

China Telecom Corporation Limited

HKEx Stock Code: 728



À NEW MILESTONE





ABOUT CHINA TELECOM

China Telecom Corporation Limited ("China Telecom" or the "Company", a joint stock limited company incorporated in the People's Republic of China with limited liability, together with its subsidiaries, collectively the "Group") is a large-scale and leading integrated intelligent information services operator in the world whose principal business is the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, valueadded telecommunications services such as Internet access services, information services and other related services. As at the end of 2021, the Company had mobile subscribers of about 372 million, wireline broadband subscribers of about 170 million and access lines in service of about 107 million. The Company's A Shares and H Shares are listed on the Shanghai Stock Exchange and the Main Board of The Stock Exchange of Hong Kong Limited, respectively.

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- The financial statements of the Company for 1. the year of 2021 prepared in accordance with the International Financial Reporting Standards ("IFRSs") have been audited by PricewaterhouseCoopers, who has issued a standard unqualified audit report.
- 2. The profit distribution proposal or proposal for conversion of capital reserve into share capital for the Reporting Period approved by the Board

According to Article 190 of the Articles of Association, the Company shall distribute its after-tax profits for 2021 at the lower of the amounts in the financial statements prepared in accordance with the Chinese and international accounting standards, where RMB25,948,191,708 shall be used for profit distribution. After fully considering the returns to shareholders, the Company's profitability, cash flow level and capital needs for future development, the 16th meeting of the

seventh session of the Board of the Company proposed to distribute dividends in the aggregate amount of RMB15,568,915,025 to all shareholders based on 60% of the profit attributable to equity holders of the Company in the amount of RMB25,948,191,708 for the year. Based on the total share capital registered on the record date for the dividend distribution, and based on the Company's total share capital of 91,507,138,699 shares as at the end of 2021, a dividend of RMB0.170 per share pre-tax will be declared and paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged, and the distribution amount per share will be adjusted accordingly.

The profit distribution plan shall be submitted to the 2021 Annual General Meeting of the Company for consideration.



3. Risk Statement of Forward-Looking Statements

Forward-looking statements, such as development strategies, future business plans and prospects, contained in the 2021 annual report of the Company do not constitute a commitment of the Company to investors. These forward-looking statements are subject to known and unknown risks, uncertainties and other factors which may cause the Company's actual performance, financial condition or results of operations to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements. In addition, the Company will not update these forward-looking statements. Investors should be aware of the investment risks.

Certain statements contained in this report may be viewed as "forward-looking statements" within the meaning of Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended). 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, we do not intend to update these forward-looking statements. Further information regarding these risks, uncertainties and other factors is included in the Company's most recent Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") and in the Company's other filings with the SEC.

