

REPORT OF THE DIRECTORS

The board of directors (the “Board”) of China Communications Services Corporation Limited (the “Company”) is pleased to present the Report of the Directors of the Company, together with the audited financial statements of the Company and its subsidiaries (the “Group”) prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2025.

PRINCIPAL BUSINESSES

The Group is a leading service provider in the informatization sector in the PRC, positioned as “New Generation Integrated Smart Service Provider”, which provides integrated comprehensive smart solutions in the field of digital intelligence. We offer telecommunications infrastructure services, including design, construction, supervision and management; business process outsourcing services, including management of infrastructure for information technology (“Network Maintenance”), general facilities management (“Property Management”), supply chain, products distribution; and applications, content and other services, including system integration, software development and system support, and value-added services. The major customers of the Group include domestic telecommunications operator customers, domestic non-telecom operator customers such as government agencies, industrial customers and small and medium enterprises, and overseas customers.

RESULTS

Results of the Group for the year ended 31 December 2025 and the financial position of the Group as at that date are set out in the audited financial statements on page 183 to page 262 in this annual report.

BUSINESS REVIEW

A fair review of the business, business outlook and the key financial performance indicators of the Group are provided in the “Chairman’s Statement”, “Business Overview” and “Management Discussion and Analysis of Financial Conditions and Results of Operations” of this annual report. Description of the principal risks and uncertainties faced by the Group is disclosed in this section. Particulars of important events affecting the Group that have occurred since the end of the financial year of 2025, if applicable, can also be found in the aforesaid sections.

In addition, more details regarding the Group’s performance in relation to environmental and social-related policies, an account of the Group’s relationships with its key stakeholders, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the “Environmental, Social and Governance Report” of this annual report.

The above discussion forms part of this “Report of the Directors”.

REPORT OF THE DIRECTORS

DIVIDEND POLICY

The Company attaches great importance to the returns of shareholders. Taking into the consideration of the long — term interest and sustainable development of the Company, and with the support of the Group's profitability, the Company strives to maintain the continuity and stability of the dividend policy. The factors to be considered by the Company when formulating the dividend distribution plan are as follows:

1. current and expected operating results and cash flow performance;
2. future business development strategies and operating position, as well as future capital needs;
3. daily working capital needs;
4. expectations of shareholders and investors; and
5. other factors that the Board deems appropriate.

The Board is responsible for formulating the dividend distribution plan and will execute the relevant approval procedures in accordance with relevant laws, rules, regulations and articles of association of the Company before proceeding with the distribution.

DIVIDENDS

The Board proposes a final dividend of RMB0.2241 per share (pre-tax) for the year ended 31 December 2025. The dividend proposal will be submitted for consideration at the annual general meeting to be held on 28 May 2026 (the "AGM").

Dividends will be denominated and declared in Renminbi. Dividends will be paid in Renminbi for domestic share shareholders and H share shareholders (including enterprises and individuals) who invest in the H shares of the Company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") through the Shanghai Stock Exchange or Shenzhen Stock Exchange (the "Southbound Trading") (the "Southbound Shareholders"), and dividends for H share shareholders other than the Southbound Shareholders will be paid in Hong Kong dollars. The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends by the AGM. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for Southbound Shareholders are the same as those for the Company's H share shareholders. The proposed dividends are expected to be paid on or about Thursday, 23 July 2026 upon approval at the AGM.

Further details in respect of the dividends and distribution by the Company are set out in note 15 of the audited financial statements on page 222 of this annual report.

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For the overseas resident individual shareholders of the Company, pursuant to relevant laws and regulations including the Law of the People's Republic of China on Individual Income Tax, the Regulations for the Implementation of the Law of the People's Republic of China on Individual Income Tax, and the letter dated 28 June 2011 from the State Administration of Taxation to the Inland Revenue Department of Hong Kong, for individual H share shareholders receiving dividends who are Hong Kong or Macau residents or 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, as a withholding agent, is required to withhold and pay individual income tax at the rate of 10%. For individual H share shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a tax rate of 10%. The Company can process applications on behalf of those shareholders to seek entitlement of the relevant agreed preferential treatments pursuant to relevant regulations, and upon approval by the tax authorities, the extra amount of tax withheld will be refunded. For individual H share shareholders receiving dividends whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the agreed-upon effective tax rate when distributing dividends and no application procedures will be necessary. For individual H share shareholders receiving dividends whose country of domicile is a country which has not entered into any tax treaty with the PRC or are under other situations, the Company will withhold the individual income tax at a tax rate of 20% when distributing dividends.

For the overseas non-resident enterprise shareholders of the Company (including HKSCC Nominees Limited, corporate nominees or trustees, or other organizations or entities that are considered non-resident enterprise shareholders), pursuant to the Law of the People's Republic of China on Enterprise Income Tax, the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax and relevant rules and regulations, as a withholding agent, the Company is required to withhold and pay the enterprise income tax at the tax rate of 10% on behalf of the overseas non-resident enterprise shareholders.

For the Southbound Shareholders of the Company, 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 Southbound Shareholders, will receive all dividends distributed by the Company and will distribute the dividends to the Southbound Shareholders through its depository and clearing system. According to the relevant provisions under the "Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)" and "Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127)", the Company shall withhold 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. In respect of the dividends for the investment of Mainland securities investment funds investing in the H shares of the Company listed on Stock Exchange through the Southbound Trading, the tax levied on dividends derived from such investment shall be ascertained by reference to the rules applicable to the treatment of individual income tax. The Company is not required to withhold income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading, and such enterprises shall report the income and make tax payment by themselves.

