a multi-tiered layout through a combination of "direct investments + fund investments", it integrated and streamlined the five-layer cooperation system for the intelligent cloud, developed a new capital strategy ecosystem, and accelerated a new round of capital increases and the introduction of strategic investors in key areas such as the professional company for AI and Tianyi Shilian, to promote market-oriented operation. The Company deepened business openness and cooperation. It built an open and synergistic channel ecosystem, further expanded the ecosystem of AI terminal partners, developed a unified rights and

privileges operation system, and fostered a "proprietary + ecosystem" differentiated competitive advantage. Modelers.cn has become China's largest open-source AI community based on domestically developed computing power, attracting 520,000 AI developers and being selected as a national-level exemplary AI case. The Company kept expanding overseas markets and deepening ecosystem partnerships, upgraded the "OneGrowth2026" global partnership programme, established a global AI Token service ecosystem alliance, and expanded the global influence of international exchange and cooperation platforms such as WBBA.

Upholding the principle that talent is the primary resource, the Company deeply implemented the project of strengthening the enterprise with talents and scaled up the cultivation and recruitment of sci-tech talents, forming a sci-tech talent team composed of five scientists, over 1,000 chief/senior experts and over 10,000 technical experts. It fully leveraged the role of scientists and stimulated the innovative vitality of researchers to deliver more independent sci-tech innovation outcomes and rolled out groundbreaking policies to support original and exploratory sci-tech innovation. Persisting in the laws of talent growth, the Company improved its talent development and training system, and continuously drove the structural upgrade of its workforce.

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 National Two Sessions and the launch of the Shenzhou-23 manned spacecraft. It leveraged frontier technologies including AI Flow, low-altitude communications and the Tiantong satellites to reinforce the communications "lifeline" for emergency rescue operations across the board. The Company continuously injected "digital and intelligent momentum" into rural revitalisation and took concrete actions to enhance the efficiency of rural industries and related governance capabilities. Enabled by technology, the Company strengthened the anti-fraud security network, and achieved continuous improvements in anti-fraud governance efficiency.

¹³ Provincial-professional/professional-professional: between provincial companies and professional companies, and among professional companies

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company consistently adhered to high standards of corporate governance, strictly complied with laws and regulations, continuously improved its compliance management system, and enhanced the quality and transparency of information disclosure. The Shareholders' Meeting and the Board of Directors operated in a standardised manner with efficient decision-making, establishing a solid foundation for the Company's long-term stable development. The Company deepened look-through supervision, empowered risk early warning and precise prevention and control with digital and intelligent technologies, and continuously enhanced its risk governance capabilities. Meanwhile, it proactively strengthened investor relations management. Through diverse channels such as results briefings, roadshows and investor meetings, it showcased its strategic positioning and operating results in a multidimensional manner, thereby enhancing the market's recognition of its investment value.

For its remarkable performance, the Company has earned high praise from domestic and international capital markets. It won the "Asia's Best CSR" award for the seventh consecutive year in the "Asian Excellence Award 2026" organised by *Corporate Governance Asia*. It was honoured with the Gold Awards for "Best Investor Relations in China", "Best Large-Cap Company in China" and "Most Committed to DEI (diversity, equity, and inclusion) in China" in the "Asia's Best Companies Poll 2026" by *FinanceAsia*.

5. Outlook

2026 marks the beginning of China's 15th Five-Year Plan period. Currently, China's economy demonstrates a progressive trend characterised by innovation-driven momentum and structural optimisation. A new round of sci-tech revolution and industrial transformation is accelerating breakthroughs. Artificial intelligence technology innovation has entered an unprecedentedly active period, emerging as a new engine for economic growth and an accelerator for shifting from old growth

drivers to new ones. The planning and construction of "Six Networks", including the computing power network and the new-generation communication network, among others, bring new opportunities for the industry and the Company's development. Going forward, the Company will fully implement the "Cloudification, Digital Transformation and AI for Good" strategy, keep advancing the construction of its Five-Sphere Integrated intelligent cloud system, and deeply implement the "AI+" initiative. With Token operations as the main thread, the Company will promote the development of new forms of the intelligent economy, continue to dedicate itself to delivering original and leading sci-tech innovations, continuously strengthen its inherent AI security capabilities, accelerate the construction of new digital information infrastructure, further deepen reforms and opening up on all fronts, comprehensively enhance its corporate governance capabilities, and accelerate high-quality development. Through these efforts, the Company aims to secure 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. Chen Dongqi and Madam Lyu Wei for their outstanding contributions to the Company during their tenure and welcome Mr. Liang Xuming and Madam Chen Ji Min to our Board of Directors!