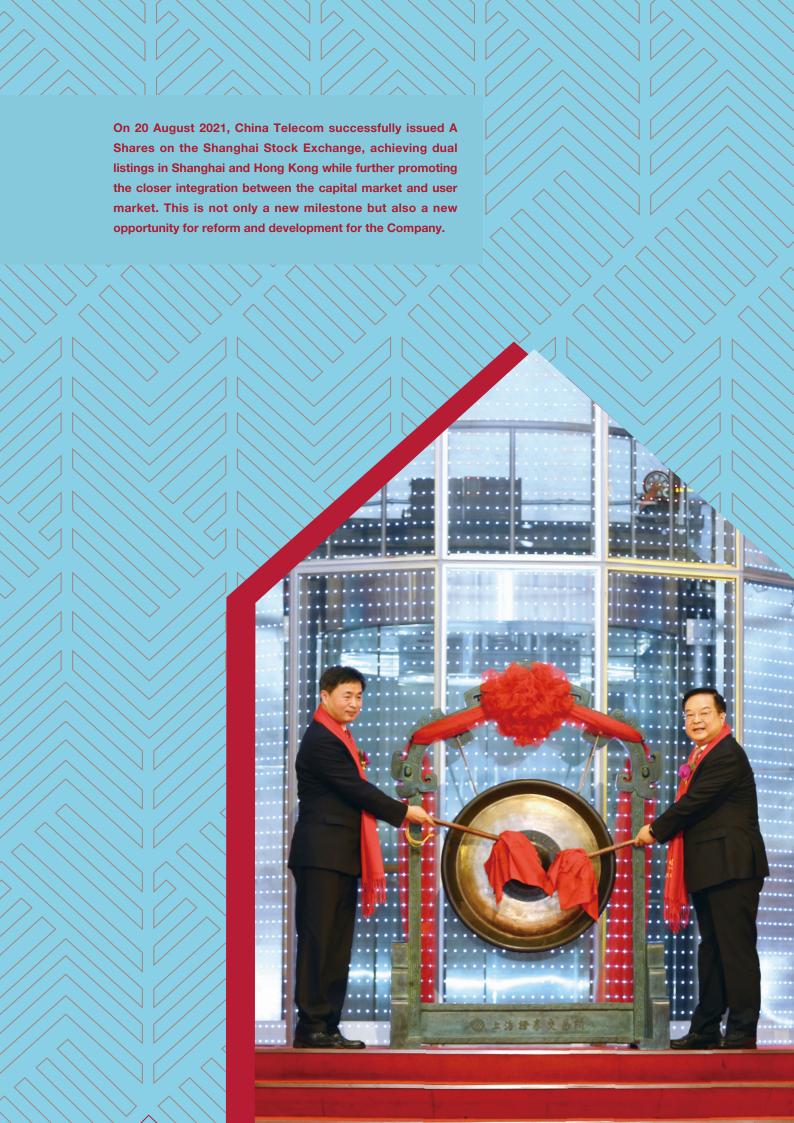
4. Significant Risk Warning

The Company has described in detail the economic and policy environment adaptation risks, business operation risks, network and information security risks and international operation risks in this report. Please refer to the "Management's Discussion and Analysis (Report of the Directors)" in this report.





OUR NEW OPPORTUNITY FOR REFORM AND DEVELOPMENT





DEFINITIONS

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

5G 5th generation mobile communication technology

A Share(s) Shares of the Company issued in mainland China, listed on domestic stock

exchanges and subscribed and traded in RMB

ADSs Securities issued by the depository bank and traded on the New York

Stock Exchange. Each ADS of the Company represents 100 H Shares of

the Company

AR Augmented Reality

ARPU Monthly average revenue per user

Artificial Intelligence/Al Technology science that researches and develops theories, methodologies,

technologies and application systems for simulating, extending and

expanding human intelligence

Big Data Massive, real-time and diversified data information that can be recorded,

collected, developed and utilised, and big data-based mining and

processing technology

Board/Board of Directors The board of directors of the Company

CDN Content Delivery Network. By adding a new layer of network architecture

to the existing Internet, the content of the website is distributed to the edge of the network closest to the users, so that users can obtain the required content in the vicinity, improving the transmission speed of the network,

solving the problem of Internet congestion and slow response

China Comservice/CCS China Communications Services Corporation Limited (中國通信服務股份

有限公司)

China Telecom Finance Co., Ltd. (中國電信集團財務有限公司)

China Telecommunications	China Telecommunications Corporation (中國電信集團有限公司), formerly
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known as China Telecommunications Corporation (中國電信集團公司), the

controlling shareholder of the Company

China Telecom Leasing Corporation Limited (天翼融資租賃有限公司)

China Telecom/Issuer/the Company China Telecom Corporation Limited (中國電信股份有限公司), or where the

context so requires, refers to China Telecom Corporation Limited and its

subsidiaries

China Tower Corporation Limited (中國鐵塔股份有限公司), formerly known

as China Communications Facilities Services Corporation Limited (中國通

信設施服務股份有限公司)

Chinese Accounting Standard/
China Accounting Standards for

Business Enterprises

The Basic Standard of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and the specific accounting standards, application guidelines, interpretations and other relevant regulations subsequently revised

Cloud Computing

An Internet technology that provides flexible and on-demand services to external users through the Internet with pooled cluster computing capabilities

Саравії

CN2 China Telecom's next generation of carrying network, focusing on cloud-

network services for government and enterprise customers, high-quality

Internet services and China Telecom's proprietary key businesses

Company Law of the PRC

eight hub nodes of the national integrated Big Data center, its meaning includes datacentre infrastructure, computing power, network, cloud, and

the green and safe attributes among these features

CSRC China Securities Regulatory Commission

DCI Datacentre Interconnect, a proprietary network carrying interconnection

business between datacentres



Distributed cloud A public cloud computing service that lets a user operate public cloud

infrastructure in multiple different locations, and manage from a single

control plane

Domestic Share(s) Shares of the Company issued in mainland China, denominated in RMB

and subscribed in RMB

DOU Monthly Internet traffic per user

East-to-West Computing Resource

Transfer

The national project orderly directing computing power demand in Eastern part of PRC to Western part of PRC by building a new computing power network system consisting of datacentre, Cloud Computing and Big Data, with an aim to optimise the construction layout of datacentres and facilitate

east-west coordination

Edge Node(s)