Should the H share shareholders of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Chinese Mainland, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

REPORT OF THE DIRECTORS

DIRECTORS OF THE COMPANY

The following table sets out information concerning the directors of the Company as at the date of this report:

Name	Position in the Company	Date of the first appointment
Luan Xiaowei	Executive Director	30 January 2024
	Chairman	30 January 2024
Cui Zhanwei	Executive Director	10 December 2024
	President	16 October 2024
Shen Aqiang	Executive Director	20 June 2024
	Chief Financial Officer	31 May 2024
	Executive Vice President	31 May 2024
Cheng Jianjun	Non-executive Director	29 May 2025
Tang Yongbo	Non-executive Director	16 June 2023
Liu Aihua	Non-executive Director	30 January 2024
Chen Li	Non-executive Director	29 May 2025
Lv Tingjie	Independent Non-executive Director	26 June 2015
Wang Qi	Independent Non-executive Director	17 June 2022
Wang Chungue	Independent Non-executive Director	17 June 2022
Chiu Mun Wai	Independent Non-executive Director	29 May 2025

On 29 May 2025, the sixth session of the Board, except Mr. Siu Wai Keung, Francis who retired as Independent Non-executive Director of the Company, were re-elected as directors of the seventh session of the Board at the annual general meeting of the Company held on that date. In addition, Mr. Cheng Jianjun and Mr. Chen Li were newly appointed as Non-executive Directors and Ms. Chiu Mun Wai was newly appointed as Independent Non-executive Director of the Company.

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers that all of the Independent Non-executive Directors are independent.

SHARE CAPITAL

The Company was incorporated on 30 August 2006. In December 2006, by way of an initial public offering (the "IPO"), the Company issued 1,484,986,000 H shares with a nominal value of RMB1.00 each at a price of HK\$2.20 per share. At the same time, the promoters of the Company transferred 148,498,600 domestic state-owned shares with a nominal value of RMB1.00 each to the National Council for Social Security Fund of the PRC (the "NSSF") and converted them into H shares on the basis of one domestic share to one H share. Immediately after the IPO, the registered capital of the Company amounted to RMB5,444,986,000, of which 1,633,484,600 H shares of the Company were listed and traded on the Stock Exchange.

On 9 April 2008, the Company announced the completion of placing a total of 359,365,600 H shares, including an issue of 326,696,000 new H shares and a placement of 32,669,600 H shares on behalf of NSSF upon conversion of the same number of existing domestic shares of the Company allocated to NSSF by China Telecommunications Corporation ("China Telecom"). After the completion of placing, the total issued shares of the Company increased to 5,771,682,000 shares, of which 1,992,850,200 shares were H shares.

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As disclosed in the prospectus of the Company dated 27 November 2006, China Telecom entered into equity transfer arrangements with China Mobile Communications Corporation (now known as China Mobile Communications Group Co., Ltd. (“China Mobile”)) and China United Telecommunications Corporation (now known as China United Network Communications Group Company Limited (“China Unicom”)), respectively. Pursuant to the arrangements, China Telecom agreed to transfer 506,880,000 and 236,300,000 domestic shares to China Mobile and China Unicom, respectively. On 24 March 2009, the equity transfers were formally completed and became effective. On the same date, Guangdong Telecom Industry Group Corporation and Zhejiang Telecom Industry Corporation completed the transfers of 236,313,086 and 87,664,532 domestic shares, respectively, to China Telecom.

According to the equity transfer agreement between China Telecom and China National Postal and Telecommunications Appliances Corporation (now known as China National Postal and Telecommunications Appliances Co., Ltd.) on 28 May 2010, China Telecom agreed to transfer 108,899,720 domestic shares of the Company to China National Postal and Telecommunications Appliances Corporation. On 21 June 2011, the equity transfer was formally completed.

Pursuant to the resolutions passed at the extraordinary general meeting, H shareholders class meeting and the domestic shareholders class meeting of the Company held on 28 June 2011 and as approved by domestic and overseas regulatory authorities, the Company announced the launch of H share and domestic share rights issue plan of an aggregate of 1,154,336,400 new shares, including 398,570,040 H rights shares and 755,766,360 domestic rights shares on the basis of 2 rights shares for every 10 existing shares on 30 December 2011 at the price of HK\$3.19 per H rights share and RMB2.59 per domestic rights share, respectively. On 10 February 2012, dealings in the H rights shares commenced on the Stock Exchange. After completion of the rights issue, the total number of issued shares of the Company was increased to 6,926,018,400 shares, including 2,391,420,240 H shares and 4,534,598,160 domestic shares.

According to the share transfer agreement between China Telecom and State Grid Information & Telecommunication Group Co., Ltd. on 25 June 2021, China Telecom agreed to transfer 166,000,000 domestic shares of the Company (representing 2.40% of the total issued share capital of the Company) to State Grid Information & Telecommunication Group Co., Ltd. In November 2021, the share transfer had formally completed, and the Company made the relevant announcement on 26 November 2021. Upon the completion of the share transfer, the percentage of shareholding of China Telecom in the total issued share capital of the Company was adjusted from 51.39% to 48.99%.

