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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Telecom Corporation Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is solely for the purpose of providing shareholders with certain information in connection with an extraordinary general meeting of the Company and is not an offer to sell or a solicitation of an offer to buy any securities.

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**China Telecom Corporation Limited**  
**中国电信股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 728)**

**CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE  
TRANSACTION, PROPOSED ELECTION OF DIRECTOR AND SUPERVISOR,  
PROPOSED CHANGE OF AUDITORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders**



**MAXA CAPITAL LIMITED**

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A letter from the Board is set out on pages 13 to 45 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular. A letter from Maxa Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 73 of this circular.

A notice dated 2 August 2024 convening an Extraordinary General Meeting of the Company to be held at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 21 August 2024 at 10:00 a.m. is set out on pages 135 to 136 of this circular. Whether or not you are able to attend the Extraordinary General Meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event by not later than 24 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

No gifts or refreshments will be provided at the Extraordinary General Meeting.

2 August 2024

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## DEFINITIONS

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

“Annual Caps”	the maximum aggregate annual values
“A Shares”	the ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00, which are subscribed for and paid up in Renminbi and are listed on the Shanghai Stock Exchange
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“CCS”	China Communications Services Corporation Limited (中國通信服務股份有限公司), a subsidiary of China Telecommunications Corporation, the Company’s controlling shareholder and is a joint stock limited company incorporated in the PRC on 30 August 2006 and whose H shares are listed on the Stock Exchange. Its principal business includes the provision of telecommunications infrastructure services, business process outsourcing services and applications and content and other services
“CCS EGM”	the extraordinary general meeting of CCS to be convened, or any adjournment thereof
“CCS Financial Services Framework Agreement”	the financial services framework agreement entered into between Finance Company and CCS on 12 July 2024 with its term from 1 January 2025 to 31 December 2027 in relation to the provision of several financial services to CCS Group
“CCS Group”	CCS and its subsidiaries
“China” or “PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region, and Taiwan)

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## DEFINITIONS

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“China Telecom Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and Finance Company on 12 July 2024 with its term from 1 January 2025 to 31 December 2027 in relation to the provision of several financial services to the Group
“China Telecommunications Corporation” or the “Parent Company”	China Telecommunications Corporation (中國電信集團有限公司), a state-owned enterprise established under the laws of the PRC on 17 May 2000 and the controlling shareholder of the Company. Its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration
“China Telecommunications Corporation Financial Services Framework Agreement”	the financial services framework agreement entered into between Finance Company and the Parent Company on 12 July 2024 with its term from 1 January 2025 to 31 December 2027 in relation to the provision of several financial services to the Parent Group excluding the Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group
“commonly held entity”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Company”	China Telecom Corporation Limited (中國電信股份有限公司), a joint stock limited company incorporated in the PRC with limited liability on 10 September 2002, with its H Shares (stock code: 728) listed on the Stock Exchange and its A Shares (stock code: 601728) listed on the Shanghai Stock Exchange and whose principal business is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses
“connected person”	has the meaning ascribed to it in the Hong Kong Listing Rules
“connected subsidiary”	has the meaning ascribed to it in the Hong Kong Listing Rules

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## DEFINITIONS

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“Continuing Connected Transactions”	(1) Continuing Connected Transactions under Agreements between the Company and China Telecommunications and between the Company and E-Surfing Pay; and  (2) Continuing Connected Transactions under Financial Services Framework Agreements
“Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay”	Transactions contemplated under the New Engineering Framework Agreement, the New Ancillary Telecommunications Services Framework Agreement, the New Interconnection Settlement Agreement, the New Community Services Framework Agreement, the New Centralised Services Agreement, the New Property and Land Use Right Leasing Framework Agreement, the New IT Services Framework Agreement, the New Supplies Procurement Services Framework Agreement, the New Internet Applications Channel Services Framework Agreement, the New Lease Financing Framework Agreement, the New Telecommunications Resources Leasing Agreement, the New Trademark License Agreement, the New Intellectual Property License Framework Agreement and the New Payment and Digital Finance Related Services Framework Agreement
“Continuing Connected Transactions under Financial Services Framework Agreements”	(1) Transactions contemplated under the China Telecommunications Corporation Financial Services Framework Agreement, the CCS Financial Services Framework Agreement, the Guomai Culture Financial Services Framework Agreement and the Safety Technology Financial Services Framework Agreement; and  (2) the deposit services contemplated under the China Telecom Financial Services Framework Agreement
“controlling shareholder”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Directors”	the directors of the Company

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## DEFINITIONS

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“EGM” or “Extraordinary General Meeting”	The first extraordinary general meeting of the Company in 2024 to be convened on 21 August 2024, the notice of which is set out in this circular, or any adjournment thereof
“E-surfing Pay”	E-surfing Pay Co. Ltd (天翼電子商務有限公司), a limited company incorporated on 3 March 2011 in the PRC, which is primarily engaged in internet payment, mobile phone payment, bank card acquiring, technology development and transfer, financial information services, etc.
“Exempt Continuing Connected Transactions”	Transactions contemplated under the following agreements:  the New Interconnection Settlement Agreement, the New Community Services Framework Agreement, the New Centralised Services Agreement, the New Property and Land Use Right Leasing Framework Agreement, the New IT Services Framework Agreement, the New Supplies Procurement Services Framework Agreement, the New Internet Applications Channel Services Framework Agreement, the New Lease Financing Framework Agreement, the New Telecommunications Resources Leasing Agreement, the New Trademark License Agreement, the New Intellectual Property License Framework Agreement, the New Payment and Digital Finance Related Services Framework Agreement, the China Telecommunications Corporation Financial Services Framework Agreement, the CCS Financial Services Framework Agreement, the Guomai Culture Financial Services Framework Agreement and the Safety Technology Financial Services Framework Agreement
“Existing Ancillary Telecommunications Services Framework Agreement”	the Ancillary Telecommunications Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Centralised Services Agreement”	the Centralised Services Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024

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## DEFINITIONS

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“Existing China Telecom Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and China Telecom Finance on 22 October 2021, with expiration on 31 December 2024, in relation to the provision of several financial services to the Group
“Existing Community Services Framework Agreement”	the Community Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Engineering Framework Agreement”	the Engineering Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Intellectual Property License Framework Agreement”	the Intellectual Property License Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Interconnection Settlement Agreement”	the Interconnection Settlement Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Internet Applications Channel Services Framework Agreement”	the Internet Applications Channel Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing IT Services Framework Agreement”	the IT Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Lease Financing Framework Agreement”	the Lease Financing Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024

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## DEFINITIONS

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“Existing Payment and Digital Finance Related Services Framework Agreement”	the Payment and Digital Finance Related Services Framework Agreement entered into between the Company and E-surfing Pay on 22 October 2021 with its term expiring on 31 December 2024
“Existing Property and Land Use Right Leasing Framework Agreement”	the Property and Land Use Right Leasing Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Supplies Procurement Services Framework Agreement”	the Supplies Procurement Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Telecommunications Resources Leasing Agreement”	the Telecommunications Resources Leasing Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Existing Trademark License Agreement”	the Trademark License Agreement entered into between the Company and China Telecommunications Corporation on 22 October 2021 with its term expiring on 31 December 2024
“Finance Company”	China Telecom Group Finance Co., Ltd. (中國電信集團財務有限公司), a non-banking financial institution legally established with the approval of the NFRA, is a limited liability company incorporated in the PRC on 8 January 2019 as approved by the relevant PRC government authorities, including but not limited to the NFRA, for the purpose of providing capital and financial management services to the member units of the Parent Company
“Financial Services Framework Agreements”	China Telecom Financial Services Framework Agreement, China Telecommunications Corporation Financial Services Framework Agreement, CCS Financial Services Framework Agreement, Guomai Culture Financial Services Framework Agreement and Safety Technology Financial Services Framework Agreement



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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Guomai Culture”	New Guomai Digital Culture Co., Ltd (新國脈數字文化股份有限公司), a subsidiary of China Telecommunications Corporation, the Company’s controlling shareholder and is a joint stock limited company incorporated in the PRC on 1 April 1992 and whose A shares are listed on Shanghai Stock Exchange. Its principal business includes digital content, digital intelligence applications, metaverse, physical scenes and digital rights
“Guomai Culture Financial Services Framework Agreement”	the financial services framework agreement entered into between Finance Company and Guomai Culture on 12 July 2024 with its term from 1 January 2025 to 31 December 2027 in relation to the provision of several financial services to Guomai Culture Group
“Guomai Culture Group”	Guomai Culture and its subsidiaries
“H Shares”	the ordinary shares issued by the Company, with a Renminbi-denominated par value of RMB1.00, which are subscribed for and paid up in a currency other than Renminbi and are listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent board committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei, formed to advise the Independent Shareholders in respect of, among others, the Non-exempt Continuing Connected Transactions
“Independent Financial Adviser” or “Maxa Capital”	Maxa Capital Limited, acting as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of, among others, the Non-exempt Continuing Connected Transactions

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## DEFINITIONS

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“Independent Shareholders”	shareholders of the Company other than China Telecommunications Corporation and its associates
“Independent Third Party” or “Independent Third Parties”	a party or parties that, to the best of our Directors’ knowledge, is or are independent of and not connected to the Company or its connected persons, and which is or are not a connected person or connected persons of the Company
“Industrial Digitalisation”	includes internet data centre services, cloud services, digital platform services, dedicated internet access services, etc.
“Latest Practicable Date”	31 July 2024, being the latest practicable date prior to the publication of this circular for ascertaining certain information contained herein
“major cooperative commercial banks”	major cooperative state-owned commercial banks and national joint stock commercial banks
“member units”	has the meaning ascribed to it in the definition of Article 3 of the Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), including the parent company and the companies of which the parent company is the controlling shareholder (hereinafter referred to as the holding subsidiaries), any company in which the parent company and its holding subsidiaries (either individually or jointly) hold directly or indirectly more than 20% of the shares or directly hold less than 20% of the shares but are the largest shareholder of such company, and public institution legal persons or social organisation legal persons affiliated to the parent company or the holding subsidiaries
“New Ancillary Telecommunications Services Framework Agreement”	the Ancillary Telecommunications Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027

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## DEFINITIONS

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“New Centralised Services Agreement”	the Centralised Services Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Community Services Framework Agreement”	the Community Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Engineering Framework Agreement”	the Engineering Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Intellectual Property License Framework Agreement”	the Intellectual Property License Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Interconnection Settlement Agreement”	the Interconnection Settlement Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Internet Applications Channel Services Framework Agreement”	the Internet Applications Channel Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New IT Services Framework Agreement”	the IT Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Lease Financing Framework Agreement”	the Lease Financing Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027

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## DEFINITIONS

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“New Payment and Digital Finance Related Services Framework Agreement”	the Payment and Digital Finance Related Services Framework Agreement entered into between the Company and E-surfing Pay on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Property and Land Use Right Leasing Framework Agreement”	the Property and Land Use Right Leasing Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Supplies Procurement Services Framework Agreement”	the Supplies Procurement Services Framework Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Telecommunications Resources Leasing Agreement”	the Telecommunications Resources Leasing Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“New Trademark License Agreement”	the Trademark License Agreement entered into between the Company and China Telecommunications Corporation on 12 July 2024 with its term from 1 January 2025 to 31 December 2027
“NFRA”	National Financial Regulatory Administration, including its designated institution
“Non-exempt Continuing Connected Transactions”	Transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement and the deposit services contemplated under the China Telecom Financial Services Framework Agreement

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## DEFINITIONS

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“Parent Group”	China Telecommunications Corporation (中國電信集團有限公司), its associates and its commonly held entity held with the Group, excluding the Group, the CCS Group, the Guomai Culture Group and Safety Technology Group
“RMB”	Renminbi, the lawful currency of the PRC
“Safety Technology”	Beijing Global Safety Technology Co., Ltd (北京辰安科技股份有限公司), a subsidiary of China Telecommunications Corporation, the Company’s controlling shareholder and is a joint stock limited company incorporated in the PRC on 21 November 2005 and whose A shares are listed on Shenzhen Stock Exchange. Its principal business includes urban safety, emergency management, consumer business, equipment and fire protection, safety culture and education and overseas public safety
“Safety Technology Financial Services Framework Agreement”	the financial services framework agreement entered into between Finance Company and Safety Technology on 12 July 2024 with its term from 1 January 2025 to 31 December 2027 in relation to the provision of several financial services to Safety Technology Group
“Safety Technology Group”	Safety Technology and its subsidiaries
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shareholders”	shareholders of the Company
“Shenzhen Stock Exchange”	Shenzhen Stock Exchange

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisors”	the supervisors of the Company
“Supervisory Committee”	the supervisory committee of the Company

### **FORWARD-LOOKING STATEMENTS**

*Forward-looking statements included in this circular in relation to development strategies, future operation plans, outlook, etc. do not constitute a commitment to investors by the Company. Such forward-looking statements are subject to known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company does not intend to update these forward-looking statements. Investors are advised to pay attention to the investment risks.*



**China Telecom Corporation Limited**  
**中国电信股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 728)**

*Executive Directors:*

Ke Ruiwen  
Liu Guiqing  
Tang Ke  
Li Yinghui  
Li Jun

*Registered office:*

31 Jinrong Street  
Xicheng District  
Beijing 100033, PRC

*Principal place of business in Hong Kong:*

28th Floor  
Everbright Centre  
108 Gloucester Road  
Wanchai, Hong Kong

*Non-Executive Director:*

Chen Shengguang

*Independent Non-Executive Directors:*

Ng Kar Ling Johnny  
Yeung Chi Wai, Jason  
Chen Dongqi  
Lyu Wei

2 August 2024

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE  
TRANSACTION, PROPOSED ELECTION OF DIRECTOR AND SUPERVISOR,  
PROPOSED CHANGE OF AUDITORS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

We refer to the announcements of the Company dated 12 July 2024 in relation to (i) agreements entered into between the Company and China Telecommunications Corporation and between the Company and E-surfing Pay; (ii) Financial Services Framework Agreements; and (iii) proposed election of Director and Supervisor and the announcement of the Company dated 30 July 2024 in relation to proposed change of auditors.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with information regarding the resolutions to be approved at the EGM, including, among other things, further particulars of:

- (i) details of the Continuing Connected Transactions and the proposed Annual Caps applicable thereto;
- (ii) the letter from the Independent Board Committee containing its recommendations to the Independent Shareholders;
- (iii) the letter from Independent Financial Advisor containing its advice to the Independent Board Committee and the Independent Shareholders;
- (iv) proposed election of director and supervisor;
- (v) proposed change of auditors; and
- (vi) the notice of the EGM.

### **2. CONTINUING CONNECTED TRANSACTIONS**

On 12 July 2024, the Board approved, among other things, the continuing connected transactions contemplated under the following agreements and the proposed Annual Caps applicable thereto: (i) the New Engineering Framework Agreement, (ii) the New Ancillary Telecommunications Services Framework Agreement, (iii) the New Interconnection Settlement Agreement, (iv) the New Community Services Framework Agreement, (v) the New Centralised Services Agreement, (vi) the New Property and Land Use Right Leasing Framework Agreement, (vii) the New IT Services Framework Agreement, (viii) the New Supplies Procurement Services Framework Agreement, (ix) the New Internet Applications Channel Services Framework Agreement, (x) the Lease Financing Framework Agreement, (xi) the New Telecommunications Resources Leasing Agreement, (xii) the New Trademark License Agreement, (xiii) the New Intellectual Property License Framework Agreement, (xiv) the New Payment and Digital Finance Related Services Framework Agreement, (xv) the China Telecom Financial Services Framework Agreement, (xvi) the China Telecommunications Corporation Financial Services Framework Agreement, (xvii) the CCS Financial Services Framework Agreement, (xviii) the Guomai Culture Financial Services Framework Agreement, and (xix) the Safety Technology Financial Services Framework Agreement.



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## LETTER FROM THE BOARD

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As certain applicable percentage ratios (excluding the profits ratio) of the proposed Annual Caps for the transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 are expected to exceed 5% but are less than 25%, such transactions constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As each of the applicable percentage ratios of the proposed Annual Caps for the deposit services to be provided by Finance Company to the Group under the China Telecom Financial Services Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 is expected to exceed 5% but is less than 25%, such deposit services constitute discloseable transaction and non-exempt continuing connected transaction of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Hong Kong Listing Rules. Under the Shanghai Listing Rules, the transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement and the Exempt Continuing Connected Transactions are subject to the announcement and independent shareholders' approval requirements. Please refer to Appendix II of this circular for details of principal terms, historical amounts, existing Annual Caps and proposed Annual Caps of Exempt Continuing Connected Transactions.

### **2.1 AGREEMENTS IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### *New Engineering Framework Agreement*

The Existing Engineering Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Engineering Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Engineering Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Engineering Framework Agreement, China Telecommunications Corporation and/or its associates provide to the Group services, including:

(1) engineering design, including:

planning and design, civil engineering design, engineering survey, communication circuit engineering (including pipeline engineering, light and cable engineering, overhead pole engineering, etc.), communication equipment engineering (including telephone switching engineering, transmission engineering, data and multimedia engineering, communication power supply and air conditioning engineering, microwave communication engineering, technical support system engineering, etc.), enterprise communication engineering;

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## LETTER FROM THE BOARD

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(2) engineering construction, including:

civil construction, communication equipment, communication lines, communication power supply (including communication air conditioners), communication pipelines, technical business support systems, integrated wiring;

(3) engineering supervision services.

The charges payable for such engineering services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Engineering Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business over the corresponding period for reference. According to applicable laws, the charges payable for the design or supervision of engineering projects with a value of over RMB1,000,000 or engineering construction projects with a value of over RMB4,000,000 shall be the tender award price, which is determined in accordance with the “Bidding Law of the PRC” and the “Regulations on the Implementation of the Bidding Law of the PRC” or the final confirmed price in the relevant tender process. The tender process will involve, among other things, (i) publication of public tendering invitation by the Company; (ii) participation of no less than three bidders in relation to the above public tendering; (iii) result assessments to be made by a bid evaluation expert based on a scoring mechanism applied to each bidder, including but not limited to the qualification requirements and business technical requirements; (iv) the entering into of contract between the Group and the selected bidder; and (v) the adherence to the Group’s internal guideline governing the Group’s public bidding policy and procedures. The Company will strictly follow the applicable laws and regulations and the bidding rules, and select the final bidder based on the assessment made by the bid evaluation experts. In the event that, during the validity period of the agreement, there are amendments to the PRC laws and regulations in respect of the tender scope and scale of the engineering construction projects, the amended laws and regulations shall be implemented.

In terms of the same service provided under the New Engineering Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates for such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications

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## LETTER FROM THE BOARD

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Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group's demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.

During the current term of the Existing Engineering Framework Agreement from 1 January 2022 to the date of this circular, the Company has engaged Independent Third Parties to provide services mentioned in the Existing Engineering Framework Agreement and thereby, has been able to obtain information on the rates charged by Independent Third Parties for similar and comparable transactions. For the sake of prudence and enhanced corporate governance, the Group would generally obtain information on the market rates by selecting services providers for most of the services mentioned in the Existing Engineering Framework Agreement through tender processes which were in accordance with the "Bidding Law of the PRC" and the "Regulations on the Implementation of the Bidding Law of the PRC". During the current term of the Existing Engineering Framework Agreement from 1 January 2022 to the date of this circular, the Company had rarely encountered situations where fewer than three tenderers were solicited, in light of the considerable number of market participants providing the relevant services. In the event that fewer than three tenderers are solicited, the Group would adopt corresponding measures strictly in accordance with the nation's relevant laws and regulatory requirements and internal control procedures as appropriate in light of the circumstances, and to conduct a further tender process after analysing the reasons for the unsuccessful tender in accordance with laws and if fewer than three tenderers are solicited even after the further tender, after obtaining approval pursuant to the Company's internal control management requirements, to adopt open evaluation of two qualified tenderers or to end the tender process, or to adopt other methodologies to conduct relevant procurements. Other methodologies include single-source selection and comparative selection. Single-source selection refers to procurement from only one supplier, if after analysis there is only one potential supplier. Comparative selection refers to a procurement method that invites suppliers to participate in the selection process by means of comparative selection announcements or comparative selection invitations, and, based on comprehensive evaluation, determines the selection results such as the selected supplier and procurement price. The Group has adopted internal management measures on tender processes which are commensurate with the "Bidding Law of the PRC" and the "Regulations on the Implementation of the Bidding Law of the PRC", and has adopted the relevant management measures including the "China Telecom Group Management Measures on Procurement" and the "China Telecom Group Management Measures on Procurement, Invitation for Tenders and Placing of Tenders". The procurement management department and the internal audit department of the Company are responsible for monitoring whether such internal measures have been adhered to in the tender processes.