Ke Ruiwen

Chairman and Chief Executive Officer
Beijing, China

20 August 2026

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, and embraced AI on all fronts. In light of its actual conditions, the Company comprehensively implemented the "Cloudification, Digital Transformation and AI for Good" strategy, developed the Five-Sphere Integrated intelligent cloud system covering computing power, platforms, data, models and applications, and established an "L-shaped" layout to deliver high-quality, secure, inclusive and integrated intelligent services to customers.

Digital information infrastructure was upgraded at a faster pace. **First**, the Company developed computing power infrastructure with an appropriately forward-thinking approach, and built new-generation AIDCs in accordance with the standards of "high power density, high IT output rate, flexible construction, and flexible expansion". The Company continued to optimise the layout of AIDCs and increased resource reserves centring around the eight computing hub nodes. With the total power capacity of existing data centres reaching nearly 8 GW, it is now the largest AIDC service provider in China. It stepped up planning and deployment of domestic computing power, strengthened deployment of edge computing power pools in key cities, and boosted the computing power scale and service capability of individual nodes. **Second**, the Company accelerated the development of an elastic and agile computing power interconnection network. It constructed the new "Eight Verticals and Eight Horizontals" backbone optical cable network, and sped up the migration of transmission links towards 800G. It promoted the adoption of Gigabit optical fibre network and the deployment of 5G-A to enhance access to compute. It explored the development of OCS-based all-optical intra-compute networks with ultra-large capacity to support ultra-large-scale clusters and improve training, inference and computing efficiency.

Capabilities in the R&D of key and core technologies were significantly enhanced. **First**, the Company accelerated the upgrade of the Xirang intelligent computing platform, improved its compatibility with domestic computing power chips, conducted research on core technologies including heterogeneous computing power scheduling and AI-native PaaS, and achieved breakthroughs in key capabilities such as heterogeneous mixed training and heterogeneous mixed inference, enabling high-level computing power scheduling as well as model training and inference. The "Pengcheng Cloud Brain" project, in which the Company participated, was honoured with the First Prize of the National Scientific and Technological Progress Award, with the Xirang platform playing a vital role in its computing power scheduling. Currently, the computing power managed by the Xirang platform exceeds 118.8 EFLOPS. **Second**, the Company continued to advance breakthroughs for the Xingchen large model. Adhering to the principle of "training domestic models on domestic chips", it accelerated the R&D of core large model technologies, designed innovative model architecture, and improved key capabilities including multimodal understanding, end-to-end code generation and autonomous decision-making by agents. The Company built an intelligent computing cluster for "training domestic models on domestic chips", under which AI infrastructure capabilities have been improved significantly. This enabled breakthroughs in key technologies for large model training and iteration in domestic computing power environments. **Third**, the Company deepened the integration of AI and communication technologies, innovatively built the AI Flow, and conducted research on key technologies such as familial homogeneous models and generative transmission, to address the challenges of transmitting computing power in extreme long-distance and cross-airspace scenarios and substantially expand the coverage of intelligent services. AI Flow was awarded the highest accolade at the 2026 World Artificial Intelligence Conference, the Super AI Leader Award.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Breakthroughs in large-scale AI application were achieved at a faster pace. The Company strove to advance Token operations. The Five-Sphere Integrated intelligent cloud system is the foundation of the Token operation system, which in essence aims to provide customers with AI services. **First**, the Company worked to develop AI-native products. Xingchen super intelligent agent, TeleAgent, the Company's self-developed AI-native application, features characteristics such as high performance, low cost, security and controllability, plug-and-play, full-scenario support for office work, including document drafting, in-depth research, data analysis, development, operations and maintenance. **Second**, the Company continued to advance the AI-enabled upgrade of traditional products, and created core AI products including e-Surfing Smart Ringtone, e-Surfing Smart Screen, e-Surfing Smart Cam and cloud-intelligence handsets, continuously developing new AI applications integrating software and hardware, and bringing new intelligent service experiences to countless households. **Third**, the Company accelerated the transition from DICT to AICT, and made further headway in the "AI+" initiative. Focusing on industries such as government administration services, transportation and manufacturing, it delved into customers' core production workflows, and provided on-site services by building a team of intelligent engineers, to resolve the "last-mile" challenge for the adoption of AI applications and help boost application quality and efficiency.