As at 31 December 2025, the share capital of the Company was RMB6,926,018,400 divided into 6,926,018,400 shares with a nominal value of RMB1.00 each. The share capital of the Company was comprised of the following:

Shares	Number of shares	Percentage of issued share capital (%)
Domestic shares (Total)	4,534,598,160	65.47
Domestic shares held by:		
China Telecommunications Corporation	3,393,362,496	48.99
China Mobile Communications Group Co., Ltd.	608,256,000	8.78
China United Network Communications Group Company Limited	236,300,000	3.41
State Grid Information & Telecommunication Group Co., Ltd.	166,000,000	2.40
China National Postal and Telecommunications Appliances Co., Ltd.	130,679,664	1.89
H shares (Total)	2,391,420,240	34.53
Total	6,926,018,400	100.00

REPORT OF THE DIRECTORS

MATERIAL INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2025, the interests or short positions of persons who at any of the Company's general meetings (excluding the directors of the Company) are entitled to exercise or control the exercise of 5% or more of the voting power in the shares and underlying shares of equity derivatives of the Company in each class as recorded in the register required to be maintained under Part XV of Section 336 of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") were as follows:

Name of shareholder	Shares Description	Capacity	Number of shares held	Percentage of Domestic shares/H shares (if applicable) (%)	Percentage of the total number of shares in issue (%)
China Telecommunications Corporation	Domestic shares	Beneficial owner	3,393,362,496 (L)	74.83	48.99
China Mobile Communications Group Co., Ltd.	Domestic shares	Beneficial owner	608,256,000 (L)	13.41	8.78
China United Network Communications Group Company Limited	Domestic shares	Beneficial owner	236,300,000 (L)	5.21	3.41
Kopernik Global Investors LLC	H shares	Investment manager	120,539,000 (L)	5.04	1.74

Note: (L) – Long Position

Save as stated above, as at 31 December 2025, in the register required to be maintained under Part XV of Section 336 of the SFO, no other persons were recorded as holding any interests or short positions in the shares or underlying shares of the equity derivatives of the Company.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers. As at 31 December 2025, the Company had not granted its directors or their respective spouses or children below the age of 18 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 shares or debentures.

PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained the prescribed public float under the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the directors has entered into a service contract with the Company. According to the service contract, unless otherwise specified, each of the contracts has an initial term of three years and is renewable in accordance with the Articles of Association of the Company when the initial term expires. These contracts are terminable at the option of either party by giving three months' notice in writing or according to the terms of the contract prior to the expiry of the contract. No such service contract is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate directors and officers liability insurance coverage for the directors and senior management of the Company during the course of the financial year ended 31 December 2025 and such insurance remained in force as of the date of this report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the transactions, arrangements or contracts set out in the "Management Discussion and Analysis of Financial Conditions and Results of Operations" section and "Directors' Service Contracts", "Major Customers and Suppliers", "Preferential Treatment and Non-competition Arrangement with China Tower Corporation Limited" and "Continuing Connected Transactions" in the "Report of the Directors" section of this annual report and note 45 to the Consolidated Financial Statements, no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a person who was a Director of the Company or his or her connected entity had, directly or indirectly, a material interest subsisted at any time during the year ended 31 December 2025.

EMOLUMENTS OF THE DIRECTORS

Based on the Company's overall remuneration policy and with reference to the payroll standard of the same industry companies in the market, the Board and the Remuneration Committee determine the remuneration of directors after taking into account the scope and complexities of their duties. Please refer to note 13 to the audited financial statements for details of the emoluments of the directors of the Company in 2025.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company ((including sales of treasury shares (as defined under the Listing Rules)) during the reporting period.

As at 31 December 2025, the Company did not have any treasury shares.

SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 263 to 264 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2025.

BANK LOANS AND OTHER BORROWINGS

Please refer to note 34 to the audited financial statements for details of bank loans and other borrowings of the Group as at 31 December 2025.

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PROPERTY, PLANT AND EQUIPMENT

Please refer to note 16 to the audited financial statements for movements in the fixed assets of the Group for the year ended 31 December 2025.

DISTRIBUTABLE RESERVES

Please refer to note 48 to the audited financial statements for details of the movements in the reserves of the Company for the year ended 31 December 2025.

DONATIONS

For the year ended 31 December 2025, the Group made charitable and other donations of a total amount of RMB3.46 million.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Please refer to note 47 and note 22 to the audited financial statements for details of the Company's subsidiaries, the Company's associated companies and joint ventures as at 31 December 2025.

CHANGES IN EQUITY

Please refer to the consolidated statement of changes in equity contained in the audited financial statements (page 187 of this annual report).

PLAN OF EMPLOYEES' RETIREMENT BENEFITS

Please refer to note 41 to the audited financial statements for details of the retirement benefits provided by the Group.

SHARE APPRECIATION RIGHTS INCENTIVE SCHEME

At the extraordinary general meeting held by the Company on 22 December 2021, the adoption of the Share Appreciation Rights Incentive Scheme (the "Scheme") was approved by the shareholders of the Company. At the same day, the Board and the Remuneration Committee also considered and approved the resolution on the implementation of the Initial Grant of the Share Appreciation Rights. The total number of the Share Appreciation Rights granted under the Initial Grant is approximately 207.27 million shares, representing 2.993% of the total issued share capital of the Company. The exercise price of each of the Share Appreciation Rights granted under the Scheme was HK\$3.68. For details of the Initial Grant, please refer to the Company's announcement dated 22 December 2021 in relation to the "Initial Grant of the Share Appreciation Rights".