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## LETTER FROM THE BOARD

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### *New Ancillary Telecommunications Services Framework Agreement*

The Existing Ancillary Telecommunications Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Ancillary Telecommunications Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Ancillary Telecommunications Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, in order to ensure that the Group continuously and stably obtains ancillary telecommunications services at reasonable service fees, if the Group has to obtain the same type of services from a third party at a greater cost (i.e., higher than the pricing of ancillary telecommunications services to be provided by China Telecommunications Corporation and/or its associates to the Group under the agreement), as the controlling shareholder of the Company China Telecommunications Corporation and/or its associates is willing to provide such services at a lower cost than such third party to the Group in order to maintain the stability of the Group's businesses, and therefore will not terminate the provision of such services to the Group.

Pursuant to the New Ancillary Telecommunications Services Framework Agreement, China Telecommunications Corporation and/or its associates provide the Group with ancillary telecommunications services such as installation of telephones and residential telephone lines, repair of residential telephone lines, customer services, telecommunications terminal equipment, air conditioners and telephone booths, maintenance of fire equipment, production and consignment of sim cards and collection of telephone tariff on the Group's behalf. The charges payable for the services under the New Ancillary Telecommunications Services Framework Agreement are calculated on the following basis:

- (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Ancillary Telecommunications Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business over the corresponding period for reference;

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## LETTER FROM THE BOARD

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- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the New Ancillary Telecommunications Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

During the current term of the Existing Ancillary Telecommunications Services Framework Agreement from 1 January 2022 to the date of this circular, the Company has engaged Independent Third Parties to provide services set out in the Existing Ancillary Telecommunications Services Framework Agreement and thereby, has been able to obtain information on the rates charged by Independent Third Parties for similar and comparable services. In determining the market prices by identifying at least two similar and comparable transactions, depending on the potential transaction values, the Company would either initiate a tender process in accordance with the internal management measures on procurement and tender processes which are commensurate with the “Bidding Law of the PRC” and the “Regulations on the Implementation of the Bidding Law of the PRC” or through open procurement of not less than two prices of similar and comparable transactions by Independent Third Parties for comparative selection, price enquiries or competitive negotiation. According to the Company’s relevant procurement management system, in terms of ancillary telecommunications services, if the estimated amount of a single procurement is RMB2 million or above, public tender will be adopted in general; if the estimated amount of a single procurement is RMB500,000 or more and less than RMB2 million, public tender or public comparative selection will be adopted in general; if the estimated amount of a single procurement is less than RMB500,000, bidding, comparative selection, inquiry, competitive negotiation, etc. shall be adopted based on the specific conditions of the projects and the applicability of various procurement methods. In conducting open procurement, and where it is not practicable to use the above methods to ascertain the market rates, the Company would consider for reference the prices determined by public tender processes for similar recent transactions in other comparable geographical areas, the prices determined by public tender processes for past similar transactions in the same geographical areas, as well as the prices determined by public tender processes for both recent and past similar transactions of other companies in the same geographical areas in order to ensure that the market rates are used for the

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## LETTER FROM THE BOARD

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continuing connected transactions. In case there are too few suppliers in the same industry and it is not practicable to consider the profit margins of two similar and comparable transactions with Independent Third Parties, and a reasonable profit margin has to be determined, the Company would consider for reference the recent profit margins of enterprises engaging in providing similar services in other industries, and negotiate with China Telecommunications Corporation and/or its associates on a fair basis. During the current term of the Existing Ancillary Telecommunications Services Framework Agreement from 1 January 2022 to the date of this circular, in light of the considerable number of market participants providing the relevant services, the Company had rarely encountered situations where it had to determine the “reasonable profit margin” in the abovementioned ways, and did not encounter significant difficulty when practically implementing the methodologies for determining market rates.

In terms of the same service provided under the New Ancillary Telecommunications Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates to provide such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group’s demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.

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## LETTER FROM THE BOARD

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### *China Telecom Financial Services Framework Agreement*

On 12 July 2024, the Company and Finance Company entered into the China Telecom Financial Services Framework Agreement. Pursuant to the China Telecom Financial Services Framework Agreement, Finance Company agreed to provide financial services to the Group, including deposit services, loan and bill discounting services and other financial services.

The principal terms of the China Telecom Financial Services Framework Agreement are set out as below:

**Date:**

12 July 2024

**Parties:**

- (i) The Company
- (ii) Finance Company

**Effective Period of the Agreement:**

The China Telecom Financial Services Framework Agreement becomes effective when it is duly signed by the legal representatives or authorised representatives of both parties, affixed with their respective company chops or contract chops and considered or approved by the authorised body of both parties (if applicable), and shall remain valid commencing from 1 January 2025 until 31 December 2027. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement. The provision of deposit services contemplated under the China Telecom Financial Services Framework Agreement shall commence upon the approval by the Independent Shareholders of the Company at the EGM is obtained.

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## LETTER FROM THE BOARD

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### Service Scope:

According to the China Telecom Financial Services Framework Agreement, Finance Company can provide the following financial services to the Group:

- (i) acceptance of money deposit;
- (ii) arrangement of loan;
- (iii) arrangement of bill discounting;
- (iv) arrangement of fund settlement, collection and payment;
- (v) provision of entrusted loans, bond underwriting, non-financing letter of guarantee, financial advice, credit authentication and relevant consulting and agency services;
- (vi) arrangement of acceptance of bills;
- (vii) arrangement of buyer credits and consumer credits of products; and
- (viii) other services as approved by the NFRA\*.

\* Pursuant to Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), depending on actual development needs and subject to fulfilment of regulatory requirements, Finance Company can apply to NFRA to carry on other businesses, which include providing buyer credits and consumer credits of the products of the member units.

Upon the agreement becoming effective, the above services numbered (vii) and (viii) can be provided by Finance Company in accordance with the business scope as approved by NFRA.



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## LETTER FROM THE BOARD

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### **Pricing Policy**

#### *Deposit Services*

The deposit interest rates offered by Finance Company 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 of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the deposit services offered by Finance Company to the Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by Finance Company to other member units.

Please refer to the announcement published by the Company on 12 July 2024 in relation to the Continuing Connected Transactions and Discloseable Transaction under Financial Services Framework Agreements for the details of the pricing policies of loan and bill discounting services and other financial services under the China Telecom Financial Services Framework Agreement.

For the respective specific transactions under the China Telecom Financial Services Framework Agreement entered into between the Company and Finance Company, under the same conditions, the Group should, in principle, choose the services provided by Finance Company. If the Group considers it is appropriate and beneficial to the Group, the Group has the discretion to engage one or more major cooperative commercial banks of the Group as its financial services providers. Given that the engagement of Finance Company for the provision of financial services under the Financial Services Framework Agreement is not to the exclusion of other service providers, in line with common commercial practice, the Group will conduct a comprehensive assessment before the commencement of financial services based on factors including service charges and returns at the time of such financial services are conducted, business scope, business cooperation and synergic effects and risk control. When comparing the Finance Company and independent third party financial service providers (including one or more of the Group's major cooperative commercial banks), if the terms of independent third party financial service providers are better in one or more aspects, the Group will engage one or more of them as financial service providers. The Group maintains long-term business cooperation with various commercial banks with strong capabilities, low risks and comprehensive business scope. Currently, the Group mainly cooperates with approximately 10 financial service providers.

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## LETTER FROM THE BOARD

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### 2.2 HISTORICAL AMOUNTS AND EXISTING ANNUAL CAPS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the five-month period from 1 January to 31 May 2024	Annual Caps for the year ended 31 December 2022	Annual Caps for the year ended 31 December 2023	Annual Caps for the year ending 31 December 2024	Utilisation	Utilisation	Utilisation
							rate of Annual Caps for the year ended 2022	rate of Annual Caps for the year ended 2023	rate of Annual Caps for the five-month period from 1 January to 31 May 2024
Non-exempt Continuing Connected Transactions									
Existing Engineering Framework Agreement	RMB16,993 million	RMB19,031 million	RMB7,105 million	RMB19,000 million	RMB21,800 million	RMB23,500 million	89%	87%	30%
Existing Ancillary Telecommunications Services Framework Agreement	RMB22,309 million	RMB22,627 million	RMB8,800 million	RMB26,500 million	RMB27,500 million	RMB29,000 million	84%	82%	30%
Maximum daily balance of deposits (including accrued interest) deposited by the Group with Finance Company under the Existing China Telecom Financial Services Framework Agreement	RMB35,201 million	RMB37,839 million	RMB36,620 million	RMB60,000 million	RMB60,000 million	RMB60,000 million	59%	63%	61%

As far as the Directors are aware, none of the Annual Caps for the Non-exempt Continuing Connected Transactions for the years ended 31 December 2022 and 2023 has been exceeded, and none of the Annual Caps for the Non-exempt Continuing Connected Transactions for the year ending 31 December 2024 has been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### 2.3 PROPOSED ANNUAL CAPS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

	Proposed Annual Caps for the year ending 31 December 2025	Proposed Annual Caps for the year ending 31 December 2026	Proposed Annual Caps for the year ending 31 December 2027
<b>Non-exempt Continuing Connected Transactions</b>			
New Engineering Framework Agreement	RMB26,000 million	RMB27,000 million	RMB28,000 million
New Ancillary Telecommunications Services Framework Agreement	RMB29,000 million	RMB29,500 million	RMB31,300 million
Maximum daily balance of deposits (including accrued interest) to be deposited by the Group with Finance Company under the China Telecom Financial Services Framework Agreement	RMB60,000 million	RMB60,000 million	RMB60,000 million

The proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Engineering Framework Agreement are determined mainly with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates and the estimated capital expenditure structure in future. The utilisation rate of the Annual Caps for the years of 2022 and 2023 were both close to 90%. The Group persists in steady and precise investment strategy to better adapt to business development. The investment structure continues to tilt towards Industrial Digitalisation capability, and the Group will continue to increase its investment in Industrial Digitalisation businesses. The Group insists on the driving forces from dual engines of Industrial Digitalisation and fundamental businesses, strengthens support and assurance for strategic emerging businesses, and deploys computing power infrastructure appropriately in advance, which will drive the growth of connected transactions of engineering services in the future.

The proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Ancillary Telecommunications Services Framework Agreement are determined mainly with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates, current market rate and estimated volume of ancillary telecommunications services in the next three years. The utilisation rate of the Annual Caps for the years of 2022 and 2023 were both close to 85%. The growth rates of the Group's mobile subscribers for the years of 2022 and 2023 were 5.0% and 4.2%, respectively, and the growth rates of the Group's wireline broadband subscribers for the years of 2022 and 2023 were 6.6% and 5.1% respectively. The increase in volume of ancillary telecommunications services in the future will be driven by the gradual expansion of the scale in subscribers, business volume and network scale of the Group year on year as the Group proactively promotes upgrades of connectivity, applications and user experience within its fundamental businesses, which leads to the continuous increase in business volume of the services for corporate development, customers retention and outsourced repairs.

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## LETTER FROM THE BOARD

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The consideration under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement will be satisfied in cash and no payment will be made on a deferred basis.

The maximum daily balance of deposits (including accrued interest) for the deposit services under the China Telecom Financial Services Framework Agreement will not increase year-on-year.

The Annual Caps (maximum daily balance of deposits (including accrued interest) to be deposited by the Group with Finance Company) of the expected deposit services contemplated under the China Telecom Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 have taken into consideration that the external settlement payment of the Company is mainly conducted through Finance Company. Following the increase in the scale of business and operation of the Company, the reserved settlement fund deposited with Finance Company will simultaneously increase. The maximum daily balance of deposits (including accrued interest) deposited by the Group with Finance Company for the years of 2022 and 2023 and the five-month period ended 31 May 2024 was RMB35,201 million, RMB37,839 million and RMB36,620 million respectively. Given that utilisation rates of the Annual Caps for the years of 2022 and 2023 and the five-month period ended 31 May 2024 were only 59%, 63% and 61% respectively, the proposed Annual Caps, which remain unchanged at RMB60,000 million for the years of 2025 to 2027, are expected to be sufficient to cover the amount of maximum daily balance of deposits (including accrued interest) to be deposited by the Group with Finance Company in the respective year.

### **2.4 REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS**

#### *Agreements entered into between the Company and China Telecommunications Corporation*

The long-term cooperation between China Telecommunications Corporation and/or its associates and the Group has enabled China Telecommunications Corporation and/or its associates to gain a comprehensive and deep understanding of the Group's network features and general business needs. Compared to third parties, China Telecommunications Corporation and/or its associates can more aptly ensure that high quality service is provided at a competitive price, thus lowering service costs. The Group will receive high quality service and can effectively lower its operational expenses.

Due to a long-standing and cooperative relationship in the past, China Telecommunications Corporation and/or its associates are more able to meet the needs of the Group and to provide responsive support services in a speedy and stable manner, thereby achieving effective business cooperation and synergies. China Telecommunications Corporation and/or its associates have, for a long time, set up specialised teams dedicated to serving the Group, and made proactive initiatives and technical preparations customised for the development of the Group, with a view to providing the Group with more systematic and efficient services.

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## LETTER FROM THE BOARD

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### *Agreement entered into between the Company and E-surfing Pay*

The Company believes that entering into the New Payment and Digital Finance Related Services Framework Agreement enables the Group to continue to effectively facilitate the Group's strategic planning and construction of the digital finance ecosystem, and realise synergies between E-surfing Pay and the Group's telecommunications business through the provisions of payment and digital finance related services provided by E-surfing Pay and its subsidiaries to the Group.

As a former subsidiary of the Company, E-surfing Pay has a long-standing and cooperative relationship with the Group in the past, which has enabled it to gain a more comprehensive and deeper understanding of the Group's network features and business needs. Compared to third parties, E-surfing Pay is more capable of providing high quality services at a comparatively lower cost. The Group will receive high quality services and concurrently lower its operational expenses in an effective way.

### *Financial Services Framework Agreements*

1. Realisation of centralised capital management and enhancement of capital management efficiency: Relying on the account management system of Finance Company and its industry capabilities as a deposit-taking financial institution, the Group is able to achieve centralised capital management for member units at all levels which have been otherwise dispersed in different commercial banks. Based on the management needs of the Group, Finance Company provides a customised solution for centralisation, deposit and management of capital funds, enabling the Group to withdraw funds to meet its flexible funding needs at any time, in a timely and compliant manner and without any restriction.
2. Realisation of the maximisation of cost and operational efficiency: Serving as a platform for internal settlement, fund financing and capital management among the Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group, Finance Company provides deposit services, loan and bill discounting services and other financial services to facilitate internal settlement among all member units of the Parent Company (some of which are also customers of the Group) and to shorten the time required for fund transfer and turnover. Compared with the current approach that all member units individually arrange settlement through the bank accounts opened with respective commercial banks, Finance Company can effectively improve the efficiency of fund settlement and collection between two parties. Through various measures to enhance the efficiency of internal settlement, Finance Company can reduce the Group's cost of capital and help to realise the maximisation of cost and operational efficiency.

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## LETTER FROM THE BOARD

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3. Full understanding and familiarity with the business needs of the Group: As Finance Company only provides financial services to the member units of the Parent Company, it has a more direct and in-depth understanding on the telecommunications operation and communications services industry. Finance Company is familiar with the capital structure, business operations, capital requirements and cash flow model of the member units of the Parent Company (including the Group), enabling it to be in a better position to anticipate the Group's funding needs. It thereby allows the Group to more effectively allocate capital among subsidiaries and manage the existing funds and cash flow. Accordingly, Finance Company can at any time provide flexible and convenient services to the Group which is more tailored to the specific needs of the Group at a lower cost and enables the Group to have a stable supply of financial services in the ordinary and usual course of business.
4. Provision of favourable commercial terms: As a professional centralised capital management platform, in compliance with the relevant requirements of the People's Bank of China on the interest rate and the regulatory requirements of the NFRA on the fee standard (where applicable), Finance Company will generally be able to provide the Group with transaction terms such as interest rates and fee rates no less favourable than those terms offered by the major cooperative commercial banks of the Group. Under normal circumstances, the deposit interest rates offered by Finance Company to the Group shall not be lower than those offered by the major cooperative commercial banks for the same type of deposit services and for the same period and the loan interest rates shall not be higher than those offered by the major cooperative commercial banks for the same type of loan services and for the same period.
5. Additional option for financial services provider: The respective Financial Services Framework Agreements are non-exclusive agreements and do not limit the Group's rights in engaging any other banks or any financial institutions to satisfy its need for financial services. Therefore, entering into the Financial Services Framework Agreements will provide the Group with an additional financial services provider and also encourage all financial services providers to provide more competitive terms to the Group. Under the same conditions, giving priority to Finance Company is also in the interest of the Group.

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## LETTER FROM THE BOARD

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The Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group have full discretion to freely select financial services providers to meet their financial service needs, and compare the rates and transactions terms offered by Finance Company with those offered by other major cooperative commercial banks in accordance with their actual business needs. Therefore, the transactions contemplated under the respective Financial Services Framework Agreements are based on the actual business needs and are entered into in the ordinary and usual course of business of the Group, and are on normal commercial terms or better, and the agreement terms and conditions are fair and reasonable, and do not restrict member units to choose other commercial banks to meet their financial service needs. All member units will have one more choice of financial services provider which can encourage respective financial services providers to provide more competitive and attractive terms for financial services. For the reasons stated above, the transactions contemplated under the respective Financial Services Framework Agreements are in the interests of the Company and its shareholders as a whole.

### **2.5 INTERNAL CONTROL**

The Company has formulated and strictly implemented various systems including the Administrative Measures of Related-Party (Connected) Transactions of China Telecom Corporation Limited, the Working Guidance of Related-Party (Connected) Transactions of China Telecom Corporation Limited and the Internal Control Manual of China Telecom Corporation Limited to ensure that connected transactions are entered into in accordance with pricing mechanisms and transactions models that are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

The relevant business departments of the Group, including but not limited to the procurement department and the cloud network operation department, and connected persons negotiate the pricing terms of the continuing connected transactions. These pricing terms shall be determined in accordance with the pricing policies as set out in the agreements of continuing connected transactions, which should be fair and reasonable.

The legal department regularly analyses and oversees the execution of connected transactions to ensure that they are implemented in accordance with the connected transactions agreements. The finance department initiates the daily management of connected transactions, including cooperating with the relevant business departments for account reconciliation with connected parties, regularly analysing the implementation of connected transactions together with business departments and performing supervisory examination. The finance department regularly reports the status of the implementation of connected transactions to the Audit Committee on a quarterly basis. The audit department incorporates connected transactions into the scope of annual internal control assessment and reports the results to the management.



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## LETTER FROM THE BOARD

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In terms of Financial Services Framework Agreements, in order to regulate the connected transactions between the Company and its connected persons with Finance Company, based on the Company's existing comprehensive system on connected transactions management, the Company and Finance Company have formulated supplementary regulations including relevant measures on risk control management and risk disposal contingency plan to ensure that the continuing connected transactions on financial services between Finance Company with the Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group are effectively managed and controlled, and are conducted in compliance with relevant rules and connected transactions management system. Relying on the Group's existing internal control regulation on capital management, financing and monetary funds management together with the enriched capital management experience of the management team and personnel of Finance Company, the business activities regarding the relevant financial activities entered into between the Group and its connected persons with Finance Company are thus effectively regulated.

The finance department of the Company is responsible for cross-checking the interest rates when the Group has deposit needs to ensure that Finance Company will comply with the interest rates regulation of the People's Bank of China and will also compare the interest rates and terms offered by 2 to 3 major cooperative commercial banks of the Group. Accordingly, the Company is able to ensure that the interest rates and terms for the deposits placed by the Group with Finance Company are on normal commercial terms or better. The finance department of the Company will regularly check the relevant interest rates and fees for other financial services and will compare the interest rates for deposit services, interest rates for loan and bill discounting services (or loans) and service fees charged for other financial services provided by Finance Company to the Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group to ensure that the interest rates and the terms are strictly in compliance with the respective pricing policies under the respective Financial Services Framework Agreements of the Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group. Finance Company will provide the finance department of the Company with information including the business scope and relevant interest rates for the deposit, loan and other financial services between Finance Company and the Group, the Parent Group, the CCS Group, the Guomai Culture Group and the Safety Technology Group and the finance department will also independently review such information. If there is any change on the regulation of interest rates promulgated by the People's Bank of China, the finance department of the Company will communicate and discuss with Finance Company to ensure that Finance Company will correspondingly adjust the deposit interest rates in accordance with the relevant new regulation on applicable interest rates as promulgated by the People's Bank of China and in compliance with the pricing policies of Financial Services Framework Agreements.



