中国电信
CHINA TELECOM

China Telecom Corporation Limited

HKEx Stock Code: 728

Interim Report 2026

GUIDED BY INTELLIGENCE

FORGED WITH INCLUSIVITY

CONTENTS

IMPORTANT NOTICE

1. The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2026 of the Company is prepared in accordance with the International Accounting Standard 34. The condensed consolidated interim financial information in this report is unaudited.

2. The profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period approved by the Board

After fully considering actual conditions such as the Company's cash flow level and shareholders' cash return requirements, the second meeting of the ninth session of the Board of the Company decided to distribute the interim dividend for 2026 to all shareholders in the aggregate amount of approximately RMB14,696 million, representing 75% of the profit attributable to equity holders of the Company in the amount of RMB19,588 million. Based on the total share capital registered on the record date for the dividend distribution, and based on the Company's total share capital of 91,507,138,699 shares as at 30 June 2026, a dividend of RMB0.1606 per share (equivalent to HK$0.185633) (pre-tax) was declared and will be paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The Board has been authorised by shareholders at the annual general meeting for the year 2025 to decide on the profit distribution proposal and the resolution for the proposed interim dividend was considered and approved at the second meeting of the ninth session of the Board of the Company on 20 August 2026.

3. Risk Statement of Forward-Looking Statements

Forward-looking statements, such as development strategies, future business plans and prospects, contained in the 2026 interim report of the Company do not constitute a commitment of the Company to investors. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause the Company's actual performance, financial condition or results of operations to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company will not update these forward-looking statements. Investors should be aware of the investment risks.

4. Significant Risk Warning

The Company has described in detail risks of adapting to economic and policy environment, risks relating to sci-tech innovation, network and data security risks, risks from emerging businesses in strategic emerging industries and future industries and operational risks of international business in this report. Please refer to "Management's Discussion and Analysis" in this report.

SECTION I DEFINITIONS

In this report, unless the context otherwise requires, the following terms and expressions have the following meanings:

5G	5th generation mobile communication technology
5G-A	5G-Advanced, i.e. evolved and enhanced version based on 5G network
6G	6th generation mobile communication technology
AIDC	Artificial Intelligence Datacentre
ARPU	Monthly average revenue per user
Artificial Intelligence/AI	Technology science that researches and develops theories, methodologies, technologies and application systems for simulating, extending and expanding human intelligence
A Share(s)	Shares of the Company issued in mainland China, listed on domestic stock exchanges and subscribed and traded in RMB
Board/Board of Directors	The board of directors of the Company
China Telecom/the Company	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the People's Republic of China with limited liability, or where the context so requires, refers to China Telecom Corporation Limited and its subsidiaries
China Telecom Finance	China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司)
China Telecom Global	China Telecom Global Limited (中國電信國際有限公司)
Cloud/Cloud Computing	An Internet technology that provides flexible and on-demand services to external users through the Internet with pooled cluster computing capabilities
Computing Power	The ability of computer equipment or computing/data centres for processing information, i.e., the ability of computer hardware and software to cooperate to perform certain computing needs
EFLOPS	FLOPS, Floating-Point Operations Per Second, which is commonly used to estimate computer performance; "E" stands for "Exa" and means 10^{18}; therefore EFLOPS implies 10^{18} times of floating-point operations per second
FTTR	Fiber to The Room
The Group	The Company and its subsidiaries

SECTION I DEFINITIONS

Guangdong Rising	Guangdong Rising Holdings Group Co., Ltd. (廣東省廣晟控股集團有限公司), formerly known as Guangdong Rising Assets Management Co., Ltd. (廣東省廣晟資產經營有限公司)
H Share(s)	Shares of the Company that are registered in mainland China, issued outside mainland China, listed on the Stock Exchange and subscribed and traded in Hong Kong dollars
IFRS Accounting Standards	IFRS Accounting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board
Internet of Things/IoT	Various sensory devices that are based on computer and communication technology, using cellular mobile network, wired network, wireless network, etc. to complete the transmission, coordination and processing of information, so as to realise the network of communication between objects and things, and communication between objects and people
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PQC	Post Quantum Cryptography, which refers to cryptographic technologies and relevant algorithms capable of resisting quantum computer attacks
QKD	Quantum Key Distribution, which refers to the remote key distribution leveraging the physical properties of quantum such as indivisibility, non-replication, and uncertainty
Reporting Period	Period from 1 January 2026 to 30 June 2026
Stock Exchange/Hong Kong Stock Exchange/HKSE	The Stock Exchange of Hong Kong Limited

SECTION II COMPANY PROFILE

1. CORPORATE INFORMATION

Company name in Chinese	中國電信股份有限公司
Short name in Chinese	中國電信
Company name in English	China Telecom Corporation Limited
Short name in English	China Telecom
Legal representative of the Company	Ke Ruiwen

2. CONTACT PERSONS AND CONTACT INFORMATION

	Secretary of the Board	**Securities Affairs Representative**	**Company Secretary**
Name	Li Yinghui	Xu Fei	Wong Yuk Har
Address	31 Jinrong Street, Xicheng District, Beijing, China	31 Jinrong Street, Xicheng District, Beijing, China	28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
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E-mail	ir@chinatelecom-h.com	ir@chinatelecom-h.com	ir@chinatelecom-h.com

3. GENERAL INFORMATION

Registered address and office address of the Company	31 Jinrong Street, Xicheng District, Beijing, China
Postal code of the office address of the Company	100033
Principal place of business in Hong Kong	28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Company website	www.chinatelecom-h.com
E-mail	ir@chinatelecom-h.com

4. STOCK INFORMATION

Class of shares	Stock exchange for listing	Stock short name	Stock code
A Shares	Shanghai Stock Exchange	China Telecom	601728
H Shares	Hong Kong Stock Exchange	China Telecom	00728

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.

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.

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

1. Overall results

In the first half of 2026, the Company's operating revenues amounted to RMB260.5 billion. Revenue from principal businesses[1] amounted to RMB244.1 billion, remaining stable on a comparable basis[2], 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. EBITDA[3] amounted to RMB74.4 billion. Net profit[4] 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 flow[5] 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 expenses[6] 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

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 QKD[7] 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 PRTS[8], 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 PQC[9] 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 tier[10]. 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*

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 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 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*

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*

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.

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 precisely oriented classified assessment and evaluation system, and improved the coordination mechanism for provincial-professional/professional-professional[13], 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*

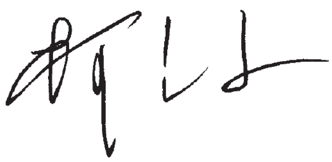
The Company consistently adhered to high standards of corporate governance, strictly complied with laws and regulations, continuously improved its compliance management system, and enhanced the quality and transparency of information disclosure. The Shareholders' Meeting and the Board of Directors operated 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

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.

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.

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%.

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.

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.

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.

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.

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 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 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 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 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").

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

1. CHANGES IN DIRECTORS AND SENIOR MANAGEMENT SINCE THE DATE OF THE 2025 ANNUAL REPORT

Reference is made to the announcement of the Company dated 19 May 2026. The re-election of Mr. Ke Ruiwen, Mr. Liu Guiqing, Mr. Tang Ke and Mr. Li Yinghui as the Executive Directors of the ninth session of the Board, the re-election of Mr. Lyu Yongzhong as the Non-Executive Director of the ninth session of the Board, the re-election of Mr. Ng Kar Ling Johnny and Mr. Lee Sunny Wai Kwong and the election of Mr. Liang Xuming and Madam Chen Ji Min as the Independent Non-Executive Directors of the ninth session of the Board were approved at the annual general meeting of the Company for the year 2025 held on 19 May 2026. In addition, Mr. Ke Ruiwen has been appointed as the Chairman and Chief Executive Officer of the Company, Mr. Liu Guiqing has been appointed as the President and Chief Operating Officer of the Company, Mr. Tang Ke, Mr. Li Yinghui, Madam Liu Ying and Mr. Huang Zhiyong have been appointed as Executive Vice Presidents of the Company and Mr. Li Yinghui has been appointed as the Chief Financial Officer and Secretary of the Board of the Company. The term of office of the above Directors and senior management commenced from 19 May 2026 until the annual general meeting of the Company for the year 2028 to be held in year 2029. The term of office of Mr. Chen Dongqi and Madam Lyu Wei as Independent Non-Executive Directors of the Company and relevant positions in the special committees of the Board and Madam Guan Lixin as the Employee Director of the eighth session of the Board of the Company expired on the date of the annual general meeting of the Company for the year 2025.