The all-round security-protection system was continuously consolidated. **First**, the Company forged full-stack security protection capabilities for the intelligent cloud system. Targeting security protection objects including computing power, networks, data, models and applications, the Company built a ubiquitous, intelligent collaborative protection system and an integrated security operation system. It developed high-quality ChangeMore dataset and built the industry-leading Security • ChangeWay large model, enabling AI-native security with autonomous threat detection and closed-loop disposal, and "using AI to counter AI". **Second**, the Company developed secure and controllable AI products and services. Upholding the principles of "AI for security" and "security for AI", it drove the evolution of products and services towards active defence and intelligent collaboration, and provided full-stack security solutions. Regarding security as an inherent requirement for its products and services, the Company ensured that appropriate security safeguards were implemented wherever its AI services were deployed. **Third**, the Company actively participated in formulating AI governance frameworks and rules. It worked with all industry stakeholders to assess and proactively address risks associated with AI applications, and promoted the sound and orderly development of AI to ensure its applications are beneficial, secure, and equitable.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Reform and opening up were further deepened on all fronts.

The Company took reform and opening up as a key approach. Following its "Optical Network Transformation" and "Cloudification" initiatives, the Company further deepened reform and opening up on all fronts with "Intelligence Transformation" at the core, to improve corporate governance systems and capabilities, and accelerate the development of AI. **First**, adhering to customer centricity, it upgraded the cloud operation platform into an AI-centric platform, drove transformation of main processes, further reformed the integration system and cloud network system, strengthened the development of an intelligent engineer team, and systematically enhanced capabilities in customer insight, data services, agile delivery and continuous operations.

Second, the Company further stepped up efforts in opening up and cooperation. It built a comprehensive cooperation ecosystem centred on the intelligent cloud system, continuously deepened opening up and cooperation in key fields such as technology, capital and business, pooled high-quality resources, and worked with partners to drive innovative AI development. It stayed committed to open source and openness, and facilitated the construction of open-source communities. Relying on international exchange platforms such as WBBA, it deepened technological exchanges and industrial cooperation to help bridge the digital intelligence divide.

4. FINANCIAL REVIEW**Operating Revenues**

In the first half of 2026, the Company fully implemented the "Cloudification, Digital Transformation and AI for Good" strategy, further refined the Five-Sphere Integrated intelligent cloud system, continuously deepened reforms and opening up, made solid strides toward high-quality corporate development, and maintained steady operating performance. In the first half of the year, operating revenues were RMB260,471 million, representing a year-on-year decline of 4.1%, mainly due to the ongoing shift of growth drivers across the industry and the adjustments in VAT tax items.

Operating Expenses

The Company further strengthened its targeted investment and refined management of various resources. With a focus on five key areas, i.e. intelligent operations, intelligent services, intelligent marketing, intelligent R&D, and intelligent management, the Company accelerated the integration of AI into core production processes to improve resource utilisation efficiency. In the first half of 2026, operating expenses were RMB237,492 million, representing a year-on-year decrease of 2.2%.

The Company adhered to profitable investments and increased investment in strategic resources such as computing power infrastructure. In the first half of the year, depreciation and amortisation amounted to RMB51,378 million, representing a year-on-year decrease of 1.3%.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company strengthened refined cost management. It leveraged AI to unlock the full potential of resources and achieved continuous improvements in resource utilisation efficiency. In the first half of the year, network operations and support expenses amounted to RMB77,143 million, representing a year-on-year decrease of 1.5%.