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## LETTER FROM THE BOARD

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The finance department of the Company is also responsible for regularly monitoring the deposit balance deposited by the Group with Finance Company. The core business system of Finance Company also provides the necessary support to the Company to monitor the relevant transaction information so as to ensure that the scale of deposit services does not exceed the applicable Annual Caps. Specifically, Finance Company will, through the establishment of comprehensive and collaborative information technology measures, supervise the transactions conducted under the China Telecom Financial Services Framework Agreement, the China Telecommunications Corporation Financial Services Framework Agreement, the CCS Financial Services Framework Agreement, the Guomai Culture Financial Services Framework Agreement and the Safety Technology Financial Services Framework Agreement. Finance Company will set prescribed alert amounts and notification rules in its core business system for the respective applicable Annual Caps in accordance with the relevant Financial Services Framework Agreements. Such cap alerts will be set with the aim of ensuring appropriate adjustment measures will be taken in respect of the relevant transactions, and will usually be set to be automatically sent out when 80% of the Annual Caps (and thereafter when a higher percentage) are reached. The core business system of Finance Company will timely compute the statistics of relevant transaction scale and automatically compare them with the prescribed alert amounts, and send out notification signals and instructions focusing on controlled transaction behaviour in accordance to the prescribed rules. Finance Company will closely monitor the transaction status under each of the Financial Services Framework Agreements, and will examine and check the implementation status of the cap alert on a daily basis. The above system design will facilitate and ensure the actual transaction amount will not exceed the relevant Annual Caps under each of the respective Financial Services Framework Agreements.

The auditors of the Company review the respective continuing connected transactions of the Company and confirm to the Board that the transactions have received the approval by the Board on an annual basis; the transactions have been entered into in accordance with the pricing policies as set out in the relevant agreements governing such transactions; and the transactions have been performed in accordance with the terms of the relevant agreements governing such transactions. Meanwhile, the auditors of the Company would confirm that the annual caps applicable to the respective continuing connected transactions entered into between the Company and its connected persons have not been exceeded.

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## LETTER FROM THE BOARD

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The independent non-executive Directors of the Company will conduct annual review on the continuing connected transactions and confirm that the transactions have been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business; the transactions are on normal commercial terms or better; and have been entered into in accordance with the relevant terms that are fair and reasonable and in the overall interests of the shareholders of the Company as a whole.

The Board oversees the Company's risk management and internal control systems, including internal control systems of connected transactions and the Board will, through the Audit Committee, conducts an annual review of the risk management and internal control systems for each financial year of the Company. After receiving the reports from the Internal Audit Department and the confirmation from the management to the Board on the effectiveness of these systems, the Board would confirm that the Company's risk management and internal control systems are solid, well-established, effective and sufficient.

### **2.6 CAPITAL RISK CONTROL MEASURES IN RELATION TO FINANCIAL SERVICES FRAMEWORK AGREEMENTS**

- i. As a non-banking financial institution established with the approval of the NFRA, Finance Company is subject to the direct routine supervision by the Beijing Regulatory Bureau, the designated institution appointed by the NFRA. It abides by all applicable regulatory requirements, including capital adequacy ratio, liquidity ratio, ratio restriction on loan balance and the sum of deposit balance and paid-in capital. Meanwhile, Finance Company is also subject to the direct supervision of the People's Bank of China to pay deposit reserve in full and timely manner.
- ii. Finance Company has established a complete corporate governance structure, including shareholders' meeting, a board of directors, a supervisory committee and a management team, as well as professional committees established under the board of directors and management team, which ensure stable operation and effective supervision of Finance Company. Finance Company has established an internal control system and a dynamic updated mechanism covering all business areas and ensuring effective internal control and strict implementation of charters and policies through audit, examination and other measures. It has also set up a comprehensive risk management organisation structure.

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## LETTER FROM THE BOARD

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- iii. Finance Company is a subsidiary of the Company and the Company is responsible for supervising Finance Company to establish a core business system to ensure safe and stable operation. At present, the system has been connected with the commercial banking system and has reached the national security standards focused on commercial banks, providing assurance to information technology facilities, systems functions and performance to safeguard fund security.
- iv. Finance Company will provide sufficient information to the finance department of the Company (including copies of all regulatory reports required to be submitted to the NFRA). The finance department of the Company will closely monitor the transactions under respective Financial Services Framework Agreements, check the maximum daily balance of deposits regularly to ensure that the relevant amounts will not exceed the applicable Annual Caps, and immediately review the relevant information in the regulatory reports, monthly financial statements and monthly deposits balance statements provided by Finance Company. Follow-up measures will be taken immediately when problems are identified and the issues will be immediately reported to the management when appropriate.

### **2.7 HONG KONG LISTING RULES AND SHANGHAI LISTING RULES IMPLICATIONS**

*Agreements entered into between the Company and China Telecommunications Corporation and between the Company and E-surfing Pay*

As of the date of this circular, China Telecommunications Corporation is the Company's controlling shareholder and holds approximately 63.90% of the issued share capital of the Company and approximately 94.43% of the issued share capital of E-surfing Pay. The two remaining shareholders which hold approximately 5.57% of the issued share capital of E-surfing Pay are Independent Third Parties which engage in investment holding. Accordingly, pursuant to Chapter 14A of the Hong Kong Listing Rules, China Telecommunications Corporation and E-surfing Pay are connected persons of the Company and the transactions contemplated under the agreements entered into between the Company and China Telecommunications Corporation and between the Company and E-surfing Pay constitute continuing connected transactions of the Company.

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## LETTER FROM THE BOARD

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As certain applicable percentage ratios (excluding the profits ratio) of the proposed Annual Caps for the transactions contemplated under the New Community Services Framework Agreement, the New Centralised Services Agreement, the New Property and Land Use Right Leasing Framework Agreement, the New IT Services Framework Agreement, the New Supplies Procurement Services Framework Agreement, the New Lease Financing Framework Agreement, the New Telecommunications Resources Leasing Agreement and the New Payment and Digital Finance Related Services Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 are expected to exceed 0.1% but are less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As certain applicable percentage ratios (excluding the profits ratio) of the proposed Annual Caps for the transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 are expected to exceed 5% but are less than 25%, such transactions constitute non-exempt continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratios (excluding the profits ratio) of the proposed Annual Caps for the transactions contemplated under the New Internet Applications Channel Services Framework Agreement, the New Interconnection Settlement Agreement, the New Trademark License Agreement and the New Intellectual Property License Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 is expected to be less than 0.1%, such continuing connected transactions are exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Under the Shanghai Listing Rules, the transactions contemplated the agreements entered into between the Company and China Telecommunications Corporation and between the Company and E-surfing Pay are subject to announcement and independent shareholders' approval requirements.

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## LETTER FROM THE BOARD

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### *Financial Services Framework Agreements*

As of the date of this circular, the Parent Company is the Company's controlling shareholder and holds approximately 63.90% of the issued share capital of the Company. As the Parent Company is CCS's controlling shareholder and holds approximately 48.99% of the issued share capital of CCS, CCS is a subsidiary of the Parent Company. As the Parent Company holds approximately 51.16% of the issued share capital of Guomai Culture, Guomai Culture is a subsidiary of the Parent Company. As the Parent Company holds approximately 18.68% of the issued share capital of Safety Technology, and since Safety Technology is consolidated in the audited consolidated accounts of the Parent Company, Safety Technology is a subsidiary of the Parent Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Parent Company, CCS, Guomai Culture and Safety Technology and/or their associates are connected persons of the Company. As the Company holds 70% of the issued share capital of Finance Company, Finance Company is a subsidiary of the Company. Meanwhile, each of the Parent Company and CCS respectively holds 15% of the issued share capital of Finance Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, Finance Company is a connected subsidiary of the Company and an associate of the Parent Company, CCS, Guomai Culture and Safety Technology, which is also a connected person of the Company. Accordingly, the transactions under the respective Financial Services Framework Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The transactions under the above new Financial Services Framework Agreements (including the historical transaction amounts and the relevant proposed Annual Caps) will be subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules, except those under the China Telecom Financial Services Framework Agreement.

### *China Telecom Financial Services Framework Agreement*

As each of the applicable percentage ratios of the Annual Caps for the deposit services to be provided by Finance Company to the Group under the China Telecom Financial Services Framework Agreement is expected to exceed 5% but is less than 25%, such deposit services constitute discloseable transaction and non-exempt continuing connected transaction of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Hong Kong Listing Rules.

As the loan and bill discounting services to be provided by Finance Company to the Group under the China Telecom Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant loan and bill discounting services will not be secured by the assets of the Group, such loan and bill discounting services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Group under the China Telecom Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### *China Telecommunications Corporation Financial Services Framework Agreement*

As the deposit services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### *CCS Financial Services Framework Agreement*

As the deposit services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### *Guomai Culture Financial Services Framework Agreement*

As the deposit services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.



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## LETTER FROM THE BOARD

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### *Safety Technology Financial Services Framework Agreement*

As the deposit services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As the Parent Company, CCS, Guomai Culture and Safety Technology and/or its associates are connected persons of the Company, the continuing connected transactions contemplated under the Financial Services Framework Agreements entered into between Finance Company with the Parent Company, CCS, Guomai Culture and Safety Technology respectively shall be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules. As each of the applicable percentage ratios of the aggregated Annual Caps for the loan and bill discounting services is expected to exceed 0.1% but is less than 5%, pursuant to Rule 14A.76(2) of the Hong Kong Listing Rules, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. As each of the applicable percentage ratios of the aggregated Annual Caps for other financial services is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.



### 2.8 GENERAL INFORMATION

The Company is a leading large-scale integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses.

China Telecommunications Corporation is a state-owned enterprise, and its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration.

E-surfing Pay is a limited company incorporated in the PRC and is primarily engaged in internet payment, mobile phone payment, bank card acquiring, technology development and transfer, financial information services, etc..

Finance Company, a non-banking financial institution legally established with the approval of the NFRA, is a limited liability company incorporated in the PRC on 8 January 2019 as approved by the relevant PRC government authorities, including but not limited to the NFRA, for the purpose of providing capital and financial management services to the member units of the Parent Company.

CCS is a leading service provider in the informatisation sector in the PRC, providing integrated comprehensive smart solutions for the informatisation and digitalisation sectors, including telecommunications infrastructure services, business process outsourcing services and applications, content and other services.

Guomai Culture is a listed company on the Shanghai Stock Exchange, and its principal business includes digital content, digital intelligence applications, metaverse, physical scenes and digital rights.

Safety Technology is a listed company on the Shenzhen Stock Exchange whose principal business includes urban safety, emergency management, consumer business, equipment and fire protection, safety culture and education and overseas public safety.

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## LETTER FROM THE BOARD

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### 2.9 RECOMMENDATION

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee, comprising all of the independent non-executive Directors of the Company, namely Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei has been formed to advise the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and proposed Annual Caps applicable thereto. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 46 to 47 of this circular.

The Company has appointed Maxa Capital as an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and proposed Annual Caps applicable thereto. A letter from Maxa Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 73 of this circular.

The Board has passed resolutions to approve, among others, the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements and proposed Annual Caps applicable thereto. Save for Mr. Ke Ruiwen who also serves as the Chairman of China Telecommunications Corporation, Mr. Liu Guiqing who also serves as a Director of China Telecommunications Corporation, Mr. Tang Ke and Mr. Li Jun who also serve as Vice Presidents of China Telecommunications Corporation and Mr. Li Yinghui who also serves as the Chief Accountant of China Telecommunications Corporation, and have therefore abstained from voting on the relevant board resolutions in respect of, among others, the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements and proposed Annual Caps applicable thereto, none of the Directors had a material interest in the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements and no Director was required to abstain from voting on the relevant board resolutions in relation to the Continuing Connected Transactions and proposed Annual Caps applicable thereto.

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## LETTER FROM THE BOARD

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The Board (excluding the members of the Independent Board Committee, the opinion of which, after taking into account the advice from the Independent Financial Adviser, is included in the section headed “Letter from the Independent Board Committee” in this circular) is of the view that the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements are in the ordinary and usual course of business of the Group, that they are on normal commercial terms or better, and that the terms, as well as the proposed Annual Caps applicable thereto, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions at the EGM in respect of, among others, the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements, including the Non-exempt Continuing Connected Transactions.

### **3. PROPOSED ELECTION OF DIRECTOR**

Reference is made to the announcement in relation to appointment of President and Chief Operating Officer and proposed appointment of Director published by the Company on 12 July 2024. The Board has proposed to appoint Mr. Liang Baojun (“Mr. Liang”) as an Executive Director of the Company and an ordinary resolution will be proposed to the Shareholders at the EGM for their consideration and approval.

Mr. Liang Baojun, age 54, is the President and Chief Operating Officer of the Company. Mr. Liang has a master’s degree in engineering. Mr. Liang served as Deputy General Manager of the Beijing Branch of China Telecom Corporation Limited, General Manager of the Henan Branch of China Telecommunications Corporation, General Manager of the Corporate Informatisation Department and the Government and Enterprise Customers Department of China Telecommunications Corporation, Senior Vice President of China Unicom (Hong Kong) Limited which is listed on the Main Board of the Stock Exchange, Vice General Manager and the Chief Network Security Officer of China United Network Communications Group Company Limited, Senior Vice President of China United Network Communications Limited which is listed on the Shanghai Stock Exchange, as well as Director and Senior Vice President of China United Network Communications Corporation Limited. Mr. Liang is currently a Director and the President of China Telecommunications Corporation. Mr. Liang has extensive experience in management and the telecommunications industry.

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## LETTER FROM THE BOARD

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Upon the appointment of Mr. Liang as a Director of the Company having been approved at the EGM, the Company will enter into a service contract with Mr. Liang (the relevant proposed appointment will be effective from the date of passing the relevant resolution at the EGM until the annual general meeting of the Company for the year 2025 to be held in year 2026) and determine his remuneration in accordance with the Directors' remuneration proposal for the eighth session of the Board as approved by the shareholders of the Company at the annual general meeting of the Company for the year 2022 (i.e. the remuneration of a proposed Executive Director will be determined with reference to remuneration management measures of the State-owned Assets Supervision and Administration Commission of the State Council for executives of central state-owned enterprises). The Company will disclose in its annual report the remuneration of Mr. Liang during the relevant reporting period.

Save as disclosed in this Circular, Mr. Liang did not hold any directorship in any other listed companies in the past three years nor does he currently take up any other positions in any group companies of the Company and nor have any relationship with any other director, supervisor, senior management, substantial shareholder or controlling shareholder of the Company. Furthermore, Mr. Liang does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong). Save as disclosed herein, there is no other information relating to the proposed appointment of Mr. Liang that should be disclosed pursuant to Rule 13.51(2) (h) to (v) of the Hong Kong Listing Rules nor any matters which need to be brought to the attention of the shareholders of the Company.

### RECOMMENDATION

The Board considers that the proposed election of Director is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the ordinary resolution to be proposed at the EGM.

#### 4. PROPOSED ELECTION OF SUPERVISOR

Reference is made to the announcement in relation to resignation and proposed appointment of Supervisors published by the Company on 12 July 2024. The Supervisory Committee has proposed to appoint Madam Huang Xudan ("Madam Huang") as a Shareholder Representative Supervisor of the Supervisory Committee and an ordinary resolution will be proposed to the Shareholders at the EGM for their consideration and approval.

Madam Huang Xudan, age 55, is a senior economist with a master's degree in business administration. Madam Huang served as the Deputy Managing Director of the Finance Department of China United Network Communications Corporation Limited, the Deputy Managing Director of the Finance Department of China Telecommunications Corporation and the Managing Director of China Telecom Group Finance Co., Ltd. She currently serves as the Managing Director of the Audit Department of China Telecommunications Corporation and the Company, the Chairperson of the Supervisory Committee of China Communications Services Corporation Limited which is listed on the Main Board of the Stock Exchange and the Chairperson of the Supervisory Committee of China Telecom Cloud Technology Co., Ltd. She has extensive experience in financial management and auditing in the telecommunications industry.

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## LETTER FROM THE BOARD

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Upon obtaining shareholders' approval at the EGM, the Company will enter into a service contract with Madam Huang (the relevant proposed appointment will be effective from the date of passing the relevant resolution at the EGM until the annual general meeting of the Company for the year 2025 to be held in year 2026). Madam Huang as the proposed Shareholder Representative Supervisor will not receive remuneration as a Supervisor from the Company.

Save as disclosed in this Circular, Madam Huang did not hold any directorship in any other listed companies in the past three years nor does she currently take up any other positions in any group companies of the Company and nor have any relationship with any other director, supervisor, senior management, substantial shareholder or controlling shareholder of the Company. Furthermore, Madam Huang does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong). Save as disclosed herein, there is no other information relating to the proposed appointment of Madam Huang that should be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Hong Kong Listing Rules nor any matters which need to be brought to the attention of the shareholders of the Company.

### RECOMMENDATION

The Board considers that the proposed election of Supervisor is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the ordinary resolution to be proposed at the EGM.

### 5. PROPOSED CHANGE OF AUDITORS

We refer to the announcement of the Company dated 30 July 2024 in relation to proposed change of auditors.

In consideration of the Company's needs for audit services and in accordance with the relevant requirements for the selection and appointment of accounting firms by state-owned enterprises including the Administrative Measures for the Appointment of Accounting Firms by State-owned Enterprises and Listed Companies, after performing procedures for open selection and based on the results thereof, as recommended by the Audit Committee of the Company, the Board has resolved to propose to the Shareholders at the EGM to approve, among other things, the appointments of KPMG and KPMG Huazhen LLP as the Company's external auditors for the year ending 31 December 2024 and to authorise the Board to fix the remuneration of the auditors. The proposed change of auditors is subject to the approval of the Shareholders at the EGM.

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP which were originally appointed as the external auditors for the year 2024 have confirmed in writing that there are no matters in relation to the proposed change of auditors which should be brought to the attention of the Shareholders. The Board is not aware of any matters in relation to the proposed change of auditors that need to be brought to the attention of the Shareholders. The Board and the Audit Committee have also confirmed that there is no disagreement or outstanding matters between the Company and PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the proposed change of auditors is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the ordinary resolution to be proposed at the EGM.

### 6. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 135 to 136 of this circular. The relevant form of proxy is also attached.

Pursuant to Rule 14A.36 of the Hong Kong Listing Rules, any Shareholder with a material interest in the relevant continuing connected transactions is required to abstain from voting on the relevant resolutions at the EGM. Accordingly, China Telecommunications Corporation is required to abstain from voting on the resolutions in respect of the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements at the EGM.

It should be noted that the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements are put into two resolutions for Shareholders' approval at the EGM (the "Voting Arrangement"). The Directors consider it appropriate for the following reasons:

- (1) Save for Non-exempt Continuing Connected Transactions, the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay and the Continuing Connected Transactions under Financial Services Framework Agreements are not subject to Independent Shareholders' approval under the Hong Kong Listing Rules. They are put into the two resolutions for Independent Shareholders' approval only as they are required under the Shanghai Listing Rules; and
- (2) As confirmed by the Company's PRC legal adviser, the Voting Arrangement is also in compliance with applicable PRC laws and regulations.

Whether or not Shareholders are able to attend the EGM, they are requested to complete and return the enclosed form of proxy to Computershare Hong Kong Investor Services Limited, the Company's H share registrar, for holders of H Shares, as soon as practicable and in any event by not later than 24 hours before the time designated for holding the EGM. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM should they so wish.

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## LETTER FROM THE BOARD

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### 7. ADDITIONAL INFORMATION

Shareholders' attention is drawn to the notice of the EGM set out on pages 135 to 136 of this circular and the additional information set out in the appendix to this circular.

By Order of the Board,  
**China Telecom Corporation Limited**  
**Ke Ruiwen**  
*Chairman and Chief Executive Officer*



**China Telecom Corporation Limited**  
**中国电信股份有限公司**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 728)**

2 August 2024

*To the Independent Shareholders*

Dear Sir or Madam,

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular (the “Circular”) dated 2 August 2024 issued by the Company to its shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

On 12 July 2024, the Board announced that the Company and China Telecommunications Corporation have entered into the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement on 12 July 2024 with a term from 1 January 2025 to 31 December 2027, subject to the requisite approval of the Independent Shareholders being obtained. Meanwhile, the Company and Finance Company have entered into the China Telecom Financial Services Framework Agreement with a term from 1 January 2025 to 31 December 2027, subject to the requisite approval for the deposit services contemplated under the China Telecom Financial Services Framework Agreement (together with the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement, the “Non-exempt Continuing Connected Transactions”) of the Independent Shareholders being obtained.

The Independent Board Committee was formed in order to make a recommendation to the Independent Shareholders as to, in its view, whether the terms of the Non-exempt Continuing Connected Transactions and the proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and whether the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Maxa Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and the proposed Annual Caps.

The terms of, and the reasons for entering into the Non-exempt Continuing Connected Transactions, and the proposed Annual Caps thereto, are set out in the Letter from the Board on pages 13 to 45 of the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the Non-exempt Continuing Connected Transactions and the basis upon which their terms as well as the proposed Annual Caps have been determined.

We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the Non-exempt Continuing Connected Transactions, as set out in the letter from the Independent Financial Advisor on pages 48 to 73 of the Circular, which we urge you to read carefully.

The Independent Board Committee, after taking into account, among other things, the advice of the Independent Financial Adviser, concurs with the views of the Independent Financial Adviser and considers that the terms of Non-exempt Continuing Connected Transactions and the proposed Annual Caps are on normal commercial terms or better and in the ordinary and usual course of business of the Group, are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-exempt Continuing Connected Transactions, as detailed in the notice of the EGM set out at the end of the Circular.