Reference is made to the announcement of the Company dated 2 June 2026. Madam Guan Lixin has been unanimously elected by the employee representatives of the Company democratically as the Employee Director of the ninth session of the Board of the Company, with her term of office commencing from 2 June 2026 and ending upon the expiry of the term of office of the ninth session of the Board of the Company.

Reference is made to the announcement of the Company dated 20 August 2026. Mr. Li Yunzhuang has been appointed as an Executive Vice President of the Company with his term of office commencing from 20 August 2026 until the annual general meeting of the Company for the year 2028 to be held in year 2029.

The changes in the biographical information relating to the Directors and senior management of the Company since the publication of the 2025 Annual Report and the above-mentioned announcements are set out below:

Mr. Ng Kar Ling Johnny, an Independent Non-Executive Director of the Company, currently serves as an Independent Non-Executive Director of PetroChina Company Limited which is listed on the HKSE and Shanghai Stock Exchange, and he no longer serves as an Independent Non-Executive Director of Metallurgical Corporation of China Ltd. which is listed on the HKSE and Shanghai Stock Exchange. Mr. Lee Sunny Wai Kwong, an Independent Non-Executive Director of the Company, no longer serves as an adjunct professor and senior director of the City University of Hong Kong.

Save as stated above, there is no other information of the Directors or senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of the Directors and senior management are available on the website of the Company (www.chinatelecom-h.com).

2. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE

The half-year proposal for profit distribution or conversion of capital reserve

Whether distributed or capitalised	Yes
Number of bonus shares for every 10 shares (share)	–
Dividend amount per 10 shares (RMB) (pre-tax)	1.606
Number of shares capitalised for every 10 shares (share)	–

Description on the proposal for profit distribution or conversion of capital reserve

After fully considering actual conditions such as the Company's cash flow level and shareholders' cash return requirements, the second meeting of the ninth session of the Board of the Company decided to distribute the interim dividend for 2026 to all shareholders in the aggregate amount of approximately RMB14,696 million, representing 75% of the profit attributable to equity holders of the Company in the amount of RMB19,588 million. Based on the total share capital registered on the record date for the dividend distribution, and based on the Company's total share capital of 91,507,138,699 shares as at 30 June 2026, a dividend of RMB0.1606 per share (equivalent to HK$0.185633) (pre-tax) was declared and will be paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The Board has been authorised by the annual general meeting for the year 2025 to decide the profit distribution proposal and the resolution for the proposed interim dividend was considered and approved at the second meeting of the ninth session of the Board of the Company on 20 August 2026.

3. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THEIR IMPACT

The Company implemented the second phase of share appreciation rights scheme in 2021 to provide mid- to long-term incentives for key personnel (excluding the Executive Directors, Non-Executive Directors, Independent Non-Executive Directors, Supervisors and senior management of the Company).

The proposal in relation to completion of exercise conditions of the third vesting period of the second phase of the Company's share (H Share) appreciation right incentive plan was considered and approved at the 25th meeting of the eighth session of the Board on 14 January 2026. The Board confirmed that the exercise conditions of the third vesting period of the 2021 Share Appreciation Rights have been met, and the Company would handle the matters in relation to the exercise of share appreciation rights and distribute benefits to incentive subjects according to established rules.

Firstly, share appreciation rights are distributed based on contribution, adhering to the value-oriented principle and tilting towards units with remarkable high-quality development. Secondly, share appreciation rights are distributed based on potential, which adheres to the development orientation and tilts to the key areas of "Cloudification, Digital Transformation and AI for Good" and high-end and high-quality talents. Thirdly, share appreciation rights are granted based on performances. The Company adheres to the performance-oriented principle and closely links the number of rights exercised with the Company's performance and employees' individual performance, and imposes penalties for failure to achieve performance targets.

The scheme does not involve the grant of shares or other securities of the Company or any of its principal subsidiaries (including the grant of options for the purchase of any of such shares or securities) and therefore, it does not fall within the scope of, and is not subject to, the requirements under Chapter 17 of the Listing Rules.

4. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company attaches great importance to corporate governance. We continued to make efforts in improving the Company's internal control mechanisms, strengthening information disclosure and enhancing the Company's transparency, continuously developing corporate governance practices and protecting shareholders' interests to the maximum degree.

The roles of Chairman and Chief Executive Officer of the Company were performed by the same individual for the six-month period ended 30 June 2026. In the Company's opinion, through supervision by the Board of Directors and Independent Non-Executive Directors, with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company's efficiency in decision-making and execution and effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements.

Save as stated above, the Company has been in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix C1 of the Listing Rules throughout the six-month period ended 30 June 2026.

5. CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND REVITALISATION OF RURAL VILLAGES

In the first half of 2026, the Company carried out precise assistance on a regular basis, continuously improved the quality and efficiency of its assistance and advanced all-round rural revitalisation, contributing its telecom power to the realisation of agricultural and rural modernisation.

The Company steadily advanced various tasks under its targeted assistance programme, maintained overall policy stability, and sustained its investment intensity. It directly purchased and assisted in selling RMB464 million of agricultural products from areas lifted out of poverty, and organised various talent training programmes for 62,000 attendances. Meanwhile, fully leveraging its corporate strengths, the Company implemented the "AI + Rural Revitalisation" initiative and deepened the development of digital-intelligent rural areas. It built 470,000 digital villages with the coverage of administrative villages reaching nearly 97% and provided AI+ grassroots governance services to over 287,000 villages, enabling 120 million villagers to enjoy an "intelligent and beneficial" life.

The Company successfully completed all tasks for the targeted support assessment in 2025, and for eight consecutive years, has achieved the highest rating of "Good" in the review and assessment of targeted support carried out by central units.

SECTION V SIGNIFICANT EVENTS

1. PERFORMANCE OF UNDERTAKINGS

THE ULTIMATE CONTROLLER, SHAREHOLDERS, RELATED PARTIES, ACQUIRERS OF THE COMPANY, THE COMPANY, AND OTHER RELEVANT PARTIES OF THE UNDERTAKINGS DURING OR SUBSISTING IN THE REPORTING PERIOD

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Time of undertaking	Whether there is a term for performance	Term for undertakings	Whether performed timely and strictly	Specific reasons for the failure to timely honour the undertaking	Further plans in the event of failing to timely honour the undertakings
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder, Guangdong Rising	Undertakings on intention to hold shares and intention to sell shares	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Resolving peer competition	Controlling shareholder	Non-competition undertaking	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Resolving related party transactions	Controlling shareholder, Guangdong Rising	Undertakings to regulate and reduce related party transactions	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Resolution of defects in property rights of land	Controlling shareholder	Loss-bearing commitment for defects in property rights of land	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Others	Controlling shareholder	Commitment to long-term use of trademark licence	2021-08-20	Yes	Long-term	Yes	N/A	N/A

SECTION V SIGNIFICANT EVENTS

Background of undertaking	Type of undertakings	Undertaking party	Content of undertakings	Time of undertaking	Whether there is a term for performance	Term for undertakings	Whether performed timely and strictly	Specific reasons for the failure to timely honour the undertaking	Further plans in the event of failing to timely honour the undertakings
	Others	The Company, controlling shareholder, the then directors and senior management	Undertaking to adopt remedial measures for dilution of the immediate returns by the issuance of shares	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholder, the then directors, supervisors and senior management	Undertaking that there is no false record, misleading statement, or material omission in the prospectus	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Others	The Company, controlling shareholder, the then directors, supervisors and senior management	Undertaking on binding measures for the failure to perform the commitment	2021-08-20	Yes	Long-term	Yes	N/A	N/A
	Others	The Company	Undertaking on disclosure of shareholders' information	2021-08-20	Yes	Long-term	Yes	N/A	N/A
Others	Dividend	The Company	Undertaking on the profit distribution policy and the arrangement in relation to the accumulated profits	2021-08-20	Yes	Long-term	Yes	N/A	N/A