Since the effective conditions for the Initial Grant of the Share Appreciation Rights were not fulfilled during the relevant periods, as of 31 December 2025, the aforementioned Initial Grant of the Share Appreciation Rights has lapsed.

The Scheme would not involve the grant of share options in respect of new shares or other new securities to be issued by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to the requirements under Chapter 17 of the Listing Rules.

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the reporting period, the revenue from sales of goods or rendering of services to the five largest customers (including China Telecom, China Mobile, China Unicom and China Tower) of the Group represented 53.4% of the revenues of the Group; of which, the revenue from the largest customer of the Group represented 37.8% of the revenues of the Group. The purchases from the five largest suppliers of the Group accounted for less than 10.2% of the total annual purchases of the Group.

To the knowledge of the Board, other than China Telecom and China Mobile (both of them being the shareholders holding more than 5% of the issued share capital of the Company), Mr. Luan Xiaowei, Mr. Cheng Jianjun, Mr. Tang Yongbo and Mr. Chen Li (positions of them setting out in the “Profiles of Directors and Senior Management” section of this annual report), none of the directors of the Company, their close associates, or any shareholder (holding more than 5% of the issued share capital of the Company) has any interests in such suppliers or customers.

PREFERENTIAL TREATMENT AND NON-COMPETITION ARRANGEMENT WITH CHINA TOWER CORPORATION LIMITED (“CHINA TOWER”)

In July 2014, China Telecom Corporation Limited, a subsidiary of China Telecom, jointly established China Tower with China Mobile and China Unicom. Pursuant to the relevant arrangements for the establishment of China Tower, China Tower has indicated to the Company that:

1. on condition that it will not result in a breach by China Telecom and the Company of the Non-Competition Agreement signed between them, when China Tower invites public tender for the design, construction, supervision and maintenance of its telecommunications towers and related ancillary facilities, China Tower will select the Company on a preferential basis, provided that the terms are the same;
2. in the event of an injection of telecommunications assets into China Tower (acquisition by China Tower), the existing maintenance agreements entered into between the Company and the respective promoters of China Tower will remain valid. Upon the expiration of such maintenance agreements and when China Tower invites tender for the maintenance services, China Tower will consider the Company on a preferential basis, provided that the terms are the same; and
3. China Tower will not compete in contravention of the contents of the Non-Competition Agreement.

CONTINUING CONNECTED TRANSACTIONS

China Telecom is the controlling shareholder of the Company. Pursuant to Chapter 14A of the Listing Rules, the transactions between the Group and China Telecom and its subsidiaries (excluding the Group and including China Telecom Corporation Limited, collectively the “China Telecom Group”) constitute connected transactions of the Group. The Group has entered into several connected transaction agreements with certain connected persons of the Group as described in the paragraphs below. The Company has complied with the disclosure requirements of the connected transactions under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS**CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA TELECOM**

The Company and China Telecom entered into seven continuing connected transactions agreements on 29 September 2015 to govern the continuing connected transactions between the Group and China Telecom Group. These agreements include the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Operation Support Services Framework Agreement, the IT Application Services Framework Agreement, the Centralized Services Agreement, the Property Leasing Framework Agreement and the Supplies Procurement Services Framework Agreement (the “Initial Agreements”). The Initial Agreements had an initial term expired on 31 December 2018 and, subject to approval from the shareholders (if applicable), the Initial Agreements would be automatically renewed for a further period of no more than three years. Subsequently, the Company entered into the 2018 Supplemental Agreement with China Telecom on 28 September 2018, to extend the term of the Initial Agreements to 31 December 2021, and on 22 October 2021, it entered into the 2021 Supplemental Agreement with China Telecom to extend the term of the Initial Agreements to 31 December 2024. All the above renewals of continuing connected transactions have been approved by the independent shareholders of the Company (if applicable) at the extraordinary general meeting, where applicable.

On 16 October 2024, the Company entered into the 2024 Supplemental Agreements (the “2024 Supplemental Agreements”) with China Telecom to extend the term of the Initial Agreement for a term of three years from 1 January 2025 to 31 December 2027. The 2024 Supplemental Agreements and the new annual caps (excluding the new annual caps for the Centralized Services Agreement and Property Leasing Framework Agreement that did not require any independent shareholders’ approval under the Listing Rules) were approved by the independent shareholders of the Company at the extraordinary general meeting held on 10 December 2024.

The Board considers that it is in the interest of the Company to enter into the 2024 Supplemental Agreements and cooperate with China Telecom Group to ensure a stable revenue source from one of the largest telecommunications operators in the PRC so as to benefit the Company’s future growth and development.

Details of each of such Agreements are set out below.

ENGINEERING FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Engineering Framework Agreement, the Company agreed to provide certain engineering related services, including design, construction, project supervision and management for telecommunications infrastructure projects undertaken by China Telecom Group.