Yours faithfully,  
**Ng Kar Ling Johnny**  
**Yeung Chi Wai, Jason**  
**Chen Dongqi**  
**Lyu Wei**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Maxa Capital to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.*



Unit 2602, 26/F, Golden Centre  
188 Des Voeux Road Central  
Sheung Wan  
Hong Kong

2 August 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Mesdames,

### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed Annual Caps applicable thereto, details of which are set out in the letter from the Board (the “Letter from the Board”) contained in the circular of the Company dated 2 August 2024 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As set out in the Letter from the Board, the Existing Engineering Framework Agreement, Existing Ancillary Telecommunications Services Framework Agreement and Existing China Telecom Financial Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company (i) entered into the New Engineering Framework Agreement and New Ancillary Telecommunications Services Framework Agreement with China Telecommunications Corporation; and (ii) entered into the China Telecom Financial Services Framework Agreement with Finance Company, each with a term from 1 January 2025 to 31 December 2027.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, China Telecommunications Corporation is the Company's controlling shareholder and holds approximately 63.90% of the issued share capital of the Company. Accordingly, China Telecommunications Corporation is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As the Company holds 70% of the issued share capital of Finance Company, Finance Company is a subsidiary of the Company. Meanwhile, China Telecommunications Corporation holds 15% of the issued share capital of Finance Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, Finance Company is a connected subsidiary of the Company and an associate of the China Telecommunications Corporation, which is also a connected person of the Company. As such, the transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement entered into between the Company and China Telecommunications Corporation and the China Telecom Financial Services Framework Agreement entered into between the Company and Finance Company constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As (i) certain applicable percentage ratios (excluding the profits ratio) of the proposed Annual Caps for the transactions contemplated under the New Engineering Framework Agreement and the New Ancillary Telecommunications Services Framework Agreement for each of the years ending 31 December 2025, 2026 and 2027 are expected to exceed 5% but are less than 25%; and (ii) each of the applicable percentage ratios of the proposed Annual Caps for the deposit services to be provided by Finance Company to the Group under the China Telecom Financial Services Framework Agreement is expected to exceed 5% but is less than 25%, such transactions constitute continuing connected transactions of the Company and are subject to, among other things, the approval by the Independent Shareholders.

The Independent Board Committee comprising Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei, being all independent non-executive Directors, has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and proposed Annual Caps applicable thereto. We, Maxa Capital, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Hong Kong Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and proposed Annual Caps applicable thereto. Save for this appointment, there was no other engagement between the Company and us in the past two years. Apart from normal advisory fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the New Engineering Framework Agreement, the New Ancillary Telecommunications Services Framework Agreement and the China Telecom Financial Services Framework Agreement; (ii) the annual reports of the Company for the years ended 31 December 2022 (the “2022 AR”) and 31 December 2023 (the “2023 AR”); (iii) the basis of calculation of the proposed Annual Caps; and (iv) the Company’s internal control procedures in relation to the Non-exempt Continuing Connected Transactions and the proposed transactions contemplated thereunder.

We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Hong Kong Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Group (the “Management”). We have reviewed, inter alia, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the Management. We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration.

The Company confirmed that they have, at our request, provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers, the Directors and/or the Management. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Company, China Telecommunications Corporation, Finance Company and each of their respective subsidiaries or associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background

##### 1.1 Information of the Group

The Company is a leading large-scale integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including wireline, mobile communications and satellite communications services, value-added telecommunications businesses such as Internet access services, information services and other related businesses. Set out below is the summarised financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 (“FY2021”, “FY2022” and “FY2023”, respectively), as extracted from the 2022 AR and the 2023 AR:

	For the year ended 31 December		
	2021	2022	2023
	RMB' million (restated) <sup>Note</sup>	RMB' million (audited)	RMB' million (audited)
<b>Operating revenues</b>	439,553	481,448	513,551
<b>Profit before taxation</b>	33,865	35,714	39,204
<b>Profit for the year</b>	26,149	27,676	30,428

*Note:* In 2022, the Group acquired Beeya (Shanghai) Technology Co., Ltd.. As a business combination under common control, comparative figures of the prior year have been restated.

The operating revenues of the Group was approximately RMB481.4 billion for FY2022, representing an increase of approximately RMB41.9 billion or 9.5% as compared to approximately RMB439.6 billion for FY2021, whereas the profit for the year was approximately RMB27.7 billion for FY2022, representing an increase of approximately RMB1.5 billion or 5.8% as compared to approximately RMB26.1 billion for FY2021. Such increase in the revenue was primarily attributable to (i) the increase in service revenues, especially the increase in the Industrial Digitalisation service revenues, which increased by approximately RMB18.8 billion as compared to that for FY2021, mainly because the Company empowered the digital transformation of numerous walks of life and promoted “the cloud migration, the use of data and intelligence injection” for more enterprises by leveraging its own resources in the whole process and whole network; and (ii) the increase in revenues from sales of goods and others, which increased by approximately RMB9.8 billion as compared to that for FY2021, mainly due to the rapid growth in the sales volume of mobile terminals, such as 5G mobile phones. The increase in the profit for the year was primarily due to the fact that the Company firmly seized the strategic opportunities arising from the booming digital economy, deepened reform and innovation and strived to enhance quality and efficiency.

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The operating revenues of the Group was approximately RMB513.6 billion for FY2023, representing an increase of approximately RMB32.1 billion or 6.7% as compared to approximately RMB481.4 billion for FY2022, whereas the profit for the year was approximately RMB30.4 billion for FY2023, representing an increase of approximately RMB2.8 billion or 9.9% as compared to the profit for the year of approximately RMB27.7 billion for FY2022. Such increase in revenue was primarily attributable to the increase in service revenues, especially the increase in the Industrial Digitalisation service revenues, which increased by approximately RMB21.1 billion as compared to that for FY2022, mainly because the Company continued to strengthen service capabilities for industry customers, further deepened ecological cooperation, and promoted the rapid development of Industrial Digitalisation business. The increase in the profit for the year was primarily due to the fact that (i) the Company firmly seized the strategic opportunities arising from the booming digital economy, deepened corporate reforms and fully completed the deployment of strategic emerging businesses; and (ii) the resource utilisation and operating efficiency of the Company continued to increase while its profitability further strengthened.

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB' million</i> (restated) <sup>Note</sup>	<i>RMB' million</i> (audited)	<i>RMB' million</i> (audited)
<b>Total assets</b>	762,239	807,698	835,814
<b>Total liabilities</b>	331,066	371,271	388,647
<b>Total equity</b>	431,173	436,427	447,167
<b>Cash and cash equivalents</b>	73,284	72,465	81,046

*Note:* In 2022, the Group acquired Beeya (Shanghai) Technology Co., Ltd.. As a business combination under common control, comparative figures of the prior year have been restated.

The Group's total assets increased steadily from approximately RMB762.2 billion as at 31 December 2021 to approximately RMB835.8 billion as at 31 December 2023, while the Group's total liabilities also increased from approximately RMB331.1 billion as at 31 December 2021 to approximately RMB388.6 billion as at 31 December 2023. The Group's total equity also increased steadily from approximately RMB431.2 billion as at 31 December 2021 to approximately RMB447.2 billion as at 31 December 2023, which was primarily due to the increase in profit for the year and was partially offset by the payment of dividends.

The Group's cash and cash equivalents decreased by approximately 1.1% from approximately RMB73.3 billion as at 31 December 2021 to approximately RMB72.5 billion as at 31 December 2022. The Group's cash and cash equivalents increased by approximately 11.8% from approximately RMB72.5 billion as at 31 December 2022 to approximately RMB81.0 billion as at 31 December 2023, primarily due to the combined effect of (i) the increase in net cash inflow from operating activities; (ii) the repayment of short-term loan received by its finance company from China Telecommunications Corporation; and (iii) the Company distributed interim dividend for the first time in the second half of 2022.

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### *1.2 Information of China Telecommunications Corporation*

China Telecommunications Corporation is a state-owned enterprise, and its principal business is integrated information services including mobile communications, Internet access and application, wireline communications, satellite communications and ICT integration.

### *1.3 Information of Finance Company*

Finance Company, a non-banking financial institution legally established with the approval of the NFRA, is a limited liability company incorporated in the PRC on 8 January 2019 as approved by the relevant PRC government authorities, including but not limited to the NFRA, for the purpose of providing capital and financial management services to the member units of the China Telecommunications Corporation.

## **2. Terms of the Non-exempt Continuing Connected Transactions and our analysis**

### *2.1 Terms of the New Engineering Framework Agreement and our analysis*

<b>Date</b>	:	12 July 2024
<b>Parties</b>	:	the Company and China Telecommunications Corporation
<b>Term</b>	:	From 1 January 2025 to 31 December 2027
<b>Pricing Policy</b>	:	Pursuant to the New Engineering Framework Agreement, China Telecommunications Corporation and/or its associates provide to the Group services , including:  (1) engineering design, including: planning and design, civil engineering design, engineering survey, communication circuit engineering (including pipeline engineering, light and cable engineering, overhead pole engineering, etc.), communication equipment engineering (including telephone switching engineering, transmission engineering, data and multimedia engineering, communication power supply and air conditioning engineering, microwave communication engineering, technical support system engineering, etc.), enterprise communication engineering;

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- (2) engineering construction, including: civil construction, communication equipment, communication lines, communication power supply (including communication air conditioners), communication pipelines, technical business support systems, integrated wiring;
- (3) engineering supervision services. (the “Engineering Services”).

The charges payable for such Engineering Services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms.

For further details of the pricing policy under the New Engineering Framework Agreement, please refer to pages 15 to 17 of the Circular.

In terms of the same service provided under the New Engineering Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates for such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group’s demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.



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In assessing the terms of the New Engineering Framework Agreement, we noted that, save for the extension of the term, all other terms and conditions of the New Engineering Framework Agreement remain the same as those of the Existing Engineering Framework Agreement. In addition, we have obtained and reviewed nine sets of randomly selected sample contracts during FY2022, FY2023 and up to the Latest Practicable Date (the “Relevant Period”) pursuant to the Existing Engineering Framework Agreement and nine sets of comparable transaction contracts entered into between the Group and independent third parties for the provision of similar services to the Group during such period. As the nine sample contracts covered the three major types of Engineering Services under the New Engineering Framework Agreement for each of the three years ended/ending 31 December 2024, we are of the view that such sample contracts are comparable and sufficient. We have compared and noted from the abovementioned documents that the discounts and other key terms such as the payment schedule offered by China Telecommunications Corporation and/or its associates are comparable to those offered by the Independent Third Parties. As discussed with the Management, we understand that the Company has followed the pricing policy as set forth above through bidding process. We have conducted search on the announcements of the public tenders in respect of the projects as set out in the sample contracts mentioned above and noted that the Company engaged tender evaluation experts in selecting the final bidders during such public tenders.

Based on the above, we are of the view that the terms of the New Engineering Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.2 Terms of the New Ancillary Telecommunications Services Framework Agreement and our analysis***

<b>Date</b>	:	12 July 2024
<b>Parties</b>	:	the Company and China Telecommunications Corporation
<b>Term</b>	:	From 1 January 2025 to 31 December 2027
<b>Pricing Policy</b>	:	Pursuant to the New Ancillary Telecommunications Services Framework Agreement, China Telecommunications Corporation and/or its associates provide the Group with ancillary telecommunications services such as installation of telephones and residential telephone lines, repair of residential telephone lines, customer services, telecommunications terminal equipment, air conditioners and telephone booths, maintenance of fire equipment, production and consignment of sim cards and collection of telephone tariff on the Group’s behalf (the “Ancillary Telecommunications Services”).

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The charges payable for the services under the New Ancillary Telecommunications Services Framework Agreement are calculated on the following basis: (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms; (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group.

For further details of the pricing policy under the New Ancillary Telecommunications Services Framework Agreement, please refer to pages 18 to 20 of the Circular.

In terms of the same service provided under the New Ancillary Telecommunications Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates to provide such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group’s demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.

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In assessing the terms of the New Ancillary Telecommunications Services Framework Agreement, we noted that, save for the extension of the term, all other terms and conditions of the New Ancillary Telecommunications Services Framework Agreement remain the same as those of the Existing Ancillary Telecommunications Services Framework Agreement. In addition, we have obtained and reviewed three sets of randomly selected sample contracts during Relevant Period pursuant to the Existing Ancillary Telecommunications Services Framework Agreement and three sets of comparable transaction contracts entered into between the Group and independent third parties for the provision of similar services to the Group during such period. As the three sample contracts covered different types of Ancillary Telecommunications Services under the New Ancillary Telecommunications Services Framework Agreement for each of the three years ended/ending 31 December 2024, we are of the view that such sample contracts are comparable and sufficient. We have compared and noted from the abovementioned documents that the terms such as the pricing and payment schedule offered by China Telecommunications Corporation and/or its associates are comparable to those offered by the Independent Third Parties. As discussed with the Management, we understand that the Company has followed the pricing policy as set forth above through bidding process. We have conducted search on the announcements of the public tenders in respect of the projects as set out in the sample contracts mentioned above and note that the Company engaged tender evaluation experts in selecting the final bidders during the public tenders.

As stated in the Letter from the Board, during the current term of the Existing Ancillary Telecommunications Services Framework Agreement from 1 January 2022 to the date of the Circular, in light of the considerable number of market participants providing the relevant services, the Company had rarely encountered situations where it had to determine the “reasonable profit margin”, and did not encounter significant difficulty when practically implementing the methodologies for determining market rates. Based on our discussion with the Company, we understood that the Company rarely used cost-plus approach to determine market prices of Ancillary Telecommunications Services during the Relevant Period.

Based on the above, we are of the view that the terms of the New Ancillary Telecommunications Services Framework Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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### 2.3 *Terms of the China Telecom Financial Services Framework Agreement and our analysis*

<b>Date</b>	:	12 July 2024
<b>Parties</b>	:	the Company and Finance Company
<b>Term</b>	:	From 1 January 2025 to 31 December 2027
<b>Pricing Policy</b>	:	Pursuant to the China Telecom Financial Services Framework Agreement, Finance Company agreed to provide financial services to the Group, including deposit services, loan and bill discounting services and other financial services.

The deposit interest rates offered by Finance Company 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 of the same type of deposit services for the same period offered by the major cooperative commercial banks of the Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the deposit services offered by Finance Company to the Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by Finance Company to other member units.

For the respective specific transactions under the China Telecom Financial Services Framework Agreement entered into between the Company and Finance Company, under the same conditions, the Group should, in principle, choose the services provided by Finance Company. If the Group considers it is appropriate and beneficial to the Group, the Group has the discretion to engage one or more major cooperative commercial banks of the Group as its financial services providers. Given that the engagement of Finance Company for the provision of financial services under the Financial Services Framework Agreement is not to the exclusion of other service providers, in line with common commercial practice, the Group will conduct a comprehensive assessment before the commencement of financial services based on

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factors including service charges and returns at the time of such financial services are conducted, business scope, business cooperation and synergic effects and risk control. When comparing the Finance Company and independent third party financial service providers, (including one or more of the Group's major cooperative commercial banks) if the terms of independent third party financial service providers are better in one or more aspects, the Group will engage one or more of them as financial service providers. The Group maintains long-term business cooperation with various commercial banks with strong capabilities, low risks and comprehensive business scope. Currently, the Group mainly cooperates with approximately 10 financial service providers.

In assessing the terms of the China Telecom Financial Services Framework Agreement in relation to the deposit services, we have obtained and reviewed a list of interest rates offered by Finance Company to the Group and five sets of randomly selected sample contracts entered into between the Group and independent commercial banks for the provision of similar deposit services during Relevant Period. We noted that Finance Company provided the Group with interest rates no less favourable than those offered by the independent commercial banks. As the sample contracts covered different types of deposit services under the China Telecom Financial Services Framework Agreement for each of the three years ended/ending 31 December 2024, we are of the view that such sample contracts are comparable and sufficient. In addition, we have obtained the list of major cooperative commercial banks from the Company and checked the interest rates offered by such major cooperative commercial banks for the provision of similar deposit services during the Relevant Period on their respective websites. We noted that the interest rates offered by Finance Company and the major cooperative commercial banks of the Group were made with reference to the deposit benchmark interest rates promulgated by the People's Bank of China and the interest rates offered by Finance Company to the Group were no less favourable than those offered by the major cooperative commercial banks to the Group.

Based on the above, we are of the view that the terms of the China Telecom Financial Services Framework Agreement in relation to the deposit services are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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**3. Proposed Annual Caps**

**3.1 Historical Amount, Existing and Proposed Annual Caps**

The following table sets forth (i) the historical transaction amounts for the two years ended 31 December 2023 and five months ended 31 May 2024; (ii) the existing Annual Caps for each of the three years ended/ending 31 December 2024; and (iii) the proposed Annual Caps for each of the three years ending 31 December 2027.

<i>RMB Million (except for utilisation rates)</i>	<b>Existing Annual Caps for the years ended/ending 31 December</b>			<b>Proposed Annual Caps for the years ending 31 December</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<i><b>New Engineering Framework Agreement</b></i>						
Annual Caps	19,000	21,800	23,500	26,000	27,000	28,000
Historical Amounts	16,993	19,031	7,105 <sup>Note 1</sup>	-	-	-
Utilisation Rates	89%	87%	30% <sup>Note 2</sup>	-	-	-
<i><b>New Ancillary Telecommunications Services Framework Agreement</b></i>						
Annual Caps	26,500	27,500	29,000	29,000	29,500	31,300
Historical Amounts	22,309	22,627	8,800 <sup>Note 1</sup>	-	-	-
Utilisation Rates	84%	82%	30% <sup>Note 2</sup>	-	-	-
<i><b>Deposit services contemplated under China Telecom Financial Services Framework Agreement</b></i>						
Annual Caps	60,000	60,000	60,000	60,000	60,000	60,000
Historical Amounts	35,201	37,839	36,620 <sup>Note 1</sup>	-	-	-
Utilisation Rates	59%	63%	61% <sup>Note 2</sup>	-	-	-

*Note:*

1. This is the unaudited actual transaction amount for the period from 1 January 2024 to the 31 May 2024.
2. The utilisation rate for the year ending 31 December 2024 is computed based on the historical amounts for the period from 1 January 2024 to 31 May 2024.
3. The Company confirmed that none of the existing Annual Caps have been exceeded as at the Latest Practicable Date.

**3.2 Basis of determination of the proposed Annual Caps and our analysis**

*3.2.1 New Engineering Framework Agreement*

Based on our discussion with the Management, we understand that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Engineering Framework Agreement are determined mainly with reference to the historical transactions between the Group and China Telecommunications Corporation and/or its associates and the estimated capital expenditure structure in future. The utilisation rate of the Annual Caps for the years of 2022 and 2023 were both close to 90%. The Group persists in steady and precise investment strategy to better adapt to business development. The investment structure continues to tilt towards Industrial Digitalisation capability and the Group will continue to increase its investment in Industrial Digitalisation businesses. The Group insists on the driving forces from dual engines of Industrial Digitalisation and fundamental businesses, strengthens support and assurance for strategic emerging businesses, and deploys computing power infrastructure appropriately in advance, which will drive the growth of connected transactions of engineering services in the future.