The Company continued to deepen AI application to enable intelligent services, intelligent marketing and intelligent management, and intensified research on key and core technologies. In the first half of the year, selling, general and administrative expenses amounted to RMB32,759 million, representing a year-on-year decrease of 0.1%.

The Company drove the transformation and upgrade of its workforce structure, and further stepped up efforts in cultivating and recruiting sci-tech talents. In the first half of the year, personnel expenses amounted to RMB49,389 million, representing a year-on-year decrease of 2.1%.

In the first half of the year, other operating expenses amounted to RMB26,823 million, representing a year-on-year decrease of 8.7%, mainly due to the lower expenses for goods sold in line with decreased revenue from sales of goods.

Net Finance Costs

In the first half of the year, net finance costs amounted to RMB93 million, representing a year-on-year decrease of 68.2%, mainly due to the decrease in interest expense as the Company exercised prudent control over the scale of interest-bearing liabilities.

Profitability Level

The Company fostered new growth drivers and optimised its business structure, laying a solid foundation for sustained and high-quality development. In the first half of the year, the profit attributable to equity holders of the Company was RMB19,588 million, and EBITDA was RMB74,357 million.

Capital Expenditure and Cash Flows

The Company adhered to demand-driven, returns-focused, and targeted investment, optimised its investment structure and increased investment in computing power infrastructure. In the first half of the year, capital expenditure was RMB32,448 million, representing a year-on-year decrease of 5.2%. Meanwhile, the increase in accounts receivable was effectively controlled. Cash inflow registered positive growth. The Company strengthened control over cash outflows and payment management. Free cash flow reached RMB28,927 million, representing an increase of 121.3% year-on-year, achieving rapid growth.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

Assets and Liabilities

The Company continued to maintain a solid financial position. As at 30 June 2026, the total assets increased by 1.6% from RMB870,644 million at the end of 2025 to RMB884,719 million. The total liabilities increased from RMB402,384 million at the end of 2025 to RMB405,316 million, representing an increase of 0.7%. The debt-to-asset ratio was 45.8%, representing a decrease of 0.8pp year-on-year and indicating a robust capital structure.

5. OTHER DISCLOSURE

(1) 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 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 security/quantum. 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 its 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.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

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 ecosystem collaboration, increase investment in R&D, step up the creation of scenario-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 relations amongst 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 make active use of the rule of law 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.

(2) OTHER DISCLOSURES

Purchase, Sale or Redemption of Listed Securities of the Company

During the six-month period ended 30 June 2026, 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 2026, the Company did not hold any treasury shares.

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

As at 30 June 2026, 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 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 2026, the Company has not granted its Directors or their respective spouses or any of their respective minor children (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 2026, the interests or short positions 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 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.	820,780,000 (Long Position)	H Share	5.91%	0.90%	Investment manager

[#] As at 30 June 2026, 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 positions 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 2026 may be different from those as disclosed above.

Save as disclosed above, as at 30 June 2026, 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 2026.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules to govern securities transactions by Directors. Based on the written confirmations from the Directors, the Company's Directors have confirmed their compliance with the Model Code regarding the requirements in conducting securities transactions for the period from 1 January 2026 to 30 June 2026.

Interim Dividend

The interim dividend is expected to be paid on or before 13 October 2026 to those shareholders whose names appear on the H Share Register of Members of the Company on Wednesday, 9 September 2026. For the purpose of determining H Share shareholders' entitlement to the interim dividend, the H Share Register of Members will be closed from Friday, 4 September 2026 to Wednesday, 9 September 2026 (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, 3 September 2026. 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., 20 August 2026) (RMB0.865150 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 2026 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, 9 September 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 the 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

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

of domicile is a country which has entered into a tax treaty with the 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 the 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 the PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with the 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 their 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, 9 September 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 Thursday, 3 September 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 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 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.

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS

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 13 October 2026. 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 13 October 2026. 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 2025 Annual Report prepared in accordance with IFRS Accounting Standards ("2025 Annual Report").