2. MATERIAL CONTRACTS AND PERFORMANCE

MATERIAL GUARANTEES PERFORMED AND NOT YET FULFILLED DURING THE REPORTING PERIOD

Unit: yuan Currency: Renminbi

External guarantees provided by the Company (excluding guarantees provided to its subsidiaries)	
Total amount of guarantees incurred during the Reporting Period (excluding those provided to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	0

Guarantees provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantees provided to subsidiaries incurred during the Reporting Period	71,354,057.97
Total balance of guarantees provided to subsidiaries as at the end of the Reporting Period (B)	132,594,364.33

Aggregate guarantees of the Company (including those guarantees provided to its subsidiaries)	
Aggregate amount of guarantees (A + B)	132,594,364.33
Percentage of total aggregate amount of guarantee to net assets of the Company (%)	0.0277
Representing:	
Amount of guarantees provided for shareholders, ultimate controller and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	0
Amount of total guarantee exceeding 50% of net assets (E)	0
Aggregate amount of the above three guarantees (C + D + E)	0
Explanation on the potential joint and several liability for outstanding guarantees	Nil
Clarification of guarantee	The external guarantees provided by the Company were non-financing guarantees provided by China Telecom Group Finance Co., Ltd. and China Telecom Global Limited, both being subsidiaries of the Company, to wholly-owned subsidiaries of the Company. If the amount of the above-mentioned external guarantees involves foreign currency, it would be converted at the median rate for the exchange rate of RMB announced by the People's Bank of China on 30 June 2026.

(1) Description of guarantees during the Reporting Period

According to the needs of daily production and operation, China Telecom Finance and China Telecom Global, both being subsidiaries of the Company (hereinafter referred to as the Company's wholly-owned and holding subsidiaries), contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2025, in an aggregate amount of not exceeding RMB470.50 million (or equivalent foreign currency). The guarantee limit was valid until 31 March 2026. The guaranteed entities were all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, China Telecom Finance and China Telecom Global have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2025 of China Telecom Corporation Limited" disclosed by the Company on 25 March 2025.

According to the needs of daily production and operation, China Telecom Finance and China Telecom Global, both being subsidiaries of the Company, contemplated to provide guarantees to wholly-owned subsidiaries of the Company in 2026, in an aggregate amount of not exceeding RMB360 million (or equivalent foreign currency). The guarantee limit is valid until 31 March 2027. The guaranteed entities are all wholly-owned subsidiaries of the Company with asset-liability ratio not exceeding 70%. In accordance with relevant laws and regulations, the guarantors have separately performed relevant internal decision-making procedures for the above guarantees. For details, please refer to the "Announcement on the Plan for External Guarantee for 2026 of China Telecom Corporation Limited" disclosed by the Company on 24 March 2026.

(2) The progress of guarantees during the Reporting Period

In the second quarter of 2026 and within the scope of the aggregate guarantee limit described above, China Telecom Finance provided 19 guarantees totalling RMB55.6531 million to China Telecom Digital Intelligence Technology Co., Ltd. and its branches, China Telecom Quantum Information Technology Group Limited and China Telecom Digital Technology Co., Ltd. The details of the guarantees are as follows:

Guarantor	Guaranteed party	Amount of guarantee (RMB)	Guarantee period	Type of guarantee	Method of guarantee
China Telecom Group Finance Co., Ltd.	China Telecom Digital Intelligence Technology Co., Ltd. Inner Mongolia Branch	328,250.00	3 April 2026 – 31 May 2026	Non-financing guarantee	Quality guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Shanxi Branch	397,154.40	14 April 2026 – 30 November 2026	Non-financing guarantee	Advance payment guarantee
	China Telecom Quantum Information Technology Group Limited	36,994.00	15 April 2026 – 12 March 2027	Non-financing guarantee	Performance guarantee
	China Telecom Quantum Information Technology Group Limited	100,287.50	15 April 2026 – 15 March 2027	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Shanxi Branch	1,794,719.00	22 April 2026 – 10 August 2027	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Shanxi Branch	14,357,752.00	22 April 2026 – 31 December 2026	Non-financing guarantee	Advance payment guarantee
	China Telecom Quantum Information Technology Group Limited	150,000.00	27 April 2026 – 27 April 2027	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Yantai Branch	194,100.00	27 April 2026 – 30 June 2026	Non-financing guarantee	Advance payment guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Shanxi Branch	134,248.00	11 May 2026 – 31 December 2026	Non-financing guarantee	Advance payment guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Shanxi Branch	16,781.00	11 May 2026 – 27 August 2027	Non-financing guarantee	Performance guarantee

Guarantor	Guaranteed party	Amount of guarantee (RMB)	Guarantee period	Type of guarantee	Method of guarantee
	China Telecom Quantum Information Technology Group Limited	10,400.00	20 May 2026 – 14 January 2029	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Ningxia Branch	51,714.56	22 May 2026 – 31 October 2026	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Ningxia Branch	15,976.00	22 May 2026 – 31 October 2026	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd.	349,680.00	1 June 2026 – 31 December 2026	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Qinghai Branch	356,775.00	1 June 2026 – 9 March 2029	Non-financing guarantee	Quality guarantee
	China Telecom Digital Technology Co., Ltd	247,200.00	4 June 2026 – 7 May 2028	Non-financing guarantee	Performance guarantee
	China Telecom Digital Intelligence Technology Co., Ltd. Hebei Branch	5,036,557.00	22 June 2026 – 11 December 2026	Non-financing guarantee	Payment guarantee
	China Telecom Digital Intelligence Technology Co., Ltd.	31,820,000.00	22 June 2026 – 19 December 2026	Non-financing guarantee	Advance payment guarantee
	China Telecom Digital Technology Co., Ltd	254,495.40	24 June 2026 – 26 September 2027	Non-financing guarantee	Performance guarantee

Note: For details of the progress of guarantees during the first quarter of 2026, please refer to the 2026 First Quarter Report of China Telecom Corporation Limited published on 23 April 2026.

(3) The cumulative amount of guarantees and the amount of overdue guarantees

As at the end of the Reporting Period, the balance of external guarantees provided by the Company and its subsidiaries was RMB132.5944 million, all of which were guarantees provided by subsidiaries of the Company to other wholly-owned subsidiaries of the Company. The Company did not provide guarantees to its subsidiaries or third parties, and there was no overdue guarantee.

Any amount of the above-mentioned external guarantees involving foreign currency is converted at the median rate of the exchange rate of RMB announced by the People's Bank of China on 30 June 2026.

SECTION VI CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHARE CAPITAL

The total number of shares and share capital structure of the Company remained unchanged during the Reporting Period.

2. INFORMATION ON SHAREHOLDERS

(1) TOTAL NUMBER OF SHAREHOLDERS

Total number of ordinary shareholders as at the end of the Reporting Period	323,674
Total number of holders of preference shares with reinstated voting rights as at the end of the Reporting Period	N/A

(2) SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS AND THE TOP TEN SHAREHOLDERS OF TRADABLE SHARES (OR SHAREHOLDERS OF UNRESTRICTED SHARES) AS AT THE END OF THE REPORTING PERIOD

Unit: shares

Shareholdings of the top ten shareholders (excluding shares loaned through refinancing)

Name of shareholder (Full name)	Changes during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with lock-up restrictions	Pledge, marking or freezing conditions		Nature of shareholder
					Status of shares	Quantity	
China Telecommunications Corporation	–	58,476,519,174	63.90	–	Nil	–	State-owned legal person
HKSCC Nominees Limited	583,990	13,823,619,898	15.11	–	Nil	–	Foreign legal person
Guangdong Rising Holdings Group Co., Ltd.	–	4,794,082,653	5.24	–	Nil	–	State-owned legal person
Zhejiang Provincial Financial Development Group Co., Ltd.	–	2,137,473,626	2.34	–	Nil	–	State-owned legal person
Jiangsu Guoxin Group Limited	–	957,031,543	1.05	–	Nil	–	State-owned legal person
Fujian Investment & Development Group Co., Ltd.	–	920,294,182	1.01	–	Nil	–	State-owned legal person
Guofeng Xinghua (Beijing) Private Fund Management Co., Ltd. – Honghu Zhiyuan (Shanghai) Private Investment Fund Co., Ltd.	–	761,742,240	0.83	–	Nil	–	Others
China Life Insurance Company Limited – Traditional – General insurance products – 005L – CT001 Shanghai	-448,261,544	722,175,857	0.79	–	Nil	–	Unknown