In assessing the fairness and reasonableness of the proposed Annual Caps for the Engineering Services contemplated under the New Engineering Framework Agreement:

- (i) we noted from the table above that the historical transaction amounts in respect of the Engineering Services provided by China Telecommunications Corporation and/or its associates to the Group were approximately RMB17.0 billion, RMB19.0 billion and RMB7.1 billion for FY2022, FY2023 and the five months ended 31 May 2024, respectively, representing year-on-year growth rate of approximately 12% for FY2023 and utilisation rates of approximately 89% for FY2022 and 87% for FY2023. Given the historical transaction amounts are indicators of the actual demand of the relevant transactions of the Group, we consider it is proper to use the growth rate of historical transaction amounts as a reference to assess the fairness and reasonableness of the growth rates adopted in proposed Annual Caps. We noted that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 represent year-on-year growth rates of approximately 11%, 4% and 4%, respectively, and accordingly, the year-on-year growth rate of the proposed Annual Caps for the year ending 31 December 2025 of approximately 11% is in line with the year-on-year growth rate of historical transaction amounts for FY2023 of approximately 12%;

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- (ii) in addition, we have conducted research on the Gross Domestic Product (the “GDP”) through the website of the National Bureau of Statistics of the PRC (<http://www.stats.gov.cn>) and note that the year-on-year growth rate in GDP was approximately 5.2% in FY2023 and 5% in the first half of 2024. We also noted from the Chinese government work report released on 12 March 2024 that, the GDP growth rate target is projected to be around 5% for the year ending 31 December 2024. When the overall economy grows, the demand for goods and services typically increases, leading to an increase in business activities for companies. Given that GDP growth rate is an important indicator of overall economic environment and market conditions, we consider it is proper to use the GDP growth rates as a reference to assess the fairness and reasonableness of the growth rates adopted in the proposed Annual Caps. The year-on-year growth rates of the proposed Annual Caps for the two years ending 31 December 2026 and 2027 as mentioned above is in line with the year-on-year growth rate of GDP for FY2023 of 5.2% and the GDP growth rate target for the year ending 31 December 2024 of 5%, which is the most recent benchmark available for the Company in estimating the expected increase in business activities;
- (iii) in 2023, in order to support the construction of 5G network at scale and strengthen the support and assurance for strategic emerging businesses, the Company increased the investment in cloud-network integrated digital information infrastructure, proactively grasped the development trends of AI and stepped up the investment and building of intelligent computing capabilities. At the same time, the Company further deepened 5G co-building and co-sharing as well as 4G network co-sharing, and continuously enhanced the depth and breadth of its 5G coverage. With reference to the 2023 AR and 2022 AR, the capital expenditure of the Group was approximately RMB92,528 million for FY2022 and RMB98,838 million for FY2023, representing an increase of approximately 6.7% from FY2021 and approximately 6.8% from FY2022, respectively. Accordingly, the increase in proposed Annual Caps is in line with the expected increase in demand in the Engineering Services after taking into account the historical increase in capital expenditure;



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- (iv) in addition, as the increase in number of 5G base stations potentially increase the demand in the number of 5G industry applications projects of the Company, which could lead to an increase in demand in Engineering Services, we have reviewed the statistical report on the telecommunications sector (the “Statistical Report”) published by the Ministry of Industry and Information Technology (MIIT) and noted that as of 31 December 2023, the number of mobile base stations in China amounted to 11.62 million, among which a total of 3.377 million 5G base stations have been built in 2023, accounting for 29.1% of the total number of mobile base stations nationwide, representing an increase of 7.8% year-on-year. Accordingly, the increase in the proposed Annual Caps is in line with the expected increase in demand in the Engineering Services after taking into account the historical industrial growth in the telecommunications sector; and
  
- (v) based on our discussion with the Management, we understand that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Engineering Framework Agreement are also determined with reference to the estimated volume of Engineering Services in the next three years. As the transactions under the New Engineering Framework Agreement mainly involve the Company’s Industrial Digitalisation business and strategic emerging businesses, we have reviewed and noted from the 2023 AR that, in FY2023, the Company’s Industrial Digitalisation business maintained rapid growth, with its revenue reaching RMB138.9 billion, representing an increase of 17.9% year-on-year and accounting for 29.9% of service revenues, up by 2.8 p.p. over last year. Its incremental contribution to service revenues increased to 70.4% from 51.6% in 2021. Accordingly, the increase in proposed Annual Caps is in line with the expected increase in demand in the Engineering Services after taking into account the historical growth in the Company’s Industrial Digitalisation business.

Based on the above, we concur with the Management that, after taken into account the high level of utilisation rates of the historical amounts as well as the expected future growth in demands for the Engineering Services as driven by the Company’s business plan and investment strategy, the proposed Annual Caps in relation to the New Engineering Framework Agreement are at an appropriate level and will provide more flexibility to the Group, and therefore are fair and reasonable so far as the Independent Shareholders are concerned.

### *3.2.2 New Ancillary Telecommunications Services Framework Agreement*

Based on our discussion with the Management, we understand that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Ancillary Telecommunications Services Framework Agreement are determined mainly with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates, current market rate and estimated volume of Ancillary Telecommunications Services in the next three years. The utilisation rate of the Annual Caps for the years of 2022 and 2023 were both close to 85%. The growth rates of the Group's mobile subscribers for the years of 2022 and 2023 were 5.0% and 4.2%, respectively, and the growth rates of the Group's wireline broadband subscribers for the years of 2022 and 2023 were 6.6% and 5.1% respectively. The increase in volume of ancillary telecommunications services in the future will be driven by the gradual expansion of the scale in subscribers, business volume and network scale of the Group year on year as the Group proactively promotes upgrades of connectivity, applications and user experience within its fundamental businesses, which leads to the continuous increase in business volume of the services for corporate development, customers retention and outsourced repairs.

In assessing the fairness and reasonableness of the proposed Annual Caps for the Ancillary Telecommunications Services contemplated under the New Ancillary Telecommunications Services Framework Agreement:

- (i) we noted from the table above that the historical transaction amounts in respect of the Ancillary Telecommunications Services provided by China Telecommunications Corporation and/or its associates to the Group were approximately RMB22.3 billion, RMB22.6 billion and RMB8.8 billion for FY2022, FY2023 and the five months ended 31 May 2024, respectively, representing year-on-year growth rate of approximately 1% for FY2023 and utilisation rates of approximately 84% for FY2022 and 82% for FY2023. We note that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 represent year-on-year growth rates of approximately 0%, 2% and 6%, respectively. The growth rate of proposed annual cap for the year ending 31 December 2025 is lower than the year-on-year growth rate of historical transaction amounts for FY2023 of approximately 1%. Taking into account the utilisation rate of 84% for FY2022 and 82% for FY2023 as well as the the year-on-year growth rate of historical transaction amounts for FY2023 of approximately 1%, we consider that the lower growth rates of the proposed Annual Caps of approximately 0% and 2% for the two years ending 31 December 2025 and 2026, respectively, are fair and reasonable;

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- (ii) the year-on-year growth rate of the proposed Annual Caps for the year ending 31 December 2027 is generally in line with the year-on-year growth rate of GDP of approximately 5.2% for FY2023 and the GDP growth rate target of approximately 5% for 2024 as mentioned above;
  
- (iii) based on our discussion with the Management, we understand that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Ancillary Telecommunications Services Framework Agreement are also determined with reference to the estimated volume of Ancillary Telecommunications Services in the next three years. The volume of telecommunications ancillary services is expected to increase in the future with the gradual expansion of the scale in subscriber base, business volume and network scale of the Group year on year which leads to the continuous increase in business volume of the services for corporate development, customers retention, outsourced network repairs, installation and relocation of equipment. We have reviewed and noted from the 2023 AR that, revenues from the Company's fundamental businesses grew steadily with subscriber scale and value rising continuously in FY2023. Mobile communications service revenues amounted to RMB195.7 billion, representing an increase of 2.4% year-on-year, of which, revenues from mobile value-added and applications amounted to RMB25.8 billion, representing an increase of 12.4% year-on-year. The net addition of mobile subscribers was 16.59 million, maintaining the industry-leading position for six consecutive years, and bringing the total number of subscribers to 408 million. Wireline and Smart Family service revenues amounted to RMB123.1 billion, representing an increase of 3.8% year-on-year, of which, revenue from the Smart Family business reached RMB19.0 billion, representing an increase of 12.8% year-on-year. The number of broadband subscribers reached 190 million with a net addition of 9.26 million. Accordingly, the increase in proposed Annual Caps is in line with the estimated increase in volume of Ancillary Telecommunications Services after taking into account the Company's operating performance such as the scale in subscriber base, business volume and network scale; and

- (iv) based on our review of the Statistical Report, we noted that the number of mobile subscribers reached 1.9 billion with a net addition of 37.07 million as of 31 December 2023. According to the latest statistic released by MIIT, revenue from telecommunications business amounted to RMB894.1 billion as of 30 June 2024, representing an increase of 3% year-on-year. Accordingly, the increase in proposed Annual Caps is in line with the expected future growth in demands in Ancillary Telecommunications Services after taking into account the historical industrial growth in the telecommunications sector.

Based on the above, we concur with the Management that, after taken into account the high level of utilisation rates of the historical amounts and operating performance as well as the expected future growth in demands for the Ancillary Telecommunications Services driven by the Company's business development, the proposed Annual Caps in relation to the New Ancillary Telecommunications Services Framework Agreement are at an appropriate level and will provide more flexibility to the Group, and therefore are fair and reasonable so far as the Independent Shareholders are concerned.

### *3.2.3 China Telecom Financial Services Framework Agreement*

As set out in the Letter from the Board, the proposed Annual Caps (maximum daily balance of deposits (including accrued interest) to be deposited by the Group with Finance Company) of the expected deposit services contemplated under the China Telecom Financial Services Framework Agreement for the three years ending 31 December 2025, 2026 and 2027 have taken into consideration the external settlement payment of the Company is mainly conducted through Finance Company. Following the increase in the scale of business and operation of the Company, the reserved settlement fund deposited with Finance Company will simultaneously increase. The maximum daily balance of deposits (including accrued interest) deposited by the Group with Finance Company for the years of 2022 and 2023 and the five-month period ended 31 May 2024 was RMB35,201 million, RMB37,839 million and RMB36,620 million respectively. Given that utilisation rates of the Annual Caps for the years of 2022 and 2023 and the five-month period ended 31 May 2024 were only 59%, 63% and 61% respectively, the proposed Annual Caps, which remain unchanged at RMB60,000 million for the years of 2025 to 2027, are expected to be sufficient to cover the amount of maximum daily balance of deposits (including accrued interest) to be deposited by the Group with Finance Company in the respective year.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the proposed Annual Caps for the deposit services contemplated under the China Telecom Financial Services Framework Agreement:

- (i) we noted from the table above that the historical transaction amounts in respect of the deposit services provided by Finance Company to the Group were approximately RMB35.2 billion, RMB37.8 billion and RMB36.6 billion for FY2022, FY2023 and the five months ended 31 May 2024, respectively, representing utilisation rates of approximately 59% for FY2022 and 63% for FY2023. We note that the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 remain the same as those for the three years ending 31 December 2022, 2023 and 2024;
- (ii) as mentioned above under the section headed “1.1 Information of the Group”, we note that (a) the revenue of the Group maintained good growth and profitability remained strong, with revenue increased by approximately 9.5% and 6.7% for FY2022 and FY2023, respectively, and profit for the year increased by approximately 5.8% and 9.9% for FY2022 and FY2023, respectively; and (b) the cash and cash equivalents of the Group increased by approximately 11.8% from approximately RMB72.5 billion as at 31 December 2022 to approximately RMB81.0 billion as at 31 December 2023, which is higher than the proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027, indicating that the Company has sufficient actual demand for the deposit services. Based on the above and considering the relatively low utilisation rates for FY2022 and FY2023, the proposed Annual Caps for the deposit services, though remain unchanged at RMB60,000 million, are able to cover the additional demands after taking into account the Group's improved historical financial performance;
- (iii) as advised by the Management, in accordance with the China Telecommunications Corporation's internal policy, the Group generally maintain settlement accounts with Finance Company so as to facilitate clearing with other members of the China Telecommunications Corporation and reduce the time required for transit and turnaround of funds. Considering that the settlement payment of the Company is mainly conducted through Finance Company, the settlement fund deposited with Finance Company is expected to increase along with the increase in the scale of business and operation of the Company. With reference to the business plan as set out in the 2023 AR, the Company will firmly grasp the new round of sci-tech revolution and industrial transformation trend represented by AI, and continue to deeply implement its Cloudification and Digital Transformation strategy. The Company will (a) focus on key areas such as cloud, AI, security, quantum and network, and accelerate the formation of new momentum and new advantages for corporate development; (b) continue to promote the application expansion and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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service upgrade of 5G, Gigabit and Smart Family, continuously enrich the content and value of fundamental businesses, and promote the steady growth of fundamental businesses. The Company will continue to deeply cultivate the digital transformation needs of industry customers, accelerate the development of high-quality digital products and services, and promote the rapid development of Industrial Digitalisation business; and (c) continue to promote the digital and intelligent upgrades of marketing services, continuously optimise service quality and customer perception, and make every effort to propel the corporate high-quality development to a new level. Based on the above and considering the relatively low utilisation rates for FY2022 and FY2023, the proposed Annual Caps for the deposit services, though remain unchanged at RMB60,000 million, are able to cover the additional demands after taking into account the expected increase in settlement fund deposited with Finance Company driven by the increase in the scale of business and operation of the Company; and

- (iv) as disclosed in the 2023 AR, the volume and revenue of telecommunications businesses of the communications industry achieved a steady growth in 2023, with positive growth in investment for five consecutive years. Based on the Statistical Report, the total volume of telecommunications businesses calculated based on the price of the previous year increased by 16.8% year-on-year, which strongly drove the recovery and growth of the service industry. The revenue from telecommunications businesses for the year amounted to RMB1.68 trillion, representing an increase of 6.2% year-on-year. With the rapid development of digital technologies such as AI, cloud computing, Big Data, and quantum information, new technologies and applications continue to emerge. Meanwhile, digital and intelligent transformation of the economy and society is in great demand, which will bring greater space for the development of the industry. Based on the above and considering the relatively low utilisation rates for FY2022 and FY2023, the proposed Annual Caps for the deposit services, though remain unchanged at RMB60,000 million, are able to cover the additional demands after taking into account the historical industrial growth in the telecommunications sector.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we concur with the Management that, after taken into account the historical transaction amounts and operating performance as well as the expected future growth in demands for the deposit services driven by the Company's business development and industry growth, the proposed Annual Caps in relation to the deposit services contemplated under the China Telecom Financial Services Framework Agreement, despite remaining unchanged at RMB60,000 million, are at an appropriate level to cover the additional demands as mentioned above and will provide more flexibility to the Group, and therefore are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Reasons for and benefits of entering into the Non-exempt Continuing Connected Transactions**

##### ***4.1 New Engineering Framework Agreement and New Ancillary Telecommunications Services Framework Agreement entered into between the Company and China Telecommunications Corporation***

The Group has been engaging with China Telecommunications Corporation and/or its associates regarding the transactions under the New Engineering Framework Agreement and New Ancillary Telecommunications Services Framework Agreement since 2006. The long history of cooperation between China Telecommunications Corporation and/or its associates and the Group has enabled China Telecommunications Corporation and/or its associates to gain a comprehensive and deep understanding of the Group's network features and general business needs. Compared to third parties, China Telecommunications Corporation and/or its associates can more aptly ensure that high quality service is provided at a competitive price, thus effectively lowering its operational expenses. The Group will receive high quality service and can effectively lower its operational expenses. Moreover, due to a long-standing and cooperative relationship in the past, China Telecommunications Corporation and/or its associates are more able to meet the needs of the Group and to provide responsive support services in a speedy and stable manner, thereby achieving effective business cooperation and synergies.

In view of the above, we concur with the Company that the Engineering Services and Ancillary Telecommunications Services contemplated under the New Engineering Framework Agreement and New Ancillary Telecommunications Services Framework Agreement are part of the Group's ordinary and usual course of business, which could facilitate the overall operations and growth of the Group's business and in the interests of the Company and the Shareholders as a whole.



***4.2 China Telecom Financial Services Framework Agreement entered into between the Company and Finance Company***

The Group has been engaging with Finance Company regarding the transactions under the China Telecom Financial Services Framework Agreement since 2019, which enables it to anticipate better the Group's business needs considering it is more familiar with the Group's capital structure, business operations and cash flow pattern. Finance Company are well-positioned to provide the Group with specialised and cost-efficient services which would not be easy for independent commercial banks to replicate. We have reviewed the licenses of Finance Company and have been advised by the Company that, to their best knowledge, up to the Latest Practicable Date, there is no record of non-compliance with relevant laws, rules and regulations of the PRC and Hong Kong on the Finance Company. We also noted from the relevant documents in relation to the capital risk control measures that, the China Telecommunications Corporation undertakes to provide liquidity support in the event of liquidity problems and replenish the capital of Finance Company when necessary. As a non-banking financial institution established with the approval of the NFRA, Finance Company is subject to the direct routine supervision by the Beijing Regulatory Bureau, the designated institution appointed by the NFRA. Meanwhile, it is also subject to the direct supervision of the People's Bank of China to pay deposit reserve in full and timely manner. In addition, we have obtained and noted from the risk assessment report of Finance Company for FY2023 that, Finance Company fulfilled the relevant regulatory indicators, including but not limited to, the capital adequacy ratio, liquidity ratio, ratio restriction on loan balances and the sum of deposit balance and paid-in capital.

In view of the above, we concur with the Company that the deposit services contemplated under the China Telecom Financial Services Framework Agreement are part of the Group's ordinary and usual course of business, which could facilitate the overall operations of the Groups' business and in the interests of the Company and the Shareholders as a whole.



**5. Internal Control**

The Company has established a comprehensive internal control system and has formulated a series of internal control measures and procedures in order to ensure the pricing mechanism and the terms of the Non-exempt Continuing Connected Transactions are fair and reasonable and no less favourable to the Company than those available to independent third parties, and in the interest of the Company and its Shareholders as a whole, details of which are included in the section headed “2.5 INTERNAL CONTROL” in the Letter from the Board. We have reviewed such internal control measures and procedures of the Company, including but not limited to the Administrative Measures of Related-Party (Connected) Transactions of China Telecom Corporation Limited, the Working Guidance of Related-Party (Connected) Transactions of China Telecom Corporation Limited and the Risk Contingency Plan in relation to the Connected Transactions with China Telecom Group Finance Co., Ltd.. We have obtained and reviewed the quarterly reports of the Company’s continuing connected transactions prepared by the finance department during Relevant Period and noted that the finance department continuously monitored the Non-exempt Continuing Connected Transactions to ensure that the actual transaction amounts incurred thereunder are within the respective Annual Caps.

In addition, as mentioned in the section above headed “2. Terms of the Non-exempt Continuing Connected Transactions and our assessments”, to ensure that the Non-exempt Continuing Connected Transactions are on normal commercial terms and followed the pricing policy as set out above, (i) for the Engineering Services and Ancillary Telecommunications Services, we have obtained and reviewed the sample contracts and documents in relation to the tender and bidding process and noted that the terms of the sample contracts between the Group and China Telecommunications Corporation are no less favourable to the Company than the terms of the sample contracts between the Group and independent third parties; and (ii) for the deposit services contemplated under the China Telecom Financial Services Framework Agreement, we have compared the interest rates offered by the Finance Company with those offered by the independent commercial banks and major cooperative commercial banks of the Company and noted that the interest rates of the deposit services provided by the Finance Company are not less favourable than those provided by such independent commercial banks or major cooperative commercial banks.

Based on the above, we are of the view that such internal control measures and procedures are sufficient to ensure that the Non-exempt Continuing Connected Transactions are on normal commercial terms and do not exceed the proposed Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to Rules 14A.55 and 14A.56 of the Hong Kong Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the Non-exempt Continuing Connected Transactions of the Company each year. We noted from the 2022 AR and 2023 AR that the independent non-executive Directors and the auditor of the Company have reviewed the Non-exempt Continuing Connected Transactions and provided their relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Hong Kong Listing Rules on an on-going basis.

Based on the above, we concur with the Company that the Group has effective internal control policies in place to continue to monitor the Non-exempt Continuing Connected Transactions, and therefore the interests of the Company and its Shareholders would be safeguarded.

### RECOMMENDATION

Having considered the above factors and reasons and summarised below:

- (i) the Group has been engaging with China Telecommunications Corporation and/or its associates regarding the transactions under the New Engineering Framework Agreement and New Ancillary Telecommunications Services Framework Agreement since 2006 and accordingly, with the long-standing and cooperative relationship in the past, China Telecommunications Corporation and/or its associates are more able to meet the needs of the Group and to provide responsive support services in a speedy and stable manner;
- (ii) the Finance Company is a subsidiary of the Company and the Group has been engaging with Finance Company regarding the transactions under the China Telecom Financial Services Framework Agreement since 2019, which enables the Finance Company to anticipate better the Group's business needs due to its long-term business relationship with the Group and its familiarity with the Group's capital structure, business operations and cash flow pattern;
- (iii) the terms of the New Engineering Framework Agreement, the New Ancillary Telecommunications Services Framework Agreement and the China Telecom Financial Services Framework Agreement in relation to the deposit services are generally the same as the existing framework agreements and are fair and reasonable as compared to those offered by independent third parties;
- (iv) the proposed Annual Caps in relation to the New Engineering Framework Agreement are at an appropriate level after taken into account the high level of utilisation rates of the historical amounts as well as the expected future growth in demands for the Engineering Services as driven by the Company's business plan and investment strategy;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (v) the proposed Annual Caps in relation to the New Ancillary Telecommunications Services Framework Agreement are at an appropriate level after taken into account the high level of utilisation rates of the historical amounts and operating performance as well as the expected future growth in demands for the Ancillary Telecommunications Services driven by the Company's business development;
- (vi) the proposed Annual Caps in relation to the deposit services contemplated under the China Telecom Financial Services Framework Agreement are at an appropriate level after taken into account the historical transaction amounts and operating performance as well as the expected future growth in demands for the deposit services driven by the Company's business development and industry growth; and
- (vii) the Company has effective internal control policies in place to continue to monitor the Non-exempt Continuing Connected Transactions,

we are of the opinion that (i) the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms; and (ii) the terms of the Non-exempt Continuing Connected Transactions (including the proposed Annual Caps thereto) are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend and we also recommend the Independent Shareholders to vote in favour of the resolution in relation to the Non-exempt Continuing Connected Transactions and the proposed Annual Caps to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Maxa Capital Limited**  
**Dian Deng**  
*Managing Director*

*Ms. Dian Deng is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in corporate finance industry.*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND ASSETS**

- (i) Mr. Ke Ruiwen, a Director of the Company, serves as the Chairman of China Telecommunications Corporation. Mr. Liu Guiqing, a Director of the Company, serves as a Director of China Telecommunications Corporation, Mr. Tang Ke and Mr. Li Jun, Directors of the Company, serve as Vice Presidents of China Telecommunications Corporation. Mr. Li Yinghui, a Director of the Company, serves as the Chief Accountant of China Telecommunications Corporation.
- (ii) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group, apart from their service contracts.
- (iii) Save as disclosed above, as at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

**3. DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or Supervisors had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning in Part XV of the SFO) which are (1) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or (2) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (3) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Name	Position	Class of shares	Number of shares	Capacity	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue
Chen Shengguang	Non-Executive Director	A share	1,000 (long position)	Beneficial owner	0.00%	0.00%
			1,000 (long position)	Interest of spouse	0.00%	0.00%
Zhang Jianbin	Employee Representative Supervisor	A share	1 (long position)	Beneficial owner	0.00%	0.00%

As at the Latest Practicable Date, save that Mr. Ke Ruiwen, Mr. Liu Guiqing, Mr. Tang Ke, Mr. Li Yinghui, Mr. Li Jun, Madam Han Fang, Mr. Zhang Jianbin, Madam Guan Lixin and Mr. Luo Zhendong were directors/employees of China Telecommunications Corporation, Mr. Chen Shengguang was the director and general manager of Guangdong Rising Holdings Group Co., Ltd., none of the Directors or Supervisors was a director or employee of a company which has any interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### 5. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors and Supervisors or his/her respective close associate(s) was interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

#### 6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 7. QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has been named in this circular or given its opinions or advice contained or referred to in this circular:

<b>Name</b>	<b>Qualifications</b>
Maxa Capital	Licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Maxa Capital issued a letter dated 2 August 2024, for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders.