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The charges for engineering services rendered under the Engineering Framework Agreement shall be determined at market price or prices obtained through tender process. According to the supplemental agreement to the Engineering Framework Agreement entered into between the Company and China Telecom, the thresholds which the project must be determined through tender process under the Engineering Framework Agreement include: whenever the value of any design or project supervision and management project exceeds RMB1 million, or the value of any construction project exceeds RMB4 million, the award of the relevant project must be subject to a tender process (with a minimum of three parties tendering bids) in accordance with the Bidding Law of the PRC and Regulation on the Implementation of the Bidding Law of the PRC, except as otherwise provided by other related laws and regulations. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group by other service providers in the market, which are primarily obtained from public bidding websites and bidding result announcements; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company.

The Company will be given priority by China Telecom Group in the provision of the engineering services except in the tender process, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same type of services, and in return, the Company has undertaken to China Telecom Group that the Company shall not provide services to it on terms which are less favorable than those offered by the Company to independent third parties. The payment for engineering services provided by the Company under the Engineering Framework Agreement is normally made in accordance with the work progress of practical work following the general market practice in the industry.

ANCILLARY TELECOMMUNICATIONS SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Ancillary Telecommunications Services Framework Agreement, the Company agreed to provide to China Telecom Group certain ancillary telecommunications services including maintenance of network facilities including equipment, ducts and cables, server rooms and base stations; distribution of telecommunications products and services; provision of comprehensive logistics services, including purchasing agent, warehousing, transportation, delivery, testing and inspection, logistics information management and distribution; provision of application, content and other services such as fixed-line value added services, wireless value added services, Internet value added services, and electronic authentication.

The Ancillary Telecommunications Services Framework Agreement stipulates that the Ancillary Telecommunications Services shall be provided at:

- (a) market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group by other service providers in the market, which are primarily obtained from public bidding websites and bidding result announcements; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties previously by the Company;

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- (b) in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the relevant taxes in sales and reasonable profits. In determining such cost and profits, the business and financial departments of the relevant subsidiary of the Company will (i) review and compare the costs and profit margins of similar and comparable transactions conducted in the most recent year entered into with China Telecom Group or independent third parties or (ii) where such comparison is not practicable, consider for reference the recent profit margins of comparable enterprises engaging in providing similar services in the relevant industry. Factors considered would also include, but not limited to, the scale of the comparable enterprises, quality of services, transaction size, supply and demand, labor cost, local commodity prices and economic development levels.

The Company will be given priority by China Telecom Group in the provision of the ancillary telecommunications services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services. In return, the Company has undertaken to China Telecom Group that the Company and its subsidiaries shall not provide ancillary telecommunications services to it on terms which are less favorable than those offered by the Company to independent third parties. Subject to the terms and conditions set out above, the payment for the ancillary telecommunications services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

OPERATION SUPPORT SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The Operation Support Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of operation support services. Pursuant to this agreement, the Company agreed to provide to China Telecom Group operation support services, including management services covering property management, facility maintenance and intelligent control maintenance of communication buildings, instrument and tool management, labor management, and logistics business management, real estate agency services, automotive services, purchasing agent services, advertisement, housing and building maintenance, contracted repairs, leasing of equipment, conferencing services, food and beverages, medical care, education and training. China Telecom Group also agreed to provide operation support services, including logistics services, medical care, food and beverages, daycare, education and training, hotel and travelling services, labor services and materials rental to the Company.

The Operation Support Services Framework Agreement shall adopt the same pricing policy as the Ancillary Telecommunications Services Framework Agreement. In addition, in determining the market price of the operation support services provided to the Company by China Telecom Group, the Company primarily considered the following factors: (i) prices of at least two comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least two comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the operation support services is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

Each of the parties to the Operation Support Services Framework Agreement will accord priority to the other party in the provision of the operation support services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favorable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favorable than those offered to independent third parties.

IT APPLICATION SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The IT Application Services Framework Agreement governs the arrangements between the Group and China Telecom Group with respect to mutual provision of IT application services. Pursuant to this agreement, the Company agreed to provide China Telecom Group with telecommunications network support services, software and hardware development and other related IT services. China Telecom Group also agreed to provide to the Company certain IT application services including voice and data, value added services and information application services.

The IT Application Services Framework Agreement shall adopt the same pricing policy as the Engineering Framework Agreement. In addition, in determining the market price of the IT application services provided to the Company by China Telecom Group, the Company primarily considers the following factors: (i) prices of at least three comparable transactions of the same or similar type of services provided to the Company by other service providers in the market; (ii) prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties previously. Subject to the terms and conditions set out above, the payment for the IT application service is made in the manner provided for in each specific contract entered into between the parties with reference to the market practices.

Each of the parties to the IT Application Services Framework Agreement will accord priority to the other party in the provision of the IT application services, provided that the terms and conditions offered by independent third parties to the relevant party are no more favorable than those offered by the other party for the same services, and in return, each of the parties has undertaken to the other that it shall not provide services to the other on terms which are less favorable than those offered to independent third parties.

CENTRALIZED SERVICES AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Centralized Services Agreement, the centralized services to be provided by the Company to China Telecom Group include:

- (a) the corporate headquarters management function to manage assets of China Telecom's certain retained specialized telecommunications support businesses in the PRC (other than the Group) and any remaining assets, such as hotels, manufacturing plants, schools and hospitals which are not in association with the specialized telecommunications support businesses in the primary service areas of the Group; and
- (b) the provincial headquarters management function to manage remaining assets of China Telecom in the primary service areas of the Group.