The service platform built at the edge of network near the user, providing

storage, computing, network and other resources; such "sinking" of key services and applications to the edge of access network can reduce the bandwidth and latency loss from network transmission and multi-level

forwarding

E-surfing Pay Co., Ltd (天翼電子商務有限公司)

EFLOPS FLOPS, Floating-Point Operations Per Second, which is commonly used

to estimate computer performance; "E" stands for "Exa" and means 10¹⁸; therefore EFLOPS implies 10¹⁸ times of floating-point operations per

second

Fujian Investment & Development Group Co., Ltd. (福建省投資開發集團有

限責任公司)

Guangdong Rising Holdings Group Co., Ltd., (廣東省廣晟控股集團有限公

司), formerly known as Guangdong Rising Assets Management Co., Ltd. (廣

東省廣晟資產經營有限公司)

H Share(s) Shares of the Company that are issued outside mainland China, listed on

the Stock Exchange and subscribed and traded in Hong Kong dollars

IDC

Internet Datacentre

IFRSs/International Financial Reporting Standards

The International Financial Reporting Standards, amendments and interpretations issued from time to time by the International Accounting Standards Board

Internet of Things/IoT

Various sensory devices that are based on computer and communication technology, using cellular mobile network, wired network, wireless network, etc. to complete the transmission, coordination and processing of information, so as to realise the network of communication between objects and things, and communication between objects and people

Jiangsu Guoxin

Jiangsu Guoxin Group Limited (江蘇省國信集團有限公司), formerly known as Jiangsu Guoxin Investment Group Co.,Ltd. (江蘇省國信資產管理集團有限公司)

Listing Rules

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Mbps

Megabits per second

MIIT

Ministry of Industry and Information Technology

OTN

Optical Transport Network, a transmission network that enables the transmission, reuse, routing selection, monitoring of business signals within the optical domain and ensures their performance indicators and viability

Over-allotment Option

An option granted by the Issuer to the lead underwriter whereby the lead underwriter is authorised to over-offer up to 15% of the underwritten amount at the same issue price, i.e. the lead underwriter offers up to 115% of the underwritten amount to investors

PCT

Patent Cooperation Treaty, an international treat that assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions



POP Point-of-presence, an artificial demarcation point or network interface point

between communicating entities

Prospectus The prospectus in connection with the initial public offering of A Shares of

China Telecom Corporation Limited

The communication technology that is closely integrated with quantum Quantum-encrypted Calls

> information technology to achieve end-to-end voice calls and other encryption protection, and provide users with stable and reliable quantum

protection secure communication services

RDO Research, Development, Operation

Reporting Period Period from 1 January 2021 to 31 December 2021

ROADM Reconfigurable Optical Add-Drop Multiplexer. Its function is to realise the

configuration and adjustment of the wave length along the way through

remote reconfiguration

SASAC State-owned Assets Supervision and Administration Commission of the

State Council

Securities Law The Securities Law of the PRC



SSE Shanghai Stock Exchange

SSE Listing Rules The Rules Governing the Listing of Stocks on the Shanghai Stock

Exchange

Stock Exchange/Hong Kong Stock

Exchange/HKSE

The Stock Exchange of Hong Kong Limited

Tbps Terabit per second

The Offering/A Share Offering
The public offering of RMB ordinary shares (A Shares) by the Company

Tiantong IoT Tiantong Satellite IoT Service, the in-depth convergence of Tiantong

satellite communications network and ground IoT technology, along with China Telecom's ground IoT service, forming an integrated

communications solution to customers

Two Listing Rules The Rules Governing the Listing of Securities on The Stock Exchange of

Hong Kong Limited and The Rules Governing the Listing of Stocks on the

Shanghai Stock Exchange

VR Virtual Reality

責任公司), formerly known as Zhejiang Financial Development Company (浙

江省財務開發公司)



1. CORPORATE INFORMATION

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

CONTACT PERSONS AND CONTACT INFORMATION 2.