SECTION VI CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Shareholdings of the top ten shareholders (excluding shares loaned through refinancing)

Name of shareholder (Full name)	Changes during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held with lock-up restrictions	Pledge, marking or freezing conditions: Status of shares	Pledge, marking or freezing conditions: Quantity	Nature of shareholder
Guoxin Hongsheng Investment (Beijing) Co., Ltd.	346,222,372	561,403,835	0.61	–	Nil	–	Unknown
State Grid Yingda International Holdings Group Co., Ltd.	–	441,501,000	0.48	–	Nil	–	State-owned legal person

Shareholdings of the top ten shareholders without lock-up restriction (excluding shares loaned through refinancing)

Name of shareholder	Number of tradable shares held without lock-up restriction	Class and number of shares: Class	Class and number of shares: Quantity
China Telecommunications Corporation	58,476,519,174	RMB ordinary shares	58,476,519,174
HKSCC Nominees Limited	13,823,619,898	Overseas-listed foreign-invested shares	13,823,619,898
Guangdong Rising Holdings Group Co., Ltd.	4,794,082,653	RMB ordinary shares	4,794,082,653
Zhejiang Provincial Financial Development Group Co., Ltd.	2,137,473,626	RMB ordinary shares	2,137,473,626
Jiangsu Guoxin Group Limited	957,031,543	RMB ordinary shares	957,031,543
Fujian Investment & Development Group Co., Ltd.	920,294,182	RMB ordinary shares	920,294,182
Guofeng Xinghua (Beijing) Private Fund Management Co., Ltd. – Honghu Zhiyuan (Shanghai) Private Investment Fund Co., Ltd.	761,742,240	RMB ordinary shares	761,742,240
China Life Insurance Company Limited – Traditional – General insurance products – 005L – CT001 Shanghai	722,175,857	RMB ordinary shares	722,175,857
Guoxin Hongsheng Investment (Beijing) Co., Ltd.	561,403,835	RMB ordinary shares	561,403,835
State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	RMB ordinary shares	441,501,000
Explanation on the securities account designated for share repurchase of the top ten shareholders	N/A		
Explanation on the voting rights entrusted by or waived by the above shareholders	N/A		
Description of connected relationship or acting in concert among the aforementioned shareholders	The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.		
Description of the holders of preference shares with restored voting rights and their shareholding	N/A		

(3) STRATEGIC INVESTORS OR OTHER LEGAL PERSONS WHO BECAME TOP TEN SHAREHOLDERS DUE TO ALLOTMENT OF NEW SHARES

Names of strategic investors or other legal persons	Agreed shareholding start date	Agreed shareholding end date
State Grid Yingda International Holdings Group Co., Ltd.	20 August 2021	–
Description of agreed term of shareholding in respect of strategic investors and general legal persons' participation in placing of new shares	Lock-up for 12 months from the date of listing, and the lock-up was released on 22 August 2022.	

SECTION VII INTERIM FINANCIAL INFORMATION
REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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Review report to the board of directors of China Telecom Corporation Limited
(incorporated in People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 43 to 74, which comprise the condensed consolidated statement of financial position of China Telecom Corporation Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2026 and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim financial reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion, based on our review, on this interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* as issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2026 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim financial reporting*.

KPMG
Certified Public Accountants
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20 August 2026

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

at 30 June 2026 (Amounts in million)

	Notes	30 June 2026 RMB	31 December 2025 RMB
ASSETS			
Non-current assets			
Property, plant and equipment, net	5	**393,396**	416,183
Construction in progress	5	**69,541**	56,481
Right-of-use assets		**52,037**	58,103
Goodwill		**30,912**	30,914
Intangible assets		**26,264**	28,439
Interests in associates and joint ventures	6	**47,094**	45,280
Financial assets at fair value through profit or loss	22	**20,724**	923
Financial assets at fair value through other comprehensive income	22	**1,350**	1,878
Deferred tax assets		**1,436**	1,002
Long-term bank deposits		**5,964**	11,210
Other assets	7	**15,228**	14,096
Total non-current assets		**663,946**	664,509
Current assets			
Inventories		**4,119**	3,431
Income tax recoverable		**109**	74
Accounts receivable, net	8	**71,794**	53,146
Contract assets		**4,433**	4,123
Prepayments and other current assets		**34,281**	33,845
Financial assets at fair value through profit or loss	22	**33,372**	11,709
Financial assets at fair value through other comprehensive income	22	**2,365**	–
Bank deposits and restricted cash		**29,643**	38,413
Cash and cash equivalents	9	**40,657**	61,394
Total current assets		**220,773**	206,135
Total assets		**884,719**	870,644

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

at 30 June 2026 (Amounts in million)

	Notes	30 June 2026 RMB	31 December 2025 RMB
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts	10	**1,677**	2,448
Current portion of long-term debts	10	**1,261**	1,466
Accounts payable	11	**156,456**	149,704
Accrued expenses and other payables		**90,691**	87,180
Contract liabilities		**60,205**	67,113
Income tax payable		**2,472**	1,563
Current portion of lease liabilities		**20,417**	14,239
Total current liabilities		**333,179**	323,713
Net current liabilities		**(112,406)**	(117,578)
Total assets less current liabilities		**551,540**	546,931
Non-current liabilities			
Long-term debts	10	**5,557**	6,109
Lease liabilities		**18,144**	25,051
Deferred tax liabilities		**40,546**	39,294
Other non-current liabilities		**7,890**	8,217
Total non-current liabilities		**72,137**	78,671
Total liabilities		**405,316**	402,384
Equity			
Share capital		**91,507**	91,507
Reserves		**380,376**	369,321
Total equity attributable to equity holders of the Company		**471,883**	460,828
Non-controlling interests		**7,520**	7,432
Total equity		**479,403**	468,260
Total liabilities and equity		**884,719**	870,644

The notes on pages 51 to 74 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million except for per share data)

	Notes	Six-month period ended 30 June 2026 RMB	2025 RMB
Operating revenues	12	**260,471**	271,469
Operating expenses			
Depreciation and amortisation		**(51,378)**	(52,039)
Network operations and support	13	**(77,143)**	(78,288)
Selling, general and administrative	14	**(32,759)**	(32,783)
Personnel expenses	15	**(49,389)**	(50,438)
Other operating expenses	16	**(26,823)**	(29,372)
Total operating expenses		**(237,492)**	(242,920)
Operating profit		**22,979**	28,549
Net finance costs	17	**(93)**	(294)
Investment income and others		**1,074**	107
Share of profits of associates and joint ventures		**1,803**	1,233
Profit before taxation		**25,763**	29,595
Income tax	18	**(6,278)**	(6,576)
Profit for the period		**19,485**	23,019
Other comprehensive income for the period			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments in equity instruments at fair value through other comprehensive income		**(279)**	60
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		**67**	(14)
		(212)	46
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial statements of subsidiaries outside mainland China and others		**(464)**	(51)
		(464)	(51)
Other comprehensive income for the period, net of tax		**(676)**	(5)
Total comprehensive income for the period		**18,809**	23,014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million except for per share data)

	Notes	Six-month period ended 30 June 2026 RMB	2025 RMB
Profit attributable to			
Equity holders of the Company		**19,588**	23,017
Non-controlling interests		**(103)**	2
Profit for the period		**19,485**	23,019
Total comprehensive income attributable to			
Equity holders of the Company		**18,912**	23,012
Non-controlling interests		**(103)**	2
Total comprehensive income for the period		**18,809**	23,014
Basic earnings per share (RMB)	20	**0.21**	0.25
Diluted earnings per share (RMB)	20	**0.21**	0.25

The notes on pages 51 to 74 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million)