As at the Latest Practicable Date, Maxa Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, statements and/or references to its name in the form and context in which it appears. Such letter and statements from and/or references of Maxa Capital are given as at the date of this circular for incorporation herein.

As at the Latest Practicable Date, Maxa Capital was not beneficially interested in the share capital of any member of the Group or did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

**9. MISCELLANEOUS**

- (i) The Company Secretary of the Company is Ms. Wong Yuk Har (CPA, CPA (Aust), FCG, HKFCG).
- (ii) The registered office and head office of the Company is 31 Jinrong Street, Xicheng District, Beijing 100033, PRC.

**10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.chinatelecom-h.com](http://www.chinatelecom-h.com)) for 14 days from the date of this circular:

- (i) the New Engineering Framework Agreement;
- (ii) the New Ancillary Telecommunications Services Framework Agreement; and
- (iii) the China Telecom Financial Services Framework Agreement.

**I. EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE AGREEMENTS ENTERED INTO BETWEEN THE COMPANY AND CHINA TELECOMMUNICATIONS CORPORATION AND BETWEEN THE COMPANY AND E-SURFING PAY****New Interconnection Settlement Agreement**

The Existing Interconnection Settlement Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Interconnection Settlement Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Interconnection Settlement Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Interconnection Settlement Agreement, both parties agree to achieve the interconnection between various types of telecommunications networks. The interconnection settlement charges will be calculated according to the “Notice Concerning the Issue of the Measures on Interconnection Settlement between Public Telecommunications Networks and Sharing of Relaying Fees” (Xin Bu Dian [2003] No. 454) promulgated by the Ministry of Information Industry of the PRC. The Ministry of Industry and Information Technology of the PRC may, from time to time, take into account the relevant regulatory rules and market conditions, amend or promulgate new rules or regulations in respect of interconnection settlement which will be announced on its official website at [www.miit.gov.cn](http://www.miit.gov.cn). If the Ministry of Industry and Information Technology of the PRC amends the existing, or promulgates new rules or regulations in respect of interconnection settlement, the parties shall apply such amended or new rules and regulations as acknowledged by both parties. The settlement regions include Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

**New Community Services Framework Agreement**

The Existing Community Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Community Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Community Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, if the Group has to obtain the same type of services from a third party at a greater cost, China Telecommunications Corporation and/or its associates cannot terminate the provision of such services to the Group.



Pursuant to the New Community Services Framework Agreement, China Telecommunications Corporation and/or its associates provide the Group with community services such as culture, education, property management, vehicle service, medical care, hotel and conference service, community and sanitary service. The community services under the New Community Services Framework Agreement are provided at:

- (1) the prices and/or the fees standards under the agreement shall refer to market prices, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Community Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the New Community Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service under the New Community Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates to provide such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group’s demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.

### **New Centralised Services Agreement**

The Existing Centralised Services Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Centralised Services Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Centralised Services Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Centralised Services Agreement, centralised services include services provided by the Group to China Telecommunications Corporation and/or its associates in relation to key corporate customers, management and operational services such as network management and business support services, and the common use of international facilities by both parties.

In accordance with the New Centralised Services Agreement, the aggregate costs incurred by the Group and China Telecommunications Corporation and/or its associates for the provision of management and operation services such as services in relation to key corporate customers, network management and business support services will be apportioned between the Group and China Telecommunications Corporation on a pro rata basis according to the revenues generated by each party. Associated costs, such as restoration maintenance costs when both parties use international facilities provided by third parties and accept services by such third parties and usage costs when both parties use the international facilities of China Telecommunications Corporation and/or its associates, shall be shared on a pro rata basis according to volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from each party divided by the proportion of the aggregate volume of the inbound and outbound voice calls to and from international regions, Hong Kong, Macau and Taiwan originating from both parties. When the two parties use international facilities provided by a third party and accept restoration maintenance costs, such fees shall be determined according to the actual utilisation fee of each year. The utilisation fee associated with the shared use of the international facilities provided by China Telecommunications Corporation and/or its associates shall be determined through negotiation between the two parties based on market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Centralised Services Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference.

**New Property and Land Use Right Leasing Framework Agreement**

The Existing Property and Land Use Right Leasing Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Property and Land Use Right Leasing Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Property and Land Use Right Leasing Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Property and Land Use Right Leasing Framework Agreement, the Group and China Telecommunications Corporation and/or its associates can lease properties and/or land use right (the “Leased Properties”) from the other party for conducting business activities according to the laws. The rental charges for the Leased Properties under the New Property and Land Use Right Leasing Framework Agreement shall be agreed by both parties according to comparable market rates. Market rates shall mean the rental charges at which the same or similar type of the Leased Properties or adjacent Leased Properties are leased by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the rental charges for any Leased Property under the New Property and Land Use Right Leasing Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference.

**New IT Services Framework Agreement**

The Existing IT Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New IT Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new IT Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New IT Services Framework Agreement, China Telecommunications Corporation and/or its associates and the Group can provide the other party with IT services, such as office automation, software testing, network upgrade, research and development on new businesses and development and upgrade of support systems. Each of the Group and China Telecommunications Corporation and/or its associates is entitled to provide services to the other party in accordance with the New IT Services Framework Agreement. The charges payable for such services shall be determined by reference to market rates. Market rates shall mean the rates at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New IT

Services Framework Agreement represents market rates, to the extent practicable, management of the Company shall take into account the rates of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business over the corresponding period for reference. In the circumstances where the relevant laws or regulations in the PRC specify that the prices and/or the fee standards for particular services to be provided pursuant to such agreement are to be determined by a tender process, the charges payable for such services shall be finally determined in accordance with the “Bidding Law of the PRC” and the “Regulations on the Implementation of the Bidding Law of the PRC” or the relevant tender procedures.

In terms of the same service under the New IT Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates for such service, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by China Telecommunications Corporation and/or its associates. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If China Telecommunications Corporation and/or its associates fail to meet the Group’s demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party. Where the above tender process is applicable, the Group does not accord any priority to China Telecommunications Corporation and/or its associates to provide such services, and the tender may be awarded to an Independent Third Party. However, if the terms of an offer from China Telecommunications Corporation and/or its associates are at least as favourable as those offered by other tenderers, the Group is entitled to award the tender to China Telecommunications Corporation and/or its associates.

#### **New Supplies Procurement Services Framework Agreement**

The Existing Supplies Procurement Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Supplies Procurement Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Supplies Procurement Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Supplies Procurement Services Framework Agreement, China Telecommunications Corporation and/or its associates and the Group provide each other with supplies procurement services, including procurement services for imported telecommunications supplies, domestic telecommunications supplies and domestic non-telecommunications supplies, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage and transportation and installation services.

Where the procurement services are provided on an agency basis, the fees shall be paid in commission which shall be calculated at:

- (1) not more than 1% of the contract value for the procurement of imported telecommunications supplies; or
- (2) not more than 3% of the contract value for the procurement of domestic telecommunications supplies and domestic non-telecommunications supplies.

The services for the provision of supplies procurement other than on an agency basis under the New Supplies Procurement Services Framework Agreement are provided at:

- (1) market prices, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Supplies Procurement Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the New Supplies Procurement Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service under the New Supplies Procurement Services Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates to provide such service, if the terms and conditions of services offered by China Telecommunications Corporation and/or its associates are at least as favourable as those offered by an Independent Third Party to the Group. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If China Telecommunications Corporation and/or its associates fail to meet the Group's demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.

#### **New Internet Applications Channel Services Framework Agreement**

The Existing Internet Applications Channel Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Internet Applications Channel Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Internet Applications Channel Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Internet Applications Channel Services Framework Agreement, the Group provides Internet applications channel services to China Telecommunications Corporation and/or its associates. The channel services mainly include the provision of telecommunications channel and applications support platform, provision of billing and deduction services, coordination of sales promotion and development of customers services, etc.

The charges payable for the services under the New Internet Applications Channel Services Framework Agreement are calculated on the following basis:

- (1) the prices and/or the fees standards under the agreement shall refer to market prices, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Internet Applications Channel Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the New Internet Applications Channel Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

In terms of the same service under the New Internet Applications Channel Services Framework Agreement, China Telecommunications Corporation and/or its associates is entitled to accord priority to the Group to provide such service, if the terms and conditions offered by an Independent Third Party to China Telecommunications Corporation are no better than those offered by the Group. The Group undertake to China Telecommunications Corporation and/or its associates that the Group will not provide services to China Telecommunications Corporation and/or its associates which are less favourable than the terms offered by the Group to a third party. The Group is entitled to provide relevant services to a third party only if the services provided to China Telecommunications Corporation and/or its associates under the agreement are not affected. However, if the Group fails to meet the demand of China Telecommunications Corporation and/or its associates under the agreement or terms offered by an Independent Third Party are more favourable than those offered by the Group, China Telecommunications Corporation and/or its associates is entitled to obtain such service from an Independent Third Party.



### **New Lease Financing Framework Agreement**

The Existing Lease Financing Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Lease Financing Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Lease Financing Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Lease Financing Framework Agreement, China Telecommunications Corporation and/or its associates provides the Group with lease financing services including sale and leaseback, direct lease, etc. and the associated lease financing consulting services.

The pricing policies of the lease financing services under the New Lease Financing Framework Agreement are set out below:

The fees charged by China Telecommunications Corporation and/or its associates shall comply with the relevant standards promulgated by the People's Bank of China or National Financial Regulatory Administration (if applicable) with reference to the standards of fees charged by major lease financing companies in cooperation with the Group for the same type of services provided to the Group on normal commercial terms or better. Such fees shall be equal to or lower than those of other major lease financing companies in cooperation with the Group.

In terms of the same service under the New Lease Financing Framework Agreement, the Group is entitled to accord priority to China Telecommunications Corporation and/or its associates to provide such service, if the terms and conditions of services offered by China Telecommunications Corporation and/or its associates are at least as favourable as those offered by an Independent Third Party to the Group. China Telecommunications Corporation and/or its associates undertake to the Group that China Telecommunications Corporation and/or its associates will not provide services to the Group which are less favourable than the terms offered by China Telecommunications Corporation and/or its associates to a third party. China Telecommunications Corporation and/or its associates are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. However, if China Telecommunications Corporation and/or its associates fail to meet the Group's demand under the agreement or terms offered by an Independent Third Party are more favourable than those offered by China Telecommunications Corporation and/or its associates, the Group is entitled to obtain such service from an Independent Third Party.



**New Telecommunications Resources Leasing Agreement**

The Existing Telecommunications Resources Leasing Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Telecommunications Resources Leasing Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Telecommunications Resources Leasing Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Telecommunications Resources Leasing Agreement, the Group leases telecommunications resources including transmission network telecommunications resources, wireless network telecommunications resources, wireline access network telecommunications resources, etc. from China Telecommunications Corporation and/or its associates.

The rental charges for the leasing of telecommunications resources from China Telecommunications Corporation and/or its associates are based on the annual depreciation charges and determined with reference to market prices as agreed by both parties. When determining the fee standard or reasonable profit margin, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference. The Group carries out maintenance of the leased telecommunications resources in accordance with the relevant procedures and standards as confirmed by both parties. Such maintenance fees shall be borne by the Group.

**New Trademark License Agreement**

The Existing Trademark License Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Trademark License Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Trademark License Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Trademark License Agreement, China Telecommunications Corporation and/or its associates grants the Group the license for the use of the trademarks with trademark registration certificates as registered by China Telecommunications Corporation and/or its associates at China National Intellectual Property Administration and the trademarks for which China Telecommunications Corporation and/or its associates is applying to China National Intellectual Property Administration for registration and has not obtained trademark registration certificates yet. During the term of the agreement, China Telecommunications Corporation and/or its associates will not charge the Group any royalty fee for the grant of trademark license.

**New Intellectual Property License Framework Agreement**

The Existing Intellectual Property License Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and China Telecommunications Corporation have entered into the New Intellectual Property License Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Intellectual Property License Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement.

Pursuant to the New Intellectual Property License Framework Agreement, each of the Group or China Telecommunications Corporation and/or its associates is entitled to grant to the other party the license for the use of intellectual property (excluding trademarks). Royalty fee for such license shall be determined by both parties based on market prices, which shall mean the prices to be determined on normal commercial terms and by the following mechanism: the royalty fee at which the same or similar type of intellectual property licenses are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Intellectual Property License Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business in the corresponding period for reference. Where there is no or it is not possible to determine the market prices according to the pricing and/or fee standards under the agreement in the course of performing the agreement, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference.

**New Payment and Digital Finance Related Services Framework Agreement**

The Existing Payment and Digital Finance Related Services Framework Agreement will expire on 31 December 2024. On 12 July 2024, the Company and E-surfing Pay have entered into the New Payment and Digital Finance Related Services Framework Agreement with a term from 1 January 2025 to 31 December 2027. Prior to the expiry of the agreement, the parties are entitled to negotiate the signing of a new Payment and Digital Finance Related Services Framework Agreement or a supplemental agreement to ensure the normal operation of the production and businesses of both parties after the expiry of the agreement. However, if the Group has to obtain the same type of services from a third party at a greater cost, E-surfing Pay and its subsidiaries cannot terminate the provision of such services to the Group.

Pursuant to the New Payment and Digital Finance Related Services Framework Agreement, E-surfing Pay and its subsidiaries will provide payment and digital finance related services to the Group. The service scope includes the recharged payment services as well as the issuance and operation and settlement services for rechargeable payment cards such as 11888 card; internet payment services and mobile phone payment services; bank card payment and barcode payment services; issuance and handling services for prepaid cards; bill payment and other integrated payment enabled services; establishment and maintenance services of the payment system of the Group's subscribers; other related payment and digital finance services within the scope of businesses permitted by or as filed with the relevant regulatory authorities; and the establishment, operation, expansion and maintenance services for fundamental capabilities and systems in fulfilment of the aforesaid services.

In term of the same service provided under the New Payment and Digital Finance Related Services Framework Agreement, if the terms and conditions offered by an Independent Third Party to the Group are no better than those offered by the E-surfing Pay and its subsidiaries, the Group is entitled to accord priority to E-surfing Pay and its subsidiaries for such service. E-surfing Pay and its subsidiaries undertake to the Group that E-surfing Pay and its subsidiaries will not provide services to the Group which are less favourable than the terms offered by E-surfing Pay and its subsidiaries to a third party. E-surfing Pay and its subsidiaries are entitled to provide relevant services to a third party only if the services provided to the Group under the agreement are not affected. If E-surfing Pay and its subsidiaries fail to meet the Group's demand under the agreement, or if an Independent Third Party offers more favourable terms than E-surfing Pay and its subsidiaries do, the Group may obtain such services from an Independent Third Party.

The services fees under the New Payment and Digital Finance Related Services Framework Agreement shall be calculated on the following basis:

- (1) market price, which shall mean the prices at which the same or similar type of products or services are provided by Independent Third Parties in the ordinary course of business and on normal commercial terms. When determining whether the transaction price for any transaction under the New Payment and Digital Finance Related Services Framework Agreement represents market prices, to the extent practicable, management of the Company shall take into account the prices of at least two similar and comparable transactions entered into with or carried out by Independent Third Parties in the ordinary course of business over the corresponding period for reference;
- (2) where there is no or it is not possible to determine the market prices, the prices are to be agreed between the parties based on the reasonable costs incurred in providing the services plus the amount of the relevant taxes and reasonable profit margin. For this purpose, “reasonable profit margin” is to be fairly determined by negotiations between the parties in accordance with the internal policies of the Group. When determining the “reasonable profit margin” for any transaction under the New Payment and Digital Finance Related Services Framework Agreement, to the extent practicable, management of the Company shall take into account the profit margin of at least two similar and comparable transactions entered into with Independent Third Parties in the corresponding period or the relevant industry profit margin for reference;
- (3) where there are government-prescribed prices, the prices and/or pricing standards shall be determined in accordance with the government-prescribed prices; where there are government-guided prices, the prices and/or pricing standards shall be determined with reference to the government-guided prices. Government-prescribed prices means the prices prescribed by the government department in charge of pricing or other relevant departments within the pricing authority and scope in accordance with the Price Law of the PRC. Government-guided prices means the prices determined by the operators as guided by the government department in charge of pricing or other relevant departments which regulate the base price and floating range within the pricing authority and scope in accordance with the Price Law of the PRC.