	Secretary of	Securities Affairs	
	the Board	Representative	Company Secretary
Name	Ke Ruiwen (Acting)	Xu Fei	Wong Yuk Har
Address	31 Jinrong Street, Xicheng District, Beijing, China	31 Jinrong Street, Xicheng District, Beijing, China	28th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Telephone	8610-58501800	8610-58501508	852-28779777
Fax	8610-58501531	8610-58501531	852-28770988
E-mail	ir@chinatelecom-h.com	ir@chinatelecom-h.com	ir@chinatelecom-h.com



3. GENERAL INFORMATION

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

4. STOCK INFORMATION

Stock Information

Class of shares	Stock exchange for listing	Stock Short Name	Stock Code
A Shares	Shanghai Stock Exchange	China Telecom	601728
H Shares	Hong Kong Stock Exchange	China Telecom	00728



5. OTHER RELEVANT INFORMATION

	Nieren	Discount of the control of the contr
	Name	PricewaterhouseCoopers Zhong Tian LLP
	Office Address	11/F, PricewaterhouseCoopers Center,
Accountant engaged by		2 Corporate Avenue, 202 Hu Bin Road,
the Company (mainland China)		Huangpu District, Shanghai
	Name of signing	Song Shuang, Liu Yuanbo
	accountants	
Accountant engaged by	Name	PricewaterhouseCoopers
the Company (overseas)	Office Address	24/F, Prince's Building, Central, Hong Kong
	Name	China International Capital Corporation Limited
	Office Address	27th and 28th Floor, China World Office 2,
		No. 1 Jianguomenwai Avenue, Chaoyang District,
Sponsor performing ongoing		Beijing
supervision duties during	Names of signing sponsor	Xu Shiyan, Long Liang
the Reporting Period	representatives	
	Period of ongoing	20 August 2021 to 31 December 2023
	supervision	
	Name	CSC Financial Co., Ltd.
	Office Address	Building 4, No. 66 Anli Road, Chaoyang District,
Sponsor performing ongoing		Beijing
supervision duties during	Names of signing sponsor	Wang Chenning, Dong Junfeng
the Reporting Period	representatives	
	Period of ongoing	20 August 2021 to 31 December 2023
	supervision	



The Company completed the A Share Offering during the Reporting Period and the A Shares of the Company were listed and commenced trading on the SSE on 20 August 2021. For certain material information in relation to the A Share Offering, please refer to the announcement of the Company dated 19 August 2021.

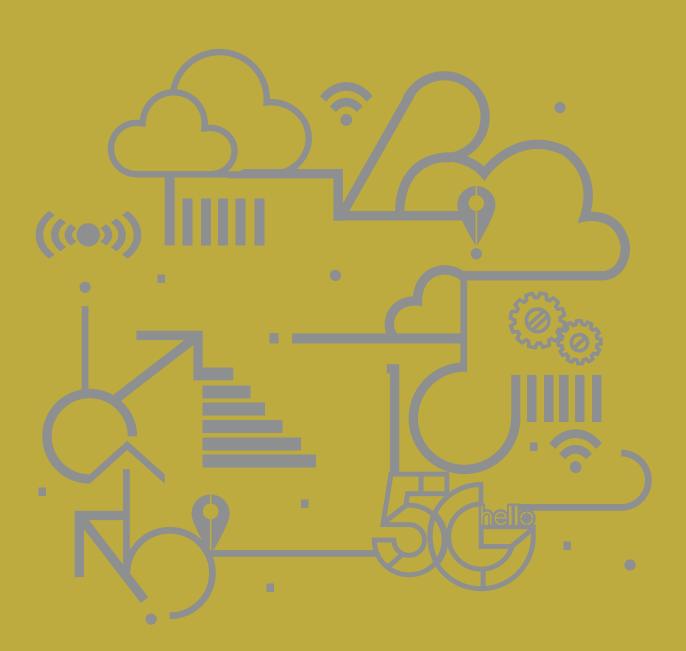
The delisting of the Company's ADSs became effective on 18 May 2021 and the Company's ADS program was terminated on 8 December 2021 (US eastern standard time). The Company filed a Form 15F with the SEC on 25 February 2022 to deregister the ADSs and terminate its reporting obligations under the U.S. Securities Exchange Act of 1934 (as amended), details of which can be found in the Company's announcements dated 10 September 2021 and 25 February 2022, respectively.