		Attributable to equity holders of the Company										
	Notes	Share capital RMB	Capital reserve RMB	Share premium RMB	Surplus reserves RMB	General risk reserve RMB	Other reserves RMB	Exchange reserve RMB	Retained earnings RMB	Total RMB	Non-controlling interests RMB	Total equity RMB
Balance as at 1 January 2025		91,507	19,908	47,687	90,924	661	167	(265)	201,801	452,390	4,162	456,552
Profit for the period		–	–	–	–	–	–	–	23,017	23,017	2	23,019
Other comprehensive income for the period		–	–	–	–	–	46	(51)	–	(5)	–	(5)
Total comprehensive income for the period		–	–	–	–	–	46	(51)	23,017	23,012	2	23,014
Contribution from non-controlling interests		–	–	(64)	–	–	–	–	–	(64)	163	99
Acquisition of affiliated companies		–	–	–	–	–	–	–	–	–	2,811	2,811
Share of associates and joint ventures' other changes in reserves and others		–	16	–	–	–	–	–	–	16	–	16
Dividends	19	–	–	–	–	–	–	–	(8,483)	(8,483)	–	(8,483)
Balance as at 30 June 2025		91,507	19,924	47,623	90,924	661	213	(316)	216,335	466,871	7,138	474,009
Balance as at 1 January 2026		**91,507**	**19,939**	**48,062**	**94,041**	**782**	**217**	**(404)**	**206,684**	**460,828**	**7,432**	**468,260**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,588**	**19,588**	**(103)**	**19,485**
Other comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(210)**	**(466)**	**–**	**(676)**	**–**	**(676)**
Total comprehensive income for the period		**–**	**–**	**–**	**–**	**–**	**(210)**	**(466)**	**19,588**	**18,912**	**(103)**	**18,809**
Contribution from non-controlling interests		**–**	**808**	**(375)**	**–**	**–**	**–**	**–**	**–**	**433**	**191**	**624**
Share of associates and joint ventures' other changes in reserves		**–**	**19**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**–**	**19**
Dividends	19	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,309)**	**(8,309)**	**–**	**(8,309)**
Balance as at 30 June 2026		**91,507**	**20,766**	**47,687**	**94,041**	**782**	**7**	**(870)**	**217,963**	**471,883**	**7,520**	**479,403**

The notes on pages 51 to 74 form part of the condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million)

	Notes	Six-month period ended 30 June 2026 RMB	2025 RMB
Net cash from operating activities	(a)	**61,375**	47,307
Cash flows used in investing activities			
Capital expenditure		**(26,354)**	(27,227)
Investment in associates and joint ventures		**(1,231)**	(70)
Payments for right-of-use assets		**(5)**	(19)
Proceeds from disposal of property, plant and equipment		**459**	936
Proceeds from disposal of right-of-use assets		**178**	200
Payments for financial assets at fair value through profit or loss		**(129,863)**	(55,505)
Proceeds from disposal of financial assets at fair value through profit or loss		**89,274**	35,155
Payments for financial assets at fair value through other comprehensive income		**(2,400)**	–
Proceeds from disposal of financial assets at fair value through other comprehensive income		**301**	6
Placement of bank deposits and others		**(9,660)**	(34,585)
Maturity of bank deposits		**21,154**	18,511
Short-term loans granted to China Telecom Group by Finance Company	(b)	**(2,000)**	(2,051)
China Telecom Group's repayments of short-term loans granted by Finance Company	(b)	**2,060**	2,045
Net cash inflow from acquisition of subsidiary		**–**	1,455
Net cash used in investing activities		**(58,087)**	(61,149)
Cash flows used in financing activities			
Repayments of principal of lease liabilities		**(3,915)**	(6,955)
Proceeds from bank and other loans		**2,530**	5,599
Repayments of bank and other loans		**(7,263)**	(4,671)
Payments of dividends		**(7,105)**	(7,270)
Contribution from non-controlling interests		**627**	99
Net withdrawal of deposits by China Telecom Group to Finance Company	(b)	**(9,449)**	(1,856)
Decrease/(increase) in statutory deposit reserves placed by Finance Company	(b)	**729**	(351)
Others		**–**	19
Net cash used in financing activities		**(23,846)**	(15,386)
Net decrease in cash and cash equivalents		**(20,558)**	(29,228)
Cash and cash equivalents as at 1 January		**61,394**	82,207
Effect of changes in foreign exchange rate		**(179)**	(20)
Cash and cash equivalents as at 30 June		**40,657**	52,959

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million)

(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FROM OPERATING ACTIVITIES

	Six-month period ended 30 June	
	2026	2025
	RMB	RMB
Profit before taxation	**25,763**	29,595
Adjustment for:		
Depreciation and amortisation	**51,378**	52,039
Impairment losses for financial assets and contract assets, net of reversal	**6,431**	5,521
Write-down of inventories, net of reversal	**19**	16
Investment income and others	**(1,080)**	(110)
Share of profits of associates and joint ventures	**(1,803)**	(1,233)
Interest income	**(815)**	(941)
Net interest expense	**851**	1,063
Net foreign exchange gain or loss and others	**57**	172
Net loss on retirement and disposal of long-lived assets and others	**247**	847
	81,048	86,969
Increase in accounts receivable	**(24,917)**	(32,571)
Increase in contract assets	**(450)**	(988)
Increase in inventories	**(703)**	(27)
Decrease in prepayments and other current assets	**1,588**	457
Decrease in restricted cash	**34**	93
Increase in other assets	**(1,131)**	(841)
Increase/(decrease) in accounts payable	**4,686**	(8,592)
Increase in accrued expenses and other payables	**11,343**	11,004
Decrease in contract liabilities	**(6,859)**	(5,771)
Cash generated from operations	**64,639**	49,733
Interest received	**631**	641
Interest paid	**(777)**	(1,007)
Investment income and dividends received	**1,395**	1,279
Income tax paid	**(4,513)**	(3,339)
Net cash from operating activities	**61,375**	47,307

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six-month period ended 30 June 2026 (Amounts in million)

(b) "Finance Company" refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, which provides capital and financial management services to the member units of China Telecommunications Corporation, the parent and ultimate holding company of the Company. These transactions are conducted on normal commercial terms or better.

China Telecommunications Corporation together with its subsidiaries other than the Group are referred to as "China Telecom Group".

(c) SIGNIFICANT NON-CASH TRANSACTIONS

For the six-month periods ended 30 June 2026 and 30 June 2025, the Group did not have other significant non-cash investing and financing activities, except for the additions and modifications of right-of-use assets and lease liabilities, and the instalment purchase of equipment.

The notes on pages 51 to 74 form part of the condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

1. PRINCIPAL ACTIVITIES

China Telecom Corporation Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 10 September 2002. The Company and its subsidiaries (hereinafter, collectively referred to as the "Group") is a leading and large-scale full-service and integrated intelligent information services provider, providing its individual, household, government and enterprise customers with integrated intelligent information services.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated interim financial information, which was authorised for issuance by the Board of Directors on 20 August 2026, reflects the unaudited financial position of the Group as at 30 June 2026 and the unaudited results of operations and cash flows of the Group for the six-month period then ended, which are not necessarily indicative of the results of operations and cash flows expected for the year ending 31 December 2026.

The preparation of condensed consolidated interim financial information in conformity with IAS 34, "*Interim Financial Reporting*", requires management to make judgments, estimates and assumptions about the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The condensed consolidated interim financial information contains condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated interim financial information and the accompanying notes do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards. The condensed consolidated interim financial information should be read in conjunction with the Company's 2025 annual financial statements. The Group's policies on financial risk management were set out in the financial statements included in the Group's 2025 Annual Report and there have been no significant changes in these policies for the six-month period ended 30 June 2026.

The condensed consolidated interim financial information is unaudited, but has been reviewed by the Audit Committee of the Company. The condensed consolidated interim financial information has also been reviewed by the Company's international independent auditor in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" as issued by the Hong Kong Institute of Certified Public Accountants.

As at 30 June 2026, the total current liabilities of the Group had exceeded the total current assets by RMB112,406 million (31 December 2025: RMB117,578 million). Management of the Company has assessed the Group's available sources of funds as follows: 1) the Group's continuous net cash inflow to be generated from its operating activities; 2) the unutilised credit facilities amounting to RMB205,808 million (31 December 2025: RMB207,111 million); and 3) the Group's other available sources of financing from domestic banks in mainland China and other financial institutions in view of the Group's good credit history. Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the condensed consolidated interim financial information of the Group for the six-month period ended 30 June 2026 has been prepared on a going concern basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six-month period ended 30 June 2026

3. MATERIAL ACCOUNTING POLICY INFORMATION

The condensed consolidated interim financial information is prepared on the historical cost basis as modified by the revaluation of certain financial instruments measured at fair value.