## HISTORICAL AMOUNTS AND EXISTING ANNUAL CAPS

The historical amounts of the above continuing connected transactions for the past two financial years and for the five-month period ended 31 May 2024 and the existing Annual Caps for the year ending 31 December 2024 are set out below:

Continuing Connected Transactions	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the period from 1 January to 31 May 2024	Annual Caps for the year ending 31 December 2024
Existing Interconnection Settlement Agreement	Amount payable by the Group: RMB102 million	Amount payable by the Group: RMB87 million	Amount payable by the Group: RMB26 million	Amount payable by the Group: RMB170 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB48 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB47 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB13 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB70 million
Existing Community Services Framework Agreement	RMB4,340 million	RMB4,526 million	RMB1,489 million	RMB5,800 million
Existing Centralised Services Agreement	Amount payable by the Group: RMB870 million	Amount payable by the Group: RMB806 million	Amount payable by the Group: RMB247 million	Amount payable by the Group: RMB2,200 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB3,572 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB3,909 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,465 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB5,200 million

Continuing Connected Transactions	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the period from 1 January to 31 May 2024	Annual Caps for the year ending 31 December 2024
Existing Property and Land Use Right Leasing Framework Agreement	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB484 million	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB702 million	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB138 million	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB1,000 million
	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB715 million	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB779 million	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB273 million	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB1,150 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB51 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB60 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB10 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB120 million

Continuing Connected Transactions	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the period from 1 January to 31 May 2024	Annual Caps for the year ending 31 December 2024
Existing IT Services Framework Agreement	Amount payable by the Group: RMB4,834 million	Amount payable by the Group: RMB6,584 million	Amount payable by the Group: RMB2,454 million	Amount payable by the Group: RMB10,000 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,944 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB2,294 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB871 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB7,700 million
Existing Supplies Procurement Services Framework Agreement	Amount payable by the Group: RMB4,249 million	Amount payable by the Group: RMB4,306 million	Amount payable by the Group: RMB1,416 million	Amount payable by the Group: RMB6,100 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB4,692 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB4,950 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB1,719 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB12,500 million

Continuing Connected Transactions	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the period from 1 January to 31 May 2024	Annual Caps for the year ending 31 December 2024
Existing Internet Applications Channel Services Framework Agreement	RMB57 million	RMB62 million	RMB21 million	RMB1,300 million
Existing Lease Financing Framework Agreement	RMB2,212 million	RMB5,973 million	RMB2,293 million	RMB12,000 million
Existing Telecommunications Resources Leasing Agreement	RMB442 million	RMB517 million	RMB246 million	RMB780 million
Existing Trademark License Agreement	RMB0 million	RMB0 million	RMB0 million	RMB0 million
Existing Intellectual Property License Framework Agreement	RMB0 million	RMB18 million	RMB0 million	RMB20 million
Existing Payment and Digital Finance Related Services Framework Agreement	RMB1,068 million	RMB994 million	RMB386 million	RMB1,550 million



**PROPOSED ANNUAL CAPS**

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 for the above continuing connected transactions are set out below:

<b>Continuing Connected Transactions</b>	<b>Proposed Annual Caps for the year ending 31 December 2025</b>	<b>Proposed Annual Caps for the year ending 31 December 2026</b>	<b>Proposed Annual Caps for the year ending 31 December 2027</b>
New Interconnection Settlement Agreement	Amount payable by the Group: RMB180 million	Amount payable by the Group: RMB190 million	Amount payable by the Group: RMB200 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB74 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB78 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB82 million
New Community Services Framework Agreement	RMB6,200 million	RMB6,600 million	RMB7,000 million
New Centralised Services Agreement	Amount payable by the Group: RMB1,500 million	Amount payable by the Group: RMB1,600 million	Amount payable by the Group: RMB1,700 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB5,700 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB6,200 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB6,700 million

Continuing Connected Transactions	Proposed Annual Caps for the year ending 31 December 2025	Proposed Annual Caps for the year ending 31 December 2026	Proposed Annual Caps for the year ending 31 December 2027
New Property and Land Use Right Leasing Framework Agreement	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB1,050 million	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB1,500 million	Total value of right-of-use assets (for those leases of which the lease term exceeds 12 months) and interest of lease liabilities involved in the properties leased by the Group RMB1,500 million
	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB1,200 million	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB1,250 million	Total value of other payments (including rent for those leases of which the lease term is no more than 12 months) involved in the properties leased by the Group RMB1,300 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB130 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB140 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB150 million
New IT Services Framework Agreement	Amount payable by the Group: RMB13,000 million	Amount payable by the Group: RMB16,000 million	Amount payable by the Group: RMB19,000 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB6,000 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB8,000 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB10,000 million

Continuing Connected Transactions	Proposed Annual Caps for the year ending 31 December 2025	Proposed Annual Caps for the year ending 31 December 2026	Proposed Annual Caps for the year ending 31 December 2027
New Supplies Procurement Services Framework Agreement	Amount payable by the Group: RMB6,700 million	Amount payable by the Group: RMB7,300 million	Amount payable by the Group: RMB7,900 million
	Amount payable by China Telecommunications Corporation and/or its associates: RMB7,800 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB8,400 million	Amount payable by China Telecommunications Corporation and/or its associates: RMB9,000 million
New Internet Applications Channel Services Framework Agreement	RMB62 million	RMB65 million	RMB68 million
New Lease Financing Framework Agreement	RMB14,000 million	RMB16,000 million	RMB17,500 million
New Telecommunications Resources Leasing Agreement	RMB820 million	RMB860 million	RMB900 million
New Trademark License Agreement	RMB0 million	RMB0 million	RMB0 million
New Intellectual Property License Framework Agreement	RMB100 million	RMB100 million	RMB100 million
New Payment and Digital Finance Related Services Framework Agreement	RMB1,700 million	RMB1,730 million	RMB1,770 million

As far as the Directors are aware, none of the Annual Caps for the above continuing connected transactions for the year ending 31 December 2024 (if applicable) has been exceeded as at the Latest Practicable Date. Each of the Proposed Annual Caps of the above continuing connected transactions for the three years ending 31 December 2025, 2026 and 2027 have been determined by reference to the nature of the transactions contemplated under the respective agreements, the existing scale and operations of the Company's business, the business plan of the Company and the inflationary pressures for the three years ending 31 December 2025, 2026 and 2027. The consideration under each of the above continuing connected transactions (if any) will be satisfied in cash and no payment will be made on a deferred basis.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Interconnection Settlement Agreement are determined with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates and estimated volume of interconnection settlement services in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Community Services Framework Agreement are determined mainly with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates, current market rate and estimated volume of community services in the next three years, taking into account the steady increase in demand for respective community services including property management and conference services as a result of business development and the expansion of scale of the Group.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Centralised Services Agreement are determined with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates and estimated volume of centralised services in the next three years. Due to the impact of Industrial Digitalisation business as a driving force on the revenues of China Telecommunications Corporation and/or its associates, both centralised service income and expenses will maintain steady growth in the future.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Property and Land Use Right Leasing Framework Agreement are determined in terms of the estimated transaction amount mainly with reference to the historical transaction volumes and expected growth of the Group's business and the business of China Telecommunications Corporation and/or its associates. The Company also considers, among other things, the following factors:

- (1) the estimated Annual Caps for leasing of properties and land use right from China Telecommunications Corporation and/or its associates by the Group for each of the three years ending 31 December 2027 include the estimated recognised right-of-use assets and interest of lease liabilities in respect of leases for a term of more than one year and estimated rent in respect of leases for a term of no more than one year. Under the IFRS Accounting Standards applicable to the Group, the Group as the lessee shall recognise leases for a term of more than one year as right-of-use assets and lease liabilities. The right-of-use assets represent its rights to use the underlying leased asset over the lease term and the lease liabilities represent its obligations to make lease payments (i.e. the rent payment). The assets and the liabilities arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the New Property and Land Use Right Leasing Framework Agreement, using the incremental borrowing rate as the discount rate. Under the IFRS Accounting Standards and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortised from the lease

liability over the lease term. In accordance with the Hong Kong Listing Rules, the Company is required to set caps on the total value of right-of-use assets and interest of lease liabilities relating to the above leases. Therefore, the estimated Annual Caps for leasing of properties from China Telecommunications Corporation and/or its associates by the Group for each of the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are RMB2,250 million (among which approximately RMB1,050 million will be recognised as right-of-use assets and interest of lease liabilities, and approximately RMB1,200 million will be rent of leases for a term of no more than one year), RMB2,750 million (among which approximately RMB1,500 million will be recognised as right-of-use assets and interest of lease liabilities, and approximately RMB1,250 million will be rent of leases for a term of no more than one year), and RMB2,800 million (among which approximately RMB1,500 million will be recognised as right-of-use assets and interest of lease liabilities, and approximately RMB1,300 million will be rent of leases for a term of no more than one year), respectively;

- (2) the historical transactions between the Group and China Telecommunications Corporation and/or its associates, current market rent and the estimated scope and scale of lease of properties and land from each party in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the provision of IT services by China Telecommunications Corporation and/or its associates to the Group and the provision of IT services by the Group to China Telecommunications Corporation and/or its associates under the New IT Services Framework Agreement are determined mainly with reference to the estimated business volume of IT services in future. The increase in IT services is mainly driven by the construction of self-use IT system and provision of various IT services to customers. In the next three years the Group will continue to focus on the development of Industrial Digitalisation and strategic emerging businesses, and business volume of IT services is expected to maintain rapid growth continuously.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the provision of supplies procurement services by China Telecommunications Corporation and/or its associates to the Group under the New Supplies Procurement Services Framework Agreement are determined mainly with reference to previous supplies procurement in the past three years and estimated volume of supplies procurement in the future. The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the provision of supplies procurement services by the Group to China Telecommunications Corporation and/or its associates under the New Supplies Procurement Services Framework Agreement are determined mainly with reference to previous supplies procurement in the past three years and the sales of intelligent and pan-intelligent terminals in the future on business volume.

In terms of the Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Internet Applications Channel Services Framework Agreement, mainly due to the impact of the business model adjustment, the overall development of 5G applications membership and channel cooperation with the Group in the past three years has been lower than expected. It is expected that the business volume of 5G application service will be relatively stable in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Lease Financing Framework Agreement are determined with reference to the relevant standards in relation to leverage financing and finance concentration promulgated by People's Bank of China or National Financial Regulatory Administration for the same type of financing services (if applicable) and the scope and estimated business volume of lease financing services in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Telecommunications Resources Leasing Agreement are determined with reference to historical transactions between the Group and China Telecommunications Corporation and/or its associates, annual depreciation charges of telecommunications resource and equipment, current market rate, the Group's business plan in the next three years and estimated scope and scale of lease of telecommunications resources in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Intellectual Property License Framework Agreement are determined with reference to the estimated intellectual property conversion business volume between the Group and China Telecommunications Corporation and/or its associates in the next three years.

The Proposed Annual Caps for the three years ending 31 December 2025, 2026 and 2027 in relation to the New Payment and Digital Finance Related Services Framework Agreement are determined mainly with reference to historical transactions between the Group and E-surfing Pay and its subsidiaries and the estimated scope and business volume of payment and digital finance related services in the next three years.

**II. EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER FINANCIAL SERVICES FRAMEWORK AGREEMENTS****(I) China Telecommunications Corporation Financial Services Framework Agreement entered into between Finance Company and the Parent Company**

On 12 July 2024, the Parent Company and Finance Company have entered into the China Telecommunications Corporation Financial Services Framework Agreement. Pursuant to the agreement, Finance Company agreed to provide financial services to the Parent Group, including deposit services, loan and bill discounting services and other financial services.

The principal terms of the China Telecommunications Corporation Financial Services Framework Agreement are set out as below:

**Date:**

12 July 2024

**Parties:**

- (i) The Parent Company
- (ii) Finance Company

**Effective Period of the Agreement:**

The China Telecommunications Corporation Financial Services Framework Agreement becomes effective when it is duly signed by the legal representatives or authorised representatives of both parties, affixed with their respective company chops or contract chops and considered or approved by the authorised body of both parties (if applicable), and shall remain valid commencing from 1 January 2025 until 31 December 2027. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement. Pursuant to the Shanghai Listing Rules, the expected respective financial services contemplated under the China Telecommunications Corporation Financial Services Framework Agreement shall commence upon the approval by the Independent Shareholders of the Company at the EGM is obtained.

**Service Scope**

According to the China Telecommunications Corporation Financial Services Framework Agreement, Finance Company can provide the following financial services to the Parent Group:

- (i) acceptance of money deposit;
- (ii) arrangement of loan;
- (iii) arrangement of bill discounting;
- (iv) arrangement of fund settlement, collection and payment;
- (v) provision of entrusted loans, bond underwriting, non-financing letter of guarantee, financial advice, credit authentication and relevant consulting and agency services;
- (vi) arrangement of acceptance of bills;
- (vii) arrangement of buyer credits and consumer credits of products; and
- (viii) other services as approved by the NFRA\*.

\* Pursuant to Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), depending on actual development needs and subject to fulfilment of regulatory requirements, Finance Company can apply to NFRA to carry on other businesses, which include providing buyer credits and consumer credits of the products of the member units.

Upon the agreement becoming effective, the above services numbered (vii) and (viii) can be provided by Finance Company in accordance with the business scope as approved by NFRA.



**Pricing Policy***(i) Deposit Services*

The deposit interest rates offered by Finance Company to the Parent 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 the Parent Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the deposit services offered by Finance Company to the Parent Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by Finance Company to other member units.

*(ii) Loan and Bill Discounting Services*

The loan interest rates and the bill discounting interest rates offered by Finance Company to the Parent 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 of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the Parent Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Parent Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by Finance Company to the Parent Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by Finance Company to other member units.

The above loan and bill discounting services provided by Finance Company to the Parent Group do not require the Parent Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) *Other Financial Services*

Finance Company will provide other financial services (other than deposit, loan and bill discounting services) including fund settlement, collection and payment, financial advice, credit authentication, consulting and agency and acceptance of bills to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement.

The fees charged for other financial services to be provided by Finance Company to the Parent Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the NFRA (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Parent Group and are 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 Parent Group. Under the same conditions, the fees standard charged to the Parent Group by Finance Company shall be the same as those fees standard for the same type of other financial services charged by Finance Company to other member units.

For the respective specific transactions under the China Telecommunications Corporation Financial Services Framework Agreement entered into between the Parent Company and Finance Company, under the same conditions, the Parent Group should, in principle, choose the services provided by Finance Company. If the Parent Group considers it is appropriate and beneficial to the Parent Group, the Parent Group has the discretion to engage one or more major cooperative commercial banks of the Parent Group as its financial services providers.

**Historical Transaction Amount and Annual Caps**

(i) *Deposit Services*

As the deposit services provided by Finance Company to the Parent Group are conducted on normal commercial terms or better and the relevant deposit services are not secured by the assets of the Group, such deposit services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the China Telecommunications Corporation Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The historical transaction amount for the deposit services (including accrued interest) provided by Finance Company to the Parent Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	<b>Audited historical amount for the year ended 31 December 2022</b>	<b>Audited historical amount for the year ended 31 December 2023</b>	<b>Unaudited historical amount for the five months ended 31 May 2024</b>
Maximum daily balance of deposits (including accrued interest) deposited by the Parent Group with Finance Company	RMB9.364 billion	RMB15.572 billion	RMB15.131 billion

(ii) *Loan and Bill Discounting Services*

The historical transaction amount for the loan and bill discounting services (including accrued interest) provided by Finance Company to the Parent Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	<b>Audited historical amount for the year ended 31 December 2022</b>	<b>Audited historical amount for the year ended 31 December 2023</b>	<b>Unaudited historical amount for five months ended 31 May 2024</b>
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the Parent Group	RMB8.047 billion	RMB8.047 billion	RMB8.015 billion

The Annual Caps for the loan and bill discounting services (including accrued interest) provided by Finance Company to the Parent Group for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 were as follows:

	Annual Caps for the year ended 31 December 2022	Annual Caps for the year ended 31 December 2023	Annual Caps for the year ending 31 December 2024
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the Parent Group	RMB14 billion	RMB14 billion	RMB14 billion

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services provided by Finance Company to the Parent Group is less than 0.1%, such other financial services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the China Telecommunications Corporation Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, the respective fee charged by Finance Company on providing other financial services to the Parent Group were RMB0, respectively.

As far as the Directors are aware, as at the Latest Practicable Date, none of the Annual Caps of the respective specified financial services provided by Finance Company to the Parent Group for the year ending 31 December 2024 has been exceeded.

**Proposed Annual Caps***(i) Deposit Services*

As the deposit services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the China Telecommunications Corporation Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the deposit services (including accrued interest) to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum daily balance of deposits (including accrued interest) deposited by Parent Group with Finance Company	RMB22 billion	RMB22 billion	RMB22 billion

*(ii) Loan and Bill Discounting Services*

The Annual Caps for the loan and bill discounting services (including accrued interest) to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum daily loan and bill discounting balance (including accrued interest) to be provided by Finance Company to Parent Group	RMB15 billion	RMB15 billion	RMB15 billion

The Annual Caps for the loan and bill discounting services under the China Telecommunications Corporation Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and December 2027 have been determined with reference to the loan and bill discounting amounts obtained from commercial banks by China Telecom in the recent three years, the existing business scale and operation of the Parent Group, business plans and business development needs, financial and cash flow level, capital financing strategies and needs for the coming three years, and the expected financial and cash flow level as well as the risk management needs of Finance Company for the coming three years.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the China Telecommunications Corporation Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the fee charged for the other financial services to be provided by Finance Company to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum fee charged by Finance Company on providing other financial services to the Parent Group	RMB0.04 billion	RMB0.04 billion	RMB0.04 billion

**(II) CCS Financial Services Framework Agreement entered into between Finance Company and CCS**

On 12 July 2024, CCS and Finance Company have entered into the CCS Financial Services Framework Agreement. Pursuant to the agreement, Finance Company agreed to provide financial services to CCS Group, including deposit services, loan and bill discounting services and other financial services.

The principal terms of the CCS Financial Services Framework Agreement are set out as below:

**Date:**

12 July 2024

**Parties:**

- (i) CCS
- (ii) Finance Company

**Effective Period of the Agreement:**

The CCS Financial Services Framework Agreement becomes effective when it is duly signed by the legal representatives or authorised representatives of both parties, affixed with their respective company chops or contract chops and considered or approved by the authorised body of both parties (if applicable), and shall remain valid commencing from 1 January 2025 until 31 December 2027. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement. Pursuant to the Shanghai Listing Rules, the expected respective financial services contemplated under the CCS Financial Services Framework Agreement shall commence upon the approval by the Independent Shareholders of the Company at the EGM is obtained.



**Service Scope**

According to the CCS Financial Services Framework Agreement, Finance Company can provide the following financial services to the CCS Group:

- (i) acceptance of money deposit;
- (ii) arrangement of loan;
- (iii) arrangement of bill discounting;
- (iv) arrangement of fund settlement, collection and payment;
- (v) provision of entrusted loans, bond underwriting, non-financing letter of guarantee, financial advice, credit authentication and relevant consulting and agency services;
- (vi) arrangement of acceptance of bills;
- (vii) arrangement of buyer credits and consumer credits of products; and
- (viii) other services as approved by the NFRA\*.

\* Pursuant to Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), depending on actual development needs and subject to fulfilment of regulatory requirements, Finance Company can apply to NFRA to carry on other businesses, which include providing buyer credits and consumer credits of the products of the member units.

Upon the agreement becoming effective, the above services numbered (vii) and (viii) can be provided by Finance Company in accordance with the business scope as approved by NFRA.

**Pricing Policy***(i) Deposit Services*

The deposit interest rates offered by Finance Company to the CCS 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 the CCS Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the deposit services offered by Finance Company to the CCS Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by Finance Company to other member units.

(ii) *Loan and Bill Discounting Services*

The loan interest rates and the bill discounting interest rates offered by Finance Company to the CCS 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 of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the CCS Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the CCS Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by Finance Company to the CCS Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by Finance Company to other member units.

The above loan and bill discounting services provided by Finance Company to the CCS Group do not require the CCS Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) *Other Financial Services*

Finance Company will provide other financial services (other than deposit, loan or bill discounting services) including fund settlement, collection and payment, financial advice, credit authentication, consulting and agency and acceptance of bills to the CCS Group under the CCS Financial Services Framework Agreement.

The fees charged for other financial services to be provided by Finance Company to the CCS Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the NFRA (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the CCS Group and are 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 CCS Group. Under the same conditions, the fees standard charged to the CCS Group by Finance Company shall be the same as those fees standard for the same type of other financial services charged by Finance Company to other member units.

For the respective specific transactions under the CCS Financial Services Framework Agreement entered into between CCS and Finance Company, provided that it is in compliance with the terms and conditions of the CCS Financial Services Framework Agreement, Finance Company will be appointed as one of the financial institutions providing financial services to the CCS Group. Prior to the signing of any specific agreement with Finance Company in respect of respective transactions under the CCS Financial Services Framework Agreement, the CCS Group will compare the interest rates and terms or fees charged and other relevant transactions terms offered by Finance Company with those interest rates and terms of the same type of deposit or loan and bill discounting services for the same period or fees charged and other relevant transaction terms for the same type of financial services offered by the major cooperative commercial banks of the CCS Group. Only when the interest rates and terms or fees charged or other relevant transactions terms offered by Finance Company are equivalent to or better than those interest rates and terms offered or fees charged or other relevant transactions terms (e.g. transaction approval terms, procedures or time limit, etc) offered by the major cooperative commercial banks of the CCS Group, the CCS Group has the discretion to enter into the transactions with Finance Company. Under the circumstances which the CCS Group considers appropriate, the CCS Group may engage additional or other financial institutions other than Finance Company to provide financial services.

#### **Historical Transaction Amount and Annual Caps**

(i) *Deposit Services*

As the deposit services provided by Finance Company to the CCS Group are conducted on normal commercial terms or better and the relevant deposit services are not secured by the assets of the Group, such deposit services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the CCS Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The historical transaction amount for the deposit services (including accrued interest) provided by Finance Company to the CCS Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	Audited historical amount for the year ended 31 December 2022	Audited historical amount for the year ended 31 December 2023	Unaudited historical amount for the five months ended 31 May 2024
Maximum daily balance of deposits (including accrued interest) deposited by the CCS Group with Finance Company	RMB7.115 billion	RMB8.056 billion	RMB8.476 billion

(ii) *Loan and Bill Discounting Services*

For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, Finance Company had not provided any loan and bill discounting services to the CCS Group.

The Annual Caps for the loan and bill discounting services (including accrued interest) provided by Finance Company to CCS for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 were as follows:

	Annual Caps for the year ended 31 December 2022	Annual Caps for the year ended 31 December 2023	Annual Caps for the year ending 31 December 2024
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the CCS Group	RMB1 billion	RMB1 billion	RMB1 billion

(iii) *Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services provided by Finance Company to the CCS Group is less than 0.1%, such other financial services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the CCS Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, the respective fee charged by Finance Company on providing other financial services to the CCS Group were RMB0, respectively.

As far as the Directors are aware, as at the Latest Practicable Date, none of the Annual Caps of the respective specified financial services provided by Finance Company to CCS Group for the year ending 31 December 2024 has been exceeded.

**Proposed Annual Caps**

(i) *Deposit Services*

As the deposit services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The deposit services offered by Finance Company to the CCS Group shall be provided upon the approval by the independent shareholders of CCS at the CCS EGM is obtained. The respective Annual Caps of the deposit services for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 to be tabled for the approval of independent shareholders of CCS are RMB12.5 billion, RMB12.5 billion and RMB12.5 billion, respectively.