2021 Highlights

- •> "Cloudification and Digital Transformation" strategy achieved prominent results while A Share listing injected new impetus
- •> Integrated intelligent information services upgraded with revenue and net profit double-digit growths
- •> Strengthened leading edge in cloud-network integration and constructed green and secure infrastructure
- •> Increased dividend to reward shareholders and committed to create more corporate values
- •> Proactively completed new planning for sci-tech innovation to forge core competitiveness for future
- •> Full implementation of "Cloudification and Digital Transformation" strategy and deepen reform to foster high-quality development

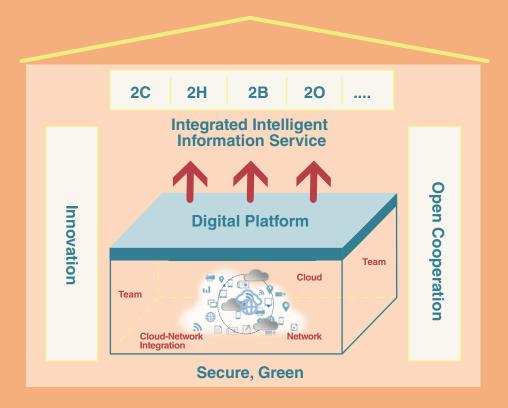


SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)



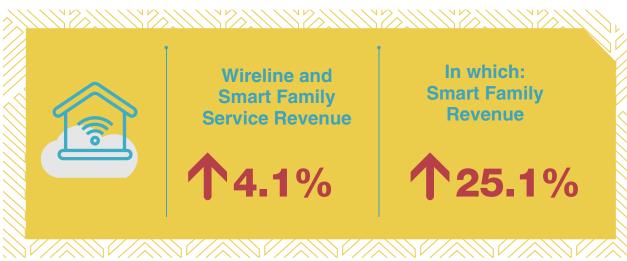
FULLY IMPLEMENT "CLOUDIFICATION AND DIGITAL TRANSFORTMATION" STRATEGY

Strive to become a service-oriented, technology-oriented, secured enterprise











Industrial Digitalisation revenue growth in 2021 is calculated by excluding the revenue impact from the disposal of subsidiaries from Industrial Digitalisation revenues in both 2020 and 2021





1. DISCUSSION AND ANALYSIS OF OPERATIONS

In 2021, the new generation information and communications technologies saw accelerated innovation and had been increasingly permeated into all parts and the whole process of the economy and society, ushering the society towards an intelligent and digital age. With the accelerated development of digital economy, the Company proactively seized the strategic opportunities brought by the new round of technological revolution and industrial transformation, implemented its "Cloudification and Digital Transformation" strategy, deepened cloud-network integration and promoted its system and mechanism reforms. Propelled by the dual drivers of fundamental services and Industrial Digitalisation services, the operation and development of the Company sped up significantly. During the year,

the Company successfully issued A Shares on the SSE, achieving dual listings in Shanghai and Hong Kong while further promoting the closer integration between the capital market and user market. The Company also preliminarily completed its strategic deployments in the fields of sci-tech innovation and ecological cooperation, among others. While supporting the construction of Cyberpower and Digital China, the Company has also proactively undertaken its social responsibilities in areas of network and information security, rural revitalisation, green development, and etc. The Company continued to create value for shareholders, customers and the society, and achieved a promising start under the "14th Five-Year Plan" with high-quality development.



1. OVERALL RESULTS

In 2021, operating revenues of the Company amounted to RMB439.6 billion, representing an increase of 11.7% over last year. Service revenues² amounted to RMB402.8 billion, representing an increase of 7.8% over last year. Excluding the revenue impact from the disposals of its subsidiaries³, the year-on-year growth rate reached 8.1%, surpassing the industry's average growth rate for five consecutive years⁴. EBITDA⁵ amounted to RMB123.9 billion, representing an increase of 4.2% over last year. Net profit⁶ amounted to RMB25,948 million, representing an increase of 24.5% year-on-year. Excluding the oneoff after-tax gain from the disposals of its subsidiaries7, the year-on-year growth rate reached 17.7%. The basic earnings per share were RMB0.318. Capital expenditure was RMB86.7 billion and free cash flow9 reached RMB15.1 billion.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and cash flow generation capability while effectively controlling capital expenditure. Taking the Company's profitability into full consideration, alongside cash flow levels and capital needs for its future development, the Board of Directors has decided to recommend at the Annual General Meeting that the profit to be distributed in cash for the year 2021 shall be 60% of the profit attributable to equity holders of the Company for the year, i.e., RMB0.170 per share. Meanwhile, an interim dividend will be declared and paid starting from year 2022. Within three years after A Share Offering and listing, the profit to be distributed in cash for each year will gradually

increase to 70% or above of the profit attributable to equity holders of the Company for that year. The Company will share the results of its development with all of its shareholders and continue to create more value.