Other than changes in accounting policies resulting from application of amendments to IFRS Accounting Standards, the accounting policies and methods of computation used in the condensed consolidated interim financial information are the same as those followed in the preparation of the 2025 annual financial statements of the Group.

Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied, for the first time, the following amendments to IFRS Accounting Standards issued by the IASB that are mandatorily effective for the current period:

- Amendments to IFRS 9 "*Financial Instruments*" and IFRS 7 "*Financial Instruments: Disclosures*" – Classification and Measurement of Financial Instruments

- Annual Improvements to IFRS Accounting Standards – Volume 11

The application of the above amendments to IFRS Accounting Standards in the current period has had no material effect on the Group's condensed consolidated interim financial information.

Possible impact of new standards and amendments to standards issued but not yet effective for the six months ended 30 June 2026

Up to the date of issue of the condensed consolidated financial statements, the IASB has issued the following new standards and amendments to standards which are not yet effective and not early adopted by the Group for the six months ended 30 June 2026:

	Effective for accounting periods beginning on or after
IFRS 18 "*Presentation and Disclosure in Financial Statements*"	1 January 2027
IFRS 19 "*Subsidiaries without Public Accountability: Disclosures*"	1 January 2027
IFRS 20 "*Regulatory Assets and Regulatory Liabilities*"	1 January 2029

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

3. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

IFRS 18 "*Presentation and Disclosure in Financial Statements*"

IFRS 18 will replace IAS 1 Presentation of financial statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after January 2027 and is to be applied retrospectively. Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18.

4. SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which revenues are earned and expenses are incurred, and is identified on the basis of the internal financial reports that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources and assess performance of the segment. The Executive Directors of the Company have been identified as the CODM. For the periods presented, management has determined that the Group has one operating segment as the Group is only engaged in the integrated telecommunications business. The Group's assets located outside mainland China and operating revenues derived from activities outside mainland China are less than 10% of the Group's assets and operating revenues, respectively. No geographical area information has been presented as such amount is immaterial. No single external customer accounts for 10% or more of the Group's operating revenues.

5. PROPERTY, PLANT AND EQUIPMENT, NET AND CONSTRUCTION IN PROGRESS

For the six-month period ended 30 June 2026, the Group acquired items of property, plant and equipment and construction in progress with an aggregate cost of RMB32,003 million (for the six-month period ended 30 June 2025: RMB33,615 million) and the depreciation of property, plant and equipment recognised in unaudited condensed consolidated statement of comprehensive income was RMB38,884 million (for the six-month period ended 30 June 2025: RMB39,306 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

6. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	30 June 2026 RMB million	31 December 2025 RMB million
Cost of investment in associates and joint ventures	**38,353**	37,175
Share of post-acquisition changes in net assets	**8,741**	8,105
	47,094	45,280

The Group's interests in associates and joint ventures are accounted for under the equity method. Details of the Group's principal associate are as follows:

Name of company	Note	**Attributable equity interest**	**Principal activities**
China Tower Corporation Limited	(i)	20.50%	Construction, maintenance and operation of communications towers as well as ancillary facilities

Note:

(i) China Tower Corporation Limited ("China Tower") is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.

As at 30 June 2026, the fair value of investment in China Tower was RMB27,614 million (as at 31 December 2025: RMB37,679 million) based on its quoted market price, which was below its carrying amount by 34.5% (31 December 2025: 9.7%). After assessment, management concluded that there is no impairment on the equity investment in China Tower.

7. OTHER ASSETS

	Notes	**30 June 2026 RMB million**	31 December 2025 RMB million
Contract costs	(i)	**5,176**	3,737
Other long-term prepaid expenses and receivables	(ii)	**10,052**	10,359
		15,228	14,096

Notes:

(i) Contract costs capitalised as at 30 June 2026 and 31 December 2025 mainly relate to the direct cost of the provision of terminal equipment provided by the Group.

(ii) Other long-term prepaid expenses and receivables mainly include prepayments of construction and materials, etc.

8. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Third parties	**86,221**	62,694
China Telecom Group	**3,987**	3,801
China Tower	**68**	83
Other telecommunications operators in the PRC	**2,315**	1,300
	92,591	67,878
Less: Allowance for credit losses	**(20,797)**	(14,732)
	71,794	53,146

Ageing analysis of accounts receivable based on the billing dates or dates of rendering of services is as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Within 1 year	**69,804**	51,198
1 to 2 years	**12,729**	9,425
2 to 3 years	**5,536**	4,037
Over 3 years	**4,522**	3,218
	92,591	67,878
Less: Allowance for credit losses	**(20,797)**	(14,732)
	71,794	53,146

9. CASH AND CASH EQUIVALENTS

	30 June 2026 RMB million	31 December 2025 RMB million
Cash at bank and in hand	**23,763**	41,173
Time deposits with original maturity within three months	**16,894**	20,221
	40,657	61,394

10. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	30 June 2026 RMB million	31 December 2025 RMB million
Loans from banks – unsecured	**1,677**	2,448

The weighted average interest rate of the Group's total short-term debts as at 30 June 2026 was 2.1% (31 December 2025: 2.1%) per annum, and the loans bear interests at rates ranging from 1.1% to 2.45% (31 December 2025: 1.1% to 2.7%) per annum, which are repayable within one year.

Long-term debts comprise:

	Note	**30 June 2026 RMB million**	31 December 2025 RMB million
Loans from banks – unsecured	(i)	**6,818**	7,575
Less: Current portion		**(1,261)**	(1,466)
Non-current portion		**5,557**	6,109

Note:

(i) The loans from banks include long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum obtained by the Group through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in other non-current liabilities.

As at 30 June 2026, the loans from banks bear interests at contractual rates ranging from 1.08% to 2.80% (31 December 2025: 1.08% to 2.80%) per annum.

11. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Third parties	**111,344**	109,536
China Telecom Group	**31,776**	28,512
China Tower	**11,148**	10,157
Other telecommunications operators in the PRC	**2,188**	1,499
	156,456	149,704

Amounts due to China Telecom Group and China Tower are payable in accordance with contractual terms which are similar to those offered by third parties.

Ageing analysis of accounts payable based on the bill dates is as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Within 1 year	**124,002**	120,847
Over 1 year	**32,454**	28,857
	156,456	149,704

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

12. OPERATING REVENUES

Disaggregation of revenues

	Notes	Six-month period ended 30 June 2026 RMB million	2025 RMB million
Type of goods or services			
Mobile communications service revenues	(i)	**105,438**	106,572
Wireline and Smart Family service revenues	(ii)	**61,781**	64,133
Industrial Digitalisation service revenues	(iii)	**69,881**	74,853
Other revenues	(iv)	**23,371**	25,911
Total operating revenues		**260,471**	271,469
Revenue from customer contracts		**258,039**	268,482
Revenue from other sources		**2,432**	2,987
Total operating revenues		**260,471**	271,469
Timing of revenue recognition			
At a point in time		**18,233**	20,298
Over time		**242,238**	251,171
Total operating revenues		**260,471**	271,469

Notes:

(i) Represent primarily 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.

(ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees, etc., charged to customers for the provision of wireline services.

(iii) Represent primarily 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.

(iv) Represent primarily revenues from sales of mobile terminal equipment, wireline communications equipment and industrial digital equipment, property rental revenue and other revenues.

Operating revenue is subject to value-added tax ("VAT"). From 1 January 2026, the applicable tax classification items of business activities conducted within the People's Republic of China that involve the provision of handset data traffic services, SMS and MMS services and Internet broadband access services using wireline, mobile networks, satellites and the Internet shall be adjusted from value-added telecommunications services to basic telecommunications services, and as a result, the corresponding value-added tax rate for such services shall be adjusted from 6% to 9%.

13. NETWORK OPERATIONS AND SUPPORT

	Note	Six-month period ended 30 June 2026 RMB million	2025 RMB million
Operating and maintenance		**48,229**	50,061
Utility		**9,924**	9,570
Network resources usage and related fees	(i)	**16,591**	15,858
Others		**2,399**	2,799
		77,143	78,288

Note:

(i) Network resources usage and related fees include fees in respect of the short-term leases and leases of low-value assets, variable lease payments not depending on an index or a rate and fees for non-lease components in respect of communications towers and related assets lease and the usage of network resources provided by third parties.