Except as otherwise agreed by the parties, the aggregate administrative expenses incurred by the Company for the provision of the centralized services referred to above (all expenses incurred in connection with the above-mentioned headquarters management functions excluding remuneration for the Directors, share appreciation rights and provision of bad debts) will be apportioned pro rata between the Company and China Telecom Group according to the proportional net asset value of each of the relevant parties.

REPORT OF THE DIRECTORS

PROPERTY LEASING FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

The Property Leasing Framework Agreement governs the arrangements with respect to the mutual leasing of properties between the Group and China Telecom Group. China Telecom Group currently lease from the Company and its subsidiaries certain properties for use as business premises, offices, equipment storage facilities and sites for network equipment. The Company and its subsidiaries also lease from China Telecom Group certain properties for use as business premises, offices and equipment storage facilities. These arrangements fall within the Property Leasing Framework Agreement.

The rental charges in respect of each property are determined at market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (1) cost of property depreciation; (2) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and the Company by independent third parties in the market; (3) rental charges of at least three comparable transactions of the same or similar type of property provided to China Telecom Group and independent third parties by the Company previously, or rental charges of the same or similar type of property provided to the Company by China Telecom Group and independent third parties previously. Rental charges are payable monthly in arrears, except as otherwise agreed by the parties. Both parties will review the rental every three years and decide, after negotiation, on whether to adjust the rental charges and the amount of such adjustment.

SUPPLIES PROCUREMENT SERVICES FRAMEWORK AGREEMENT AND SUPPLEMENTAL AGREEMENT

Pursuant to the Supplies Procurement Services Framework Agreement, the Company agreed to provide to China Telecom Group with comprehensive supplies procurement services, including, among others, (i) procurement of imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies; (ii) agency services of supplies procurement; (iii) sales of telecommunications supplies manufactured by the Group; (iv) resale of supplies purchased from independent third parties; and (v) management of biddings, verification of technical specifications, warehousing, transportation and installation services.

According to the same agreement, China Telecom agreed to provide to the Group with comprehensive supplies procurement services, including (i) sales of telecommunications supplies manufactured by China Telecom Group, (ii) resale of supplies purchased from independent third parties; (iii) agency services of supplies procurement; and (iv) warehousing, transportation and installation services. The procurement services provided by China Telecom Group to the Company primarily cover the specific products or terminals manufactured or purchased by China Telecom Group.

The price for the provision of comprehensive supplies procurement services under the Supplies Procurement Services Framework Agreement is determined as follows:

- (a) 1% of the contract value at the maximum for procurement services relating to imported telecommunications supplies, which is determined based on the common market practices;
- (b) 3% of the contract value at the maximum for procurement services relating to domestic telecommunications supplies and other domestic non-telecommunications materials, which is determined based on the common market practices;

- (c) for other services:
- (i) market price. In determining the market price, the business and financial departments of the relevant subsidiary of the Company shall collect the relevant market information (including but not limited to the change in price for the same or similar type of services), review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, and prepare fee quotes for review by the marketing department of the relevant subsidiary of the Company. The marketing department or management of the relevant subsidiary of the Company shall primarily consider the following factors: (i) cost of service; (ii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group or the Company by other service providers in the market, which are primarily obtained from public bidding websites and bidding result announcements; (iii) prices of at least three comparable transactions of the same or similar type of services provided to China Telecom Group and independent third parties by the Company, or prices of at least three comparable transactions of the same or similar type of services provided to the Company by China Telecom Group and independent third parties;
 - (ii) in the absence of market price or where the market price cannot be determined, the price shall be agreed between both parties, which shall be the aggregate amount of reasonable costs, the taxes in sales and reasonable profits. In determining such price, the business and financial departments of the relevant subsidiary of the Company will review and compare the costs and profits of transactions conducted in the most recent year of the same or similar type entered into with China Telecom Group or independent third parties, take into account factors such as historical price, transaction size, average profit ratio within the relevant industry, supply and demand, labor cost, local commodity prices and economic development levels, and prepare fee proposals for review by the marketing department of the relevant subsidiary of the Company.

The Group will be given priority by China Telecom Group in the provision of comprehensive logistics services, provided that the terms and conditions offered by independent third parties to China Telecom Group are no more favorable than those offered by the Company for the same services, and in return, the Company has undertaken to China Telecom that the Company and its subsidiaries shall not provide supplies procurement related comprehensive logistic services to it on terms which are less favorable than those offered by the Company and its subsidiaries to independent third parties.

CONTINUING CONNECTED TRANSACTIONS BETWEEN THE COMPANY AND CHINA TELECOM GROUP FINANCE CO., LTD. (“CHINA TELECOM FINANCE”)

On 1 February 2019, the Company and China Telecom Finance entered into the Financial Services Framework Agreement (“2019 Financial Services Framework Agreement”). The 2019 Financial Services Framework Agreement was with effect from 1 February 2019 until 31 December 2021. Subject to the compliance with relevant laws and regulations and relevant regulatory requirements, both parties shall negotiate and agree on the renewal arrangement. Upon the 2019 Financial Services Framework Agreement becoming effective, each of the services under the Financial Services Framework Agreement, except the deposit services, can be provided by China Telecom Finance to the Group immediately in accordance with the business scope of China Telecom Finance as approved by the National Financial Regulatory Administration (the former China Banking and Insurance Regulatory Committee). The deposit services under the 2019 Financial Services Framework Agreement and the annual cap were approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 April 2019.