2. SUCCESSFUL A SHARE OFFERING BRINGS NEW MOMENTUM TO THE COMPANY'S DEVELOPMENT

On 20 August 2021, the Company's A Shares were officially listed on the SSE, with the Company making great strides in entering a new development stage. Taking A Share Offering as an opportunity, the Company will leverage its broader financing channels, further expand its ecological cooperation and implement more flexible incentive measures. The Company will also fully implement its "Cloudification and Digital Transformation" strategy, further boost scitech innovations and expedite the construction of the intelligent integrated digital information infrastructure. The Company will also continue to deepen its corporate reforms, enhance its employees' motivation, initiative and creativity, and stimulate its corporate vitality and intrinsic motivation. Through broader and deeper ecological cooperation, the Company will proactively develop industrial ecologies in the fields of 5G, Cloud Computing, network and information security, AI, and industrial smart manufacturing, among others. The Company will constantly strengthen its integrated intelligent information service capabilities, forge ahead towards becoming a service-oriented, technology-oriented and secured enterprise, and strive to promote the high-quality development of the Company.

Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other nonservice revenues. Of which, mobile service revenues amounted to RMB195.2 billion, representing an increase of 7.5% year-on-year; wireline service revenues amounted to RMB207.6 billion, representing an increase of 8.1% year-on-year.

The Company completed the disposals of E-surfing Pay and China Telecom Leasing in April 2021.

⁴ MIIT's statistical communique of the communications industry in 2021: telecommunications revenue grew by 8.0% year-on-year in 2021.

⁵ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

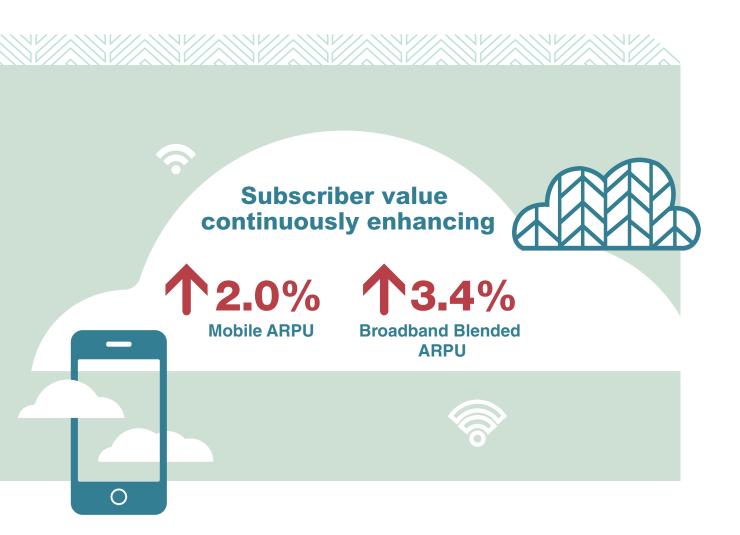
Net profit represents profit attributable to equity holders of the Company.

The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.

The basic earnings per share in 2021 are calculated based on 84.4 billion shares, which is the weighted average of the number of issued shares of the Company.

Free cash flow is calculated based on EBITDA minus capital expenditure, income tax and depreciation charge for right-of-use assets other than land-use-rights.





3. IMPLEMENTING "CLOUDIFICATION AND DIGITAL TRANSFORMATION" STRATEGY, ACHIEVING NEW RESULTS IN HIGH-QUALITY DEVELOPMENT

In 2021, the Company implemented its "Cloudification and Digital Transformation" strategy, developed integrated intelligent information services with a customer-oriented approach, and built core scitech innovation capabilities and the new information infrastructure. The Company also established industrial and capital ecologies featuring strong alliances and open cooperation, while carrying out system and mechanism reforms, achieving new results in high-quality development.