14. SELLING, GENERAL AND ADMINISTRATIVE

	Note	Six-month period ended 30 June 2026 RMB million	2025 RMB million
Channel commission and customer services expenses		**21,375**	22,258
Advertising and promotion expenses		**651**	668
Property and transportation related expenses		**1,131**	1,210
Research and development expenses	(i)	**1,228**	1,131
Others		**8,374**	7,516
		32,759	32,783

Note:

(i) The item does not include depreciation and amortisation and personnel expenses related to research and development.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

15. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	Six-month period ended 30 June	
	2026	2025
	RMB million	RMB million
Network operations and support	**31,006**	31,488
Selling, general and administrative	**18,383**	18,950
	49,389	50,438

16. OTHER OPERATING EXPENSES

		Six-month period ended 30 June	
		2026	2025
	Notes	**RMB million**	RMB million
Interconnection charges	(i)	**7,761**	8,499
Cost of goods sold	(ii)	**17,487**	19,718
Others		**1,575**	1,155
		26,823	29,372

Notes:

(i) Interconnection charges represent amounts incurred for the use of other domestic and foreign telecommunications operators' networks for delivery of voice and data traffic that originate from the Group's telecommunications networks.

(ii) Cost of goods sold primarily represents cost of communications equipment sold.

17. NET FINANCE COSTS

	Six-month period ended 30 June	
	2026	2025
	RMB million	RMB million
Interest expense on lease liabilities	**604**	776
Interest expense on short-term and long-term debts	**270**	322
Less: Interest expense capitalised	**(23)**	(35)
Net interest expense	**851**	1,063
Interest income	**(815)**	(941)
Net foreign exchange gain or loss and others	**57**	172
	93	294

18. INCOME TAX

Income tax in the profit or loss comprises:

	Six-month period ended 30 June	
	2026	2025
	RMB million	RMB million
Provision for PRC income tax	**5,270**	4,309
Provision for income tax in other tax jurisdictions	**125**	118
Deferred taxation	**883**	2,149
	6,278	6,576

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

18. INCOME TAX (Continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	Notes	Six-month period ended 30 June **2026** **RMB million**	 2025 RMB million
Profit before taxation		**25,763**	29,595
Expected income tax expense at statutory tax rate of 25%	(i)	**6,441**	7,399
Differential tax rate on mainland China subsidiaries' and branches' income	(i)	**(256)**	(445)
Differential tax rate on other subsidiaries' income	(ii)	**(63)**	(77)
Non-taxable income	(iii)	**(493)**	(355)
Non-deductible expenses	(iv)	**349**	346
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognised		**852**	539
Impact of tax incentives and reduction including additional deduction for qualified research and development costs, etc.		**(534)**	(600)
Others	(v)	**(18)**	(231)
Income tax expense		**6,278**	6,576

Notes:

(i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of mainland China.

(ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8.25% to 38%.

(iii) Amounts mainly represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.

(iv) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.

(v) Amounts primarily represent settlement of tax filing differences of prior year annual tax return, etc.

19. DIVIDENDS

Pursuant to the shareholders' approval at the Annual General Meeting held on 19 May 2026, a final dividend of RMB0.0908 per share (pre-tax) totalling approximately RMB8,309 million in respect of the year ended 31 December 2025 was declared. The dividend of RMB7,104 million was paid on 10 June 2026, and the dividend of RMB1,205 million was paid on 8 July 2026.

Pursuant to the shareholders' approval at the Annual General Meeting held on 21 May 2025, a final dividend of RMB0.0927 per share (pre-tax) totalling approximately RMB8,483 million in respect of the year ended 31 December 2024 was declared. The dividend of RMB7,269 million was paid on 11 June 2025, and the dividend of RMB1,214 million was paid on 18 July 2025.

20. EARNINGS PER SHARE

The calculation of basic earnings per share for the six-month periods ended 30 June 2026 and 30 June 2025 is based on the profit attributable to equity holders of the Company of RMB19,588 million and RMB23,017 million, respectively, divided by 91,507,138,699 shares in issue.

The amount of diluted earnings per share equals basic earnings per share as there were no potential ordinary shares in existence for the periods presented.

21. CAPITAL COMMITMENTS

As at 30 June 2026 and 31 December 2025, the Group had capital commitments as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Contracted for but not provided		
Property	**3,279**	2,193
Telecommunications network plant and equipment	**20,440**	14,578
	23,719	16,771

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for the six-month period ended 30 June 2026

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Financial assets of the Group include cash and cash equivalents, bank deposits and restricted cash, financial assets at fair value through other comprehensive income, accounts receivable, financial assets at fair value through profit or loss and financial assets included in prepayments, other current assets and other assets. Financial liabilities of the Group include short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables.

Fair Value Measurements

Based on IFRS 13, "*Fair Value Measurement*", the fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data

The following table presents the assets that are measured at fair value at 30 June 2026:

	Level 1 Million	Level 2 Million	Level 3 Million	Total Million
Financial assets measured at FVPL				
Wealth management products	1,102	–	51,278	52,380
Equity securities	2	–	1,714	1,716
Financial assets measured at FVOCI				
Negotiable certificates of deposit	2,364	–	–	2,364
Equity securities	677	–	674	1,351
Total	4,145	–	53,666	57,811

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (Continued)

The following table presents the assets that are measured at fair value at 31 December 2025:

	Level 1 Million	Level 2 Million	Level 3 Million	Total Million
Financial assets measured at FVPL				
Wealth management products	501	–	11,208	11,709
Equity securities	3	–	920	923
Financial assets measured at FVOCI				
Equity securities	952	–	627	1,579
Wealth management products	299	–	–	299
Total	1,755	–	12,755	14,510

The fair values of the Group's financial instruments (other than financial instruments measured at fair value) approximate their carrying amounts due to the short-term maturity of these instruments.

The monetary funds, the bond funds, the negotiable certificates of deposit, the listed equity securities investments not within the restricted trading period included in the Group's equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss are categorised as level 1 financial instruments.

The Group's investments in wealth management products and unlisted equity securities and the listed equity securities investments within the restricted trading period included in financial assets at fair value through profit or loss, and investments in unlisted equity securities included in equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3.

The fair value of wealth management products is determined based on their net asset value provided by the counterparty financial institutions as at the end of the reporting period, where the significant unobservable inputs are the net assets. The relationship of unobservable inputs to fair value is positive correlation. Except for wealth management products, for other financial instruments which are not traded in active markets, the Group establishes fair value by using valuation techniques. The valuation methods or models used primarily include net asset value method and market comparable company model, etc. The input values of valuation models mainly include net asset value and expected yield rates, comparable company valuation multiples, etc.

During both periods, there were no transfers among instruments in level 1, level 2 or level 3.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair Value Measurements (Continued)

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	As at 31 December 2025 RMB Million	Purchase RMB Million	Disposal RMB Million	Others RMB Million	Recognised in profit or loss RMB Million	Recognised in other comprehensive income RMB Million	**As at 30 June 2026 RMB Million**
Financial assets measured at FVPL	12,128	129,060	(89,068)	–	872	–	**52,992**
Financial assets measured at FVOCI	627	–	–	50	–	(3)	**674**
	12,755	129,060	(89,068)	50	872	(3)	**53,666**

23. RELATED PARTY TRANSACTIONS

(a) Transactions with China Telecom Group

The Group is a part of companies under China Telecommunications Corporation, a company owned by the PRC government, and has significant transactions and business relationships with members of China Telecom Group.