REPORT OF THE DIRECTORS

China Telecom Finance was jointly established by China Telecom, China Telecom Corporation Limited (“China Telecom Corporation”) and the Company, representing 15%, 70% and 15% of the total registered capital of China Telecom Finance, respectively. Given China Telecom is the controlling shareholder of the Company, China Telecom Corporation is a subsidiary of China Telecom, and thus China Telecom Finance is a connected person of the Company under Chapter 14A of the Listing Rules as an associate of the Company’s substantial shareholder. Accordingly, the transaction under the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company.

The 2019 Financial Services Framework Agreement had expired on 31 December 2021, and the Company entered into the 2021 Financial Services Framework Agreement (“2021 Financial Services Framework Agreement”) with China Telecom Finance on 22 October 2021 to extend the term of 2019 Financial Services Framework Agreement for three years from 1 January 2022 to 31 December 2024. The deposit services under the 2021 Financial Services Framework Agreement and the annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2021.

As the 2021 Financial Services Framework Agreement had expired on 31 December 2024, the Company entered into the 2024 Financial Services Framework Agreement (“2024 Financial Services Framework Agreement”) with China Telecom Finance on 12 July 2024 to extend the term of 2021 Financial Services Framework Agreement for three years from 1 January 2025 to 31 December 2027. The deposit services under the 2024 Financial Services Framework Agreement and the annual caps were approved by the independent shareholders of the Company at the extraordinary general meeting held on 10 December 2024.

Details of the Financial Services Framework Agreements are set out below.

FINANCIAL SERVICES FRAMEWORK AGREEMENT

Pursuant to the 2024 Financial Services Framework Agreement, China Telecom Finance has agreed to provide financial services to the Group, including deposit services, loan and bill discounting services and other financial services. The Group and China Telecom Finance will cooperate on a non-exclusive basis, and the Group may select at its discretion other financial institutions to provide the relevant financial services. The terms of the financial services offered to the Group by China Telecom Finance shall be equivalent to or more favorable than those offered to the Group by the major cooperative commercial banks of the Group for the financial services in the same period and of the same type. China Telecom Finance shall provide the following financial services to the Group in accordance with the major terms set out above, with relevant pricing policies as below:

(i) Deposit Services

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

(ii) Loan and Bill Discounting Services

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

China Telecom Finance offers loan and bill discounting services conducted on normal commercial terms or better to the Group. The Group will not be required by China Telecom Finance to provide guarantee by any of the Group's assets or through other means for the loan and bill discounting services provided to the Group.

(iii) Other Financial Services

China Telecom Finance will provide other financial services, including settlement, collection and payment of funds, provision of entrusted loans, bonds underwriting, non-financing guarantees, financial advice, credit authentication, consulting and agency services, bill acceptance, provision of product buyer credit and consumer credit and other services approved by the NFRA under the 2024 Financial Services Framework Agreement.

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

For each of the specific transactions with China Telecom Finance under the 2024 Financial Services Framework Agreement, China Telecom Finance has been appointed as one of the financial institutions to provide financial services to the Group under the terms and conditions of the 2024 Financial Services Framework Agreement. Prior to entering into any specific agreements with China Telecom Finance in respect of the transactions under the 2024 Financial Services Framework Agreement, the Group will compare the rates or fees and the other relevant transaction terms offered by China Telecom Finance with the terms of three comparable transactions offered by the major cooperative commercial banks of the Group for the deposits, loans or other financial services in the same period and of the same type. Only when the rates or fees or the other relevant transaction terms (e.g. transaction approval conditions, procedures or time limit) offered by China Telecom Finance are equivalent to or more favorable than those offered by the major cooperative commercial banks of the Group, the Group may enter into transactions with China Telecom Finance at its discretion. Under the circumstances which the Group considers appropriate, the Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

REPORT OF THE DIRECTORS

The following table sets out the annual caps and actual amounts of the above-mentioned continuing connected transactions of the Group for the year ended 31 December 2025, and the annual caps for the year of 2026 to 2027:

Unit: RMB million

	Year ended 31 December 2025		Year ending 31 December	
	Annual Cap	Actual Amounts	2026 Annual Cap	2027 Annual Cap
Transactions with China Telecom Group				
Engineering related services provided to China Telecom Group	30,000	21,000	32,000	34,000
Ancillary telecommunications services provided to China Telecom Group	29,000	19,722	30,000	31,000
Operation support services provided to/by China Telecom Group				
Revenue	6,500	4,955	7,000	7,500
Expenditure	1,200	605	1,200	1,200
IT application services provided to/by China Telecom Group				
Revenue	13,000	7,946	15,500	18,000
Expenditure	1,800	1,724	2,000	2,200
Centralized services provided to China Telecom Group	550	395	550	550
Property leasing provided to/by China Telecom Group				
Revenue	300	173	310	320
Expenditure				
Right-of-use Assets	300	260	300	300
Leasing Charges	250	129	250	250
Supplies procurement services provided to/by China Telecom Group				
Revenue	6,000	2,871	7,000	8,000
Expenditure	7,000	4,039	8,000	9,000
Transactions with China Telecom Finance				
Maximum daily balance of deposits under the deposit services provided by China Telecom Finance (including the interest accrued thereon)	12,500	12,451	12,500	12,500

REPORT OF THE DIRECTORS

The independent non-executive directors of the Company have confirmed that all the continuing connected transactions for the year ended 31 December 2025 to which the Group was a party:

1. had been entered into by the Group in the ordinary and usual course of business;
2. had been entered into on normal commercial terms or better; and
3. had been entered into according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive directors have further confirmed that:

The values of the continuing connected transactions entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps or revised annual caps.