*(ii) Loan and Bill Discounting Services*

The Annual Caps of the loan and bill discounting services (including accrued interest) to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum daily loan and bill discounting balance (including accrued interest) to be provided by Finance Company to the CCS Group	RMB1 billion	RMB1 billion	RMB1 billion

The Annual Caps for the loan and bill discounting services under the CCS Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 have been determined with reference to the loan and bill discounting amount obtained from commercial banks by the CCS Group in the recent three years, financing strategies needs of the CCS Group for the coming three years and the possible demand for loans, bill discounting and other credit services in alignment with the business development of the CCS Group.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the CCS Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the fee charged for the other financial services to be provided by Finance Company to the CCS Group under the CCS Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum fee charged by Finance Company on providing other financial services to CCS Group	RMB14 million	RMB14 million	RMB14 million

**(III) Guomai Culture Financial Services Framework Agreement entered into between Finance Company and Guomai Culture**

On 12 July 2024, Guomai Culture and Finance Company have entered into the Guomai Culture Financial Services Framework Agreement. Pursuant to the agreement, Finance Company agreed to provide financial services to Guomai Culture Group, including deposit services, loan and bill discounting services and other financial services.

The principal terms of the Guomai Culture Financial Services Framework Agreement are set out as below:

**Date:**

12 July 2024

**Parties:**

- (i) Guomai Culture
- (ii) Finance Company

**Effective Period of the Agreement:**

The Guomai Culture Financial Services Framework Agreement becomes effective when it is duly signed by the legal representatives or authorised representatives of both parties, affixed with their respective company chops or contract chops and considered or approved by the authorised body of both parties (if applicable), and shall remain valid commencing from 1 January 2025 until 31 December 2027. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement. Pursuant to the Shanghai Listing Rules, the expected respective financial services contemplated under the Guomai Culture Financial Services Framework Agreement shall commence upon the approval by the Independent Shareholders of the Company at the EGM is obtained.



**Service Scope**

According to the Guomai Culture Financial Services Framework Agreement, Finance Company can provide the following financial services to the Guomai Culture Group:

- (i) acceptance of money deposit;
- (ii) arrangement of loan;
- (iii) arrangement of bill discounting;
- (iv) arrangement of fund settlement, collection and payment;
- (v) provision of entrusted loans, bond underwriting, non-financing letter of guarantee, financial advice, credit authentication and relevant consulting and agency services;
- (vi) arrangement of acceptance of bills;
- (vii) arrangement of buyer credits and consumer credits of products; and
- (viii) other services as approved by the NFRA\*.

\* Pursuant to Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), depending on actual development needs and subject to fulfilment of regulatory requirements, Finance Company can apply to NFRA to carry on other businesses, which include providing buyer credits and consumer credits of the products of the member units.

Upon the agreement becoming effective, the above services numbered (vii) and (viii) can be provided by Finance Company in accordance with the business scope as approved by NFRA.

**Pricing Policy***(i) Deposit Services*

The deposit interest rates offered by Finance Company to the Guomai Culture 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 the Guomai Culture Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Guomai Culture Group. Under the same conditions, the interest rates and terms for the deposit services offered by Finance Company to the Guomai Culture Group shall be the same as those interest rates and terms of the same type of deposit services for the same period offered by Finance Company to other member units.

*(ii) Loan and Bill Discounting Services*

The loan interest rates and the bill discounting interest rates offered by Finance Company to the Guomai Culture 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 of the same type of loan services and bill discounting services for the same period offered by the major cooperative commercial banks of the Guomai Culture Group and are conducted on normal commercial terms or better. The loan interest rates and the bill discounting interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Guomai Culture Group. Under the same conditions, the interest rates and terms for the loan and bill discounting services offered by Finance Company to the Guomai Culture Group shall be the same as those interest rates and terms of the same type of loan services and bill discounting services for the same period offered by Finance Company to other member units.

The above loan and bill discounting services provided by Finance Company to the Guomai Culture Group do not require the Guomai Culture Group to pledge any security over its assets or make other arrangements for the loan and bill discounting services as guarantee.

(iii) *Other Financial Services*

Finance Company will provide other financial services (other than deposit, loan or bill discounting services) including fund settlement, collection and payment, financial advice, credit authentication, consulting and agency and acceptance of bills to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement.

The fees charged for other financial services to be provided by Finance Company to the Guomai Culture Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the NFRA (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Guomai Culture Group and are 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 Guomai Culture Group. Under the same conditions, the fees standard charged to the Guomai Culture Group by Finance Company shall be the same as those fees standard for the same type of other financial services charged by Finance Company to other member units.

The Guomai Culture has the discretion to choose other financial institutions to provide financial services. For the respective specific transactions under the Guomai Culture Financial Services Framework Agreement entered into between Guomai Culture and Finance Company and under the same conditions, the Guomai Culture Group shall, in principle, take the financial services provided by Finance Company as priority. Under the circumstances which the Guomai Culture Group considers appropriate and beneficial to the Guomai Culture Group, the Guomai Culture Group may engage one or more financial institutions which are the major cooperative commercial banks of the Guomai Culture Group to provide financial services.

**Historical Transaction Amount and Annual Caps**

(i) *Deposit Services*

As the deposit services provided by Finance Company to the Guomai Culture Group are conducted on normal commercial terms or better and the relevant deposit services are not secured by the assets of the Group, such deposit services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the Guomai Culture Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The historical transaction amount for the deposit services (including accrued interest) provided by Finance Company to Guomai Culture Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	<b>Audited historical amount for the year ended 31 December 2022</b>	<b>Audited historical amount for the year ended 31 December 2023</b>	<b>Unaudited historical amount for the five months ended 31 May 2024</b>
Maximum daily balance of deposits (including accrued interest) deposited by Guomai Culture Group with Finance Company	RMB1.408 billion	RMB1.459 billion	RMB1.273 billion

(ii) *Loan and Bill Discounting Services*

For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, Finance Company had not provided any loan and bill discounting services to the Guomai Culture Group.

The Annual Caps for the loan and bill discounting services (including accrued interest) provided by Finance Company to the Guomai Culture Group for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 were as follows:

	<b>Annual Caps for the year ended 31 December 2022</b>	<b>Annual Caps for the year ended 31 December 2023</b>	<b>Annual Caps for the year ending 31 December 2024</b>
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the Guomai Culture Group	RMB1.5 billion	RMB1.5 billion	RMB1.5 billion

(iii) *Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services provided by Finance Company to the Guomai Culture Group is less than 0.1%, such other financial services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the Guomai Culture Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, the respective fee charged by Finance Company on providing other financial services to the Guomai Culture Group were RMB0, respectively.

As far as the Directors are aware, as at the Latest Practicable Date, none of the Annual Caps of the respective specified financial services provided by Finance Company to the Guomai Culture Group for the year ending 31 December 2024 has been exceeded.

**Proposed Annual Caps**

(i) *Deposit Services*

As the deposit services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the Guomai Culture Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the deposit services (including accrued interest) to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Agreements for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	Annual Caps for the year ending 31 December 2025	Annual Caps for the year ending 31 December 2026	Annual Caps for the year ending 31 December 2027
Maximum daily balance of deposits (including accrued interest) deposited by the Guomai Culture Group with Finance Company	RMB1.5 billion	RMB1.5 billion	RMB1.5 billion

(ii) *Loan and Bill Discounting Services*

The Annual Caps of the loan and bill discounting services (including accrued interest) to be provided by Finance Company to the Guomai Culture Group for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	Annual Caps for the year ending 31 December 2025	Annual Caps for the year ending 31 December 2026	Annual Caps for the year ending 31 December 2027
Maximum daily loan and bill discounting balance (including accrued interest) to be provided by Finance Company to the Guomai Culture Group	RMB1.5 billion	RMB1.5 billion	RMB1.5 billion

The Annual Caps for the loan and bill discounting services under the Guomai Culture Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 have been determined with reference to the loan and bill discounting amount obtained from commercial banks by the Guomai Culture Group in the recent three years, financing strategies needs of the Guomai Culture Group for the coming three years and the possible demand for loans and bill discounting services in alignment with the business development of the Guomai Culture Group.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the Guomai Culture Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the fee charged for the other financial services to be provided by Finance Company to the Guomai Culture Group under the Guomai Culture Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	Annual Caps for the year ending 31 December 2025	Annual Caps for the year ending 31 December 2026	Annual Caps for the year ending 31 December 2027
Maximum fee charged by Finance Company on providing other financial services to the Guomai Culture Group	RMB10 million	RMB10 million	RMB10 million

**(IV) Safety Technology Financial Services Framework Agreement entered into between Finance Company and Safety Technology**

On 12 July 2024, Safety Technology and Finance Company have entered into the Safety Technology Financial Services Framework Agreement. Pursuant to the agreement, Finance Company agreed to provide financial services to Safety Technology Group, including deposit services, loan and bill discounting services and other financial services.

The principal terms of the Safety Technology Financial Services Framework Agreement are set out as below:

**Date:**

12 July 2024

**Parties:**

- (i) Safety Technology
- (ii) Finance Company

**Effective Period of the Agreement:**

The Safety Technology Financial Services Framework Agreement becomes effective when it is duly signed by the legal representatives or authorised representatives of both parties, affixed with their respective company chops or contract chops and considered or approved by the authorised body of both parties (if applicable), and shall remain valid commencing from 1 January 2025 until 31 December 2027. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties will negotiate and agree on the renewal arrangement. Pursuant to the Shanghai Listing Rules, the expected respective financial services contemplated under the Safety Technology Financial Services Framework Agreement shall commence upon the approval by the Independent Shareholders of the Company at the EGM is obtained.



**Service Scope**

According to the Safety Technology Financial Services Framework Agreement, Finance Company can provide the following financial services to the Safety Technology Group:

- (i) acceptance of money deposit;
- (ii) arrangement of loan;
- (iii) arrangement of bill discounting;
- (iv) arrangement of fund settlement, collection and payment;
- (v) provision of entrusted loans, bond underwriting, non-financing letter of guarantee, financial advice, credit authentication and relevant consulting and agency services;
- (vi) arrangement of acceptance of bills;
- (vii) arrangement of buyer credits and consumer credits of products; and
- (viii) other services as approved by the NFRA\*.

\* Pursuant to Administrative Measures of Finance Companies of Enterprise Groups (Order No. 6 of 2022 issued by the China Banking and Insurance Regulatory Commission), depending on actual development needs and subject to fulfilment of regulatory requirements, Finance Company can apply to NFRA to carry on other businesses, which include providing buyer credits and consumer credits of the products of the member units.

Upon the agreement becoming effective, the above services numbered (vii) and (viii) can be provided by Finance Company in accordance with the business scope as approved by NFRA.

**Pricing Policy***(i) Deposit Services*

The deposit interest rates offered by Finance Company to the Safety Technology 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 the Safety Technology Group and are conducted on normal commercial terms or better. The deposit interest rates offered shall be equivalent to or higher than those offered by the major cooperative commercial banks of the Safety Technology Group. During the term of the agreement, the maximum daily balance of deposits (including accrued interest) to be deposited by Safety Technology Group with Finance Company shall not exceed the maximum caps (including accrued interest) reviewed by the shareholders' meeting of Safety Technology. In the event that Safety Technology Group's deposits with Finance Company exceeds the maximum caps due to settlement and other reasons, Safety Technology Group shall confirm the remittance of funds on deposits that exceed the maximum caps to the designated bank account by issuing a legally valid written notice to Finance Company within three working days. Finance Company shall complete the remittance of the due amount in accordance with the confirmation on such written notice by the Safety Technology Group within three working days.

*(ii) Loan and Bill Discounting Services*

The loan interest rates and the bill discounting interest rates offered by Finance Company to the Safety Technology 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 of the same type of loan services for the same period and bill discounting services for the same period offered by the major cooperative commercial banks of the Safety Technology Group, and are conducted on normal commercial terms or better. During the term of the agreement, the maximum daily balance of loan and bill discounting (including accrued interest) provided by Finance Company to Safety Technology shall not exceed the maximum caps reviewed by the shareholders' meeting of Safety Technology. The terms for loan and bill discounting services offered by Finance Company to the Safety Technology Group shall be equivalent to or better than those offered on normal commercial terms or better.

(iii) *Other Financial Services*

Finance Company will provide other financial services (other than deposit, loan and bill discounting services) including fund settlement, collection and payment, financial advice, credit authentication, consulting and agency and acceptance of bills to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement.

The fees charged for other financial services to be provided by Finance Company to the Safety Technology Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or the NFRA (if applicable), and be with reference to the handling fees standard for the same type of other financial services charged by the major cooperative commercial banks of the Safety Technology Group and are 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 Safety Technology Group.

The Safety Technology has the discretion to choose financial services provided by other financial institutions. For the respective specific transactions under the Safety Technology Financial Services Framework Agreement entered into between Safety Technology Group and Finance Company and under the same conditions, the Safety Technology Group shall, in principle, take the financial services provided by Finance Company as priority. Under the circumstances which the Safety Technology Group considers appropriate and beneficial to the Safety Technology Group, the Safety Technology Group may engage one or more financial institutions which are the major cooperative commercial banks of the Safety Technology Group to provide financial services.

**Historical Transaction Amount and Annual Caps**

(i) *Deposit Services*

As the deposit services provided by Finance Company to the Safety Technology Group are conducted on normal commercial terms or better and the relevant deposit services are not secured by the assets of the Group, such deposit services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the Safety Technology Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The historical transaction amount for the deposit services (including accrued interest) provided by Finance Company to the Safety Technology Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	<b>Audited historical amount for the year ended 31 December 2022</b>	<b>Audited historical amount for the year ended 31 December 2023</b>	<b>Unaudited historical amount for the five months ended 31 May 2024</b>
Maximum daily balance of deposits (including accrued interest) deposited by the Safety Technology Group with Finance Company	RMB0.041 billion	RMB0.192 billion	RMB0.192 billion

(ii) *Loan and Bill Discounting Services*

The historical transaction amount for the loan and bill discounting services (including accrued interest) provided by Finance Company to the Safety Technology Group for the two years ended 31 December 2022 and 31 December 2023 and five months ended 31 May 2024 was as follows:

	<b>Audited historical amount for the year ended 31 December 2022</b>	<b>Audited historical amount for the year ended 31 December 2023</b>	<b>Unaudited historical amount for five months ended 31 May 2024</b>
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the Safety Technology Group	RMB0.081 billion	RMB0.161 billion	RMB0.080 billion

The Annual Caps for the loan and bill discounting services (including accrued interest) provided by Finance Company to the Safety Technology Group for the three years ended 31 December 2022, 31 December 2023 and 31 December 2024 were as follows:

	Annual Caps for the year ended 31 December 2022	Annual Caps for the year ended 31 December 2023	Annual Caps for the year ending 31 December 2024
Maximum daily loan and bill discounting balance (including accrued interest) provided by Finance Company to the Safety Technology Group	RMB0.5 billion	RMB0.6 billion	RMB0.7 billion

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services provided by Finance Company to the Safety Technology Group is less than 0.1%, such other financial services have been exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the Safety Technology Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. For the year ended 31 December 2022, the year ended 31 December 2023 and five months ended 31 May 2024, the respective fee charged by Finance Company on providing other financial services to the Safety Technology Group were RMB0, respectively.

As far as the Directors are aware, as at the Latest Practicable Date, none of the Annual Caps of the respective specified financial services provided by Finance Company to the Safety Technology Group for the year ending 31 December 2024 has been exceeded.

**Proposed Annual Caps***(i) Deposit Services*

As the deposit services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement are conducted on normal commercial terms or better and the relevant deposit services will not be secured by the assets of the Group, such deposit services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

The transactions under the Safety Technology Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the deposit services (including accrued interest) to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum daily balance of deposits (including accrued interest) deposited by Safety Technology Group with Finance Company	RMB1 billion	RMB1.1 billion	RMB1.2 billion

*(ii) Loan and Bill Discounting Services*

The Annual Caps of the loan and bill discounting services (including accrued interest) to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Agreements for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum daily loan and bill discounting balance (including accrued interest) to be provided by Finance Company to the Safety Technology Group	RMB0.8 billion	RMB0.9 billion	RMB1.0 billion

The Annual Caps for the loan and bill discounting services under the Safety Technology Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 have been determined with reference to the loan and bill discounting amount obtained from commercial banks by the Safety Technology Group in the recent three years, financing strategies needs of the Safety Technology Group for the coming three years and the possible demand for loans and bill discounting services in alignment with the business development of the Safety Technology Group.

As each of the applicable percentage ratios of the Annual Caps for the loan and bill discounting services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement is expected to exceed 0.1% but is less than 5%, such loan and bill discounting services are only subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

*(iii) Other Financial Services*

As each of the applicable percentage ratios of the Annual Caps for the service fees of other financial services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement is expected to be less than 0.1%, such other financial services are exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The transactions under the Safety Technology Financial Services Framework Agreement (including the historical transaction amounts and the relevant proposed Annual Caps) are subject to the announcement and Independent Shareholders' approval requirements in accordance with the Shanghai Listing Rules. The Annual Caps for the fee charged for the other financial services to be provided by Finance Company to the Safety Technology Group under the Safety Technology Financial Services Framework Agreement for the three years ending 31 December 2025, 31 December 2026 and 31 December 2027 are as follows:

	<b>Annual Caps for the year ending 31 December 2025</b>	<b>Annual Caps for the year ending 31 December 2026</b>	<b>Annual Caps for the year ending 31 December 2027</b>
Maximum fee charged by Finance Company on providing other financial services to the Safety Technology Group	RMB10 million	RMB10 million	RMB10 million



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### China Telecom Corporation Limited 中国电信股份有限公司

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 728)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of China Telecom Corporation Limited (the "Company") will be held at 10:00 a.m. on Wednesday, 21 August 2024 at JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions:

### ORDINARY RESOLUTIONS

1. **THAT** the Continuing Connected Transactions under Agreements between the Company and China Telecommunications Corporation and between the Company and E-Surfing Pay together with the proposed Annual Caps be and are hereby generally and unconditionally approved and any Director of the Company is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.
2. **THAT** the Continuing Connected Transactions under Financial Services Framework Agreements together with the proposed Annual Caps be and are hereby generally and unconditionally approved and any Director of the Company is hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion as may be necessary, desirable or expedient to implement and/or give effect to the terms of such continuing connected transactions.
3. **THAT** the election of Mr. Liang Baojun as an Executive Director of the Company be considered and approved.
4. **THAT** the election of Madam Huang Xudan as a Shareholder Representative Supervisor of the Company be considered and approved.
5. **THAT** the proposed change of external auditors of the Company for the year of 2024 be considered and approved.

By Order of the Board  
**China Telecom Corporation Limited**  
**Wong Yuk Har**  
*Company Secretary*

Beijing, PRC, 2 August 2024

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. The H Share Register of Members of the Company will be closed, for the purpose of determining H Shareholders' entitlement to attend the EGM, from Thursday, 15 August 2024 to Wednesday, 21 August 2024 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with Computershare Hong Kong Investor Services Limited, the Company's H share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 14 August 2024. Holders of H Shares who are registered with Computershare Hong Kong Investor Services Limited on Wednesday, 21 August 2024 are entitled to attend the EGM.
2. Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf at the EGM. A proxy need not be a Shareholder. Each Shareholder who wishes to appoint one or more proxies should read through the circular of the Company dated 2 August 2024.
3. To be valid, the form of proxy together with the power of attorney or other authorisation document (if any) signed by the authorised person or notarially certified power of attorney must be delivered to Computershare Hong Kong Investor Services Limited, the Company's H share registrar (for holders of H Shares) not less than 24 hours before the designated time for the holding of the EGM or any adjournment thereof. Computershare Hong Kong Investor Services Limited is located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of a form of proxy will not preclude a Shareholder from attending in person and voting at the EGM if he/she so wishes.
4. Shareholders attending the EGM in person or by proxy shall present their proof of identity. If the attending Shareholder is a corporation, its legal representative or person authorised by the board of directors or other decision-making authority shall present a copy of the relevant resolution of the board of directors or other decision-making authority in order to attend the EGM.
5. All resolutions proposed at the EGM will be voted by poll.
6. Shareholders (in person or by proxy) attending the EGM shall be responsible for their own transport and accommodation expenses.
7. Shareholders are advised to call the Company's hotline at (852) 2877 9777 or browse the Company's website ([www.chinatelecom-h.com](http://www.chinatelecom-h.com)) for the latest arrangements of the EGM in the event that a Typhoon Signal No. 8 (or above), a Black Rainstorm Warning Signal or extreme conditions are in force on the day of the EGM.
8. No gifts or refreshments will be provided at the EGM.

*As at the date of this notice, the Board of Directors of the Company consists of Mr. Ke Ruiwen (as the Chairman and Chief Executive Officer); Mr. Liu Guiqing, Mr. Tang Ke and Mr. Li Yinghui (as the Chief Financial Officer) (all as the Executive Vice Presidents); Mr. Li Jun; Mr. Chen Shengguang (as the Non-Executive Director); Mr. Ng Kar Ling Johnny, Mr. Yeung Chi Wai, Jason, Mr. Chen Dongqi and Madam Lyu Wei (all as the Independent Non-Executive Directors).*