The principal transactions with China Telecom Group which were carried out in the ordinary course of business are as follows:

		Six-month period ended 30 June	
		2026	2025
	Notes	**RMB million**	RMB million
Construction engineering and design services	(i)	**8,617**	8,069
Receiving ancillary services	(ii)	**10,191**	10,727
Receiving community services	(iii)	**1,968**	1,937
Centralised services transaction revenues	(iv)	**2,826**	2,029
Centralised services transaction expenses	(iv)	**473**	34
Property and land use right lease income	(v)	**24**	31
Property and land use right lease related expenses	(vi)	**302**	280
Addition to right-of-use assets	(vi)	**311**	243
Interest expense on lease liabilities	(vi)	**9**	9
Provision of IT services	(vii)	**1,316**	1,547
Receiving IT services	(vii)	**3,083**	2,963
Purchases of telecommunications equipment, materials and procurement services	(viii)	**1,669**	1,777
Sales of telecommunications equipment, materials and procurement services	(viii)	**1,484**	2,798
Payment and digital finance related services	(ix)	**339**	375
Communications resources lease expenses	(x)	**185**	179
Obtaining entrusted loans*	(xi)	**2,011**	2,011
Repayment of entrusted loans*	(xi)	**2,011**	–
Net withdrawal of deposits by China Telecom Group to Finance Company*	(xii)	**9,449**	1,856
Interest expense on the deposit by China Telecom Group with Finance Company*	(xii)	**172**	195
Short-term loans granted by Finance Company to China Telecom Group	(xii)	**2,000**	2,051
China Telecom Group's repayments of short-term loans granted by Finance Company	(xii)	**2,061**	2,045
Interest income from loans granted by Finance Company to China Telecom Group	(xii)	**28**	28
Receiving finance lease services	(xiii)	**3,116**	3,019

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

for the six-month period ended 30 June 2026

23. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with China Telecom Group (Continued)

* These transactions are conducted on normal commercial terms or better and are fully exempted from compliance with the reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76 or 14A.90 of the Listing Rules.

Notes:

(i) Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.

(ii) Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.

(iii) Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.

(iv) Represent related revenues and expenses shared between the Company and China Telecom Group for centralised services.

(v) Represent amounts of property lease fees received and receivable from China Telecom Group for leasing of properties and land use rights.

(vi) Represent amounts in respect of the leasing of properties and land use rights from China Telecom Group, which include the fees for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate, fees for non-lease components, and right-of-use assets and related expenses recognised for leases.

(vii) Represent IT services provided to and received from China Telecom Group.

(viii) Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.

(ix) Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.

(x) Represent amounts in respect of the leasing of related communications resources from China Telecom Group, including transmission network communications resources, wireless network communications resources and wireline access network communications resources, etc.

(xi) Represent the entrusted loan provided by China Telecom Group.

(xii) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including loan service, deposit service and other financial services.

(xiii) Represent amounts related to finance lease services provided by China Telecom Group, including finance lease services such as sale and leaseback, direct lease, etc., and related finance lease consulting services.

23. RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with China Telecom Group (Continued)

Amounts due from/to China Telecom Group are summarised as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Accounts receivable	**3,987**	3,801
Contract assets	**182**	189
Prepayments and other current assets	**4,155**	4,253
Other assets	**1,844**	1,515
Accounts payable	**31,776**	28,512
Accrued expenses and other payables	**28,690**	37,896
Contract liabilities	**251**	279
Lease liabilities	**1,605**	1,504

Amounts due from/to China Telecom Group, other than short-term loans granted by Finance Company included in prepayments and other current assets and deposit with Finance Company included in accrued expenses and other payables, are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

As at 30 June 2026, short-term loans granted by Finance Company to China Telecom Group amounted to RMB2,539 million (31 December 2025: RMB2,599 million). Interest rate was 2.30%-2.80%, both with maturity period of one year.

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

23. RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with China Tower

The principal transactions with China Tower are as follows:

	Notes	Six-month period ended 30 June 2026 RMB million	2025 RMB million
Tower assets lease related expenses	(i)	**5,657**	5,901
Addition to right-of-use assets	(i)	**1,161**	1,303
Interest expenses on lease liabilities	(i)	**292**	402
Provision of IT services	(ii)	**29**	15

Notes:

(i) Represent amounts in respect of the lease of tower assets. Tower assets lease related expenses include the variable lease payments not depending on an index or a rate and fees for non-lease components and right-of-use assets and related expenses recognised for leases.

(ii) Represent IT and other ancillary services provided to China Tower.

Amounts due from/to China Tower are summarised as follows:

	30 June 2026 RMB million	31 December 2025 RMB million
Accounts receivable	**68**	83
Contract assets	*****	*
Prepayments and other current assets	**43**	70
Accounts payable	**11,148**	10,157
Accrued expenses and other payables	**1,815**	1,548
Contract liabilities	**4**	*
Lease liabilities	**21,599**	19,920

* Amount less than 1 million.

Amounts due from/to China Tower are unsecured, non-interest bearing and are receivable or repayable in accordance with contractual terms which are similar to those terms offered by third parties.

23. RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other joint ventures and associates of the Group

The principal transactions with other joint ventures and associates of the Group are as follows:

	Six-month period ended 30 June	
	2026	2025
	RMB million	RMB million
Property and land use right lease income	**1**	3
Provision of IT services	**18**	22
Receiving IT services	**801**	608
Purchases of telecommunications equipment, materials and procurement services	**24**	35

Amounts due from/to other joint ventures and associates of the Group are summarised as follows:

	30 June 2026	31 December 2025
	RMB million	RMB million
Accounts receivable	**23**	17
Contract assets	**2**	6
Prepayments and other current assets	**13**	10
Accounts payable	**437**	476
Accrued expenses and other payables	**4**	3
Contract liabilities	**2**	1
Lease liabilities	**23**	37

23. RELATED PARTY TRANSACTIONS (Continued)

(d) Transactions with joint ventures and associates of China Telecom Group and its subsidiaries

The principal transactions with joint ventures and associates of China Telecom Group and its subsidiaries are as follows:

	Six-month period ended 30 June	
	2026	2025
	RMB million	RMB million
Property and land use right lease income	**10**	11
Provision of IT services	**17**	20
Receiving IT services	**39**	24
Purchases of telecommunications equipment, materials and procurement services	**30**	48

Amounts due from/to joint ventures and associates of China Telecom Group and its subsidiaries are summarised as follows:

	30 June 2026	31 December 2025
	RMB million	RMB million
Accounts receivable	**287**	264
Contract assets	**–**	*
Prepayments and other current assets	**4**	4
Accounts payable	**67**	73
Accrued expenses and other payables	**2**	2
Contract liabilities	**56**	61
Lease liabilities	**18**	20

* Amount less than 1 million.

23. RELATED PARTY TRANSACTIONS (Continued)

(e) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group.

Key management personnel compensation of the Group is summarised as follows:

	Six-month period ended 30 June	
	2026	2025
	RMB thousand	RMB thousand
Short-term employee benefits	**2,100**	3,546
Post-employment benefits	**421**	562
	2,521	4,108

The above remuneration has been reflected in personnel expenses.

(f) Transactions with other government-related entities

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the People's Republic of China through government authorities, agencies, affiliations and other organisations (collectively referred to as "government-related entities").

Apart from transactions with the parent company and its fellow subsidiaries (Note 23(a)) and China Tower (Note 23(b)) and other joint ventures and associates of the Group (Note 23(c)) and joint ventures and associates of China Telecom Group and its subsidiaries (Note 23(d)), the Group has transactions with other government-related entities, which include but are not limited to the following:

- rendering and receiving services, including but not limited to telecommunications services
- sales and purchases of goods, properties and other assets
- lease of assets
- deposits and borrowings
- use of public utilities

23. RELATED PARTY TRANSACTIONS (Continued)

(f) Transactions with other government-related entities (Continued)

These transactions are conducted in the ordinary course of the Group's business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products based on government-regulated tariff rates, where applicable, or based on commercial negotiations. The Group has also established procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

The directors of the Company believe the above information provides appropriate disclosure of related party transactions.

24. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by provincial, autonomous regional and municipal governments for its employees. The Group is required to make contributions to the pension insurance plans at certain percentage of the employees' payroll. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

The Group's contributions to the above plans for the six-month period ended 30 June 2026 were RMB6,614 million (six-month period ended 30 June 2025: RMB6,553 million).

The amount payable for contributions to the above defined contribution retirement plans as at 30 June 2026 was RMB1,162 million (31 December 2025: RMB1,002 million).

25. EVENTS AFTER THE REPORTING PERIOD

The Board of Directors has been authorised by 2025 Annual General Meeting to decide on the interim profit distribution plan. Pursuant to a resolution passed at the Board of Directors' meeting on 20 August 2026, the Board of Directors has resolved to declare an interim dividend of RMB0.1606 per share (pre-tax), totalling approximately RMB14,696 million, for the six-month period ended 30 June 2026. The dividend has not been provided for in the condensed consolidated financial information for the six-month period ended 30 June 2026.

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