The auditors of the Company have performed procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the continuing connected transactions and issued a letter to the Board to advise that:

1. nothing has come to their attention that causes them to believe that the continuing connected transactions disclosed above have not been approved by the Board;
2. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;
4. with respect to the actual amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that those actual amounts have exceeded the annual caps.

Save as disclosed above, none of other related-party transactions set out in the note 45 of the consolidated financial statements constitute connected transactions or continuing connected transactions that are required to be disclosed under the Listing Rules.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the "Corporate Governance Report" set out in this annual report for details of our compliance with the Corporate Governance Code.

MATERIAL LEGAL PROCEEDINGS

Except for the disclosure in this annual report, as at 31 December 2025, so far as the directors are aware, the Company was not involved in any material litigation or arbitration and no material litigation or claims had been made against, or were pending or threatened against the Company.

REPORT OF THE DIRECTORS

RISK FACTORS

The following section lists out the principal risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

1. The business of the Group may be affected by the economic, political and social conditions as well as government policies in China

As substantially all businesses, assets and operations of the Group are located in China, the Group's operating results, financial status and business prospect depend on the economic, political and social developments of China to a large extent.

In recent years, China is one of the countries with the fastest pace of economic growth around the globe in terms of GDP. However, the current growth rate may not be sustainable. Moreover, any future disaster, such as natural disaster and outbreak of epidemics would potentially slow down the level of economic activities, and in turn affect the economic growth of China, Asia and even the world. If any of the above mentioned reasons causes serious economic downturn in China, or causes the Group could not carry out and deliver its businesses normally, the Group's financial status, operating results and prospect may be adversely affected.

2. The business of the Group is closely related to the investment and operating conditions in the Chinese telecommunications sector

Demands in the Group's services will be affected by the level of capital expenditures of telecommunications infrastructure of the telecommunications operators in China. Such decreases in capital expenditures may have adverse effect to the Group's revenue and profits.

Moreover, in the event that the competition in the Chinese telecommunications sector continues to intensify, the telecommunications operator customers of the Group may be under the pressure to reduce prices of their products or services, thus leading to the decrease in their revenue. If that happens, such telecommunications customers may reduce the service fees to our Company in relation to certain businesses for cost cutting, with a view to maintaining their profitability.

3. The business of the Group is working capital intensive in respect of services offered to customers

During our course of business, the Group shall incur considerable working capital expenditures to make procurements for goods and services required for the provision of services to the clients of the Group and for the completion of projects. In the past, the Company has satisfied the working capital needs primarily by cash from operating activities and its own fund. A deficiency in working capital may affect the Group's business, financial status and operating results. Moreover, the Group's customers may delay payment or default in accounts receivables, which may have adverse effect on the cash flows, working capital, financial status and operating results of the Company.

4. The Group is under certain risks in relation to international business and operation

The Group is dedicated in expanding into overseas market and strategically expanding overseas operations. The expansion into markets outside China will subject us to considerable risks, including the changes of the international political situation, differences in business environment, high entry barrier imposed on foreign enterprises, existing market players, exchange rate fluctuations, legal and regulatory requirements, potentially unfavorable tax liabilities, inexperience in new markets, competition in the local markets and protectionism.

REPORT OF THE DIRECTORS

Part of our business is conducted overseas and mainly located in developing countries and regions, where the local political and economic conditions are often unstable and such factors are beyond our control. As we have engaged in overseas business, we are subject to various risks related to the countries and regions where we operate.

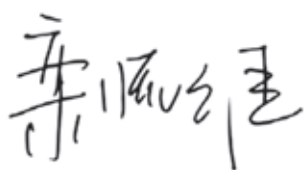
AUDITORS

Reference was made to the announcement dated 27 August 2024 in relation to the proposed appointment of a new auditor and the announcement dated 10 December 2024 in relation to poll results of the extraordinary general meeting and the appointment of auditors, and the appointments of KPMG and KPMG Huazhen LLP as the Company's international auditor and domestic auditor, respectively, for the year of 2024 were approved by the shareholders of the Company at the extraordinary general meeting held on 10 December 2024.

In addition, the shareholders of the Company approved the re-appointments of KPMG and KPMG Huazhen LLP as the Company's international auditor and domestic auditor, respectively, for the year of 2025 at the annual general meeting held on 29 May 2025. KPMG has audited the accompanying financial statements, which were prepared in accordance with IFRS Accounting Standards.

Upon the recommendation of the Audit Committee of the Company, the Board has resolved to propose to the shareholders of the Company the re-appointments of KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Company for the year ending 31 December 2026, and a resolution for their re-appointments will be proposed at the Company's upcoming 2025 AGM.

By order of the Board



Luan Xiaowei

Executive Director and Chairman

Beijing, PRC

31 March 2026