3.1 Expansion and upgrade of integrated intelligent information services

Industry-leading growth of mobile subscriber scale with continuously rising subscriber value

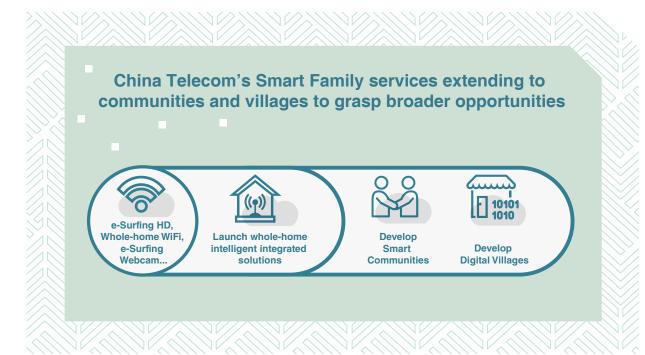
The Company continued to enhance its 5G coverage and network quality, innovated e-Surfing Cloud handset device ecology, enriched the 5G application and privilege portfolio and launched 5G cloud packages. The Company optimised the service experience for users through ultimate convergence, facilitated the upgrade of individuals' demands for emerging information consumption, continued to unleash the new round of data traffic benefits and propelled the scale and value enhancement of its mobile subscribers. In 2021, mobile communications service revenues amounted to



RMB184.2 billion, representing an increase of 4.9% over last year. The total number of mobile subscribers reached 372 million, with subscribers' net addition maintaining the industry-leading position for four consecutive years. Featured applications such as e-Surfing Cloud VR, cloud games, ultra HD, e-Surfing Cloud Drive and 5G Colour Ringback Tone with Video saw rapid development, with their value contribution becoming prominent. Mobile ARPU¹⁰ was RMB45.0, representing an increase of 2.0% over last year. The penetration rate of 5G package subscribers reached 50.4%, maintaining the industry-leading position.

Concurrent increase in scale and value of Smart Family subscribers, while digital life services continued to expand

Leveraging its edges in cloud-network integration capabilities, the Company converged "Gigabit broadband + Whole-home WiFi + e-Surfing HD + Smart Family applications" while aggregating content and applications as well as industrial ecology of ubiquitous smart terminals through Smart Family platform. The Company promoted the inter-connection and inter-communication among smart household products, continued to enrich the service content of digital life, offered whole-home intelligent integrated solutions and facilitated the quality upgrade of living and consumption. The Company sped up the expansion from Smart Family scenes to Smart



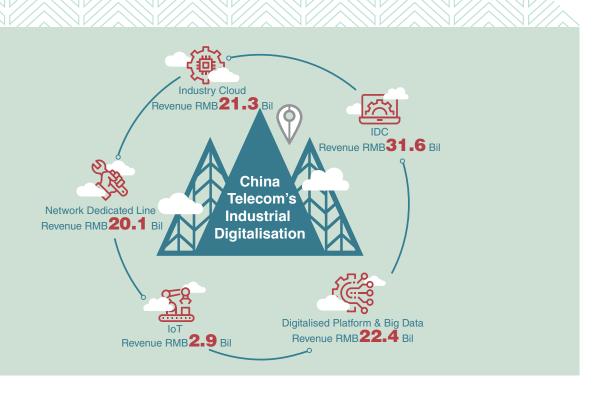
Mobile ARPU = monthly average revenues from mobile services/the average number of mobile subscribers.



Communities and Digital Villages. Utilising technologies such as IoT, Big Data, and AI, the Company rolled out products and applications such as Community Security and Protection, Community Management and Resident Services to advance the construction of smart communities. The Company also launched products and applications such as Village Governance, Agricultural Production and Rural Life to promote the construction of digital villages and achieve integration and mutual promotion as well as connected development. In 2021, wireline and Smart Family service revenues of the Company amounted to RMB113.5 billion, representing an increase of 4.1% year-on-year. The total number of wireline broadband subscribers reached nearly 170 million. The penetration rate of subscribers of Smart Family services such as Whole-home WiFi and e-Surfing Webcam increased rapidly. Smart Family revenue increased 25.1% year-on-year, while broadband blended ARPU¹¹ was RMB45.9, representing an increase of 3.4% year-on-year.

Industrial Digitalisation development accelerated with revenue size approaching RMB100 billion

The Company deeply integrated the key elements of digital economy with the real economy by leveraging the "integration of cloud, security, 5G, data and intelligence", to develop scene-based integrated intelligent solutions and proactively empowered the transformation and upgrades of traditional industries. The Company's 5G customised networks widely serve various vertical industries, while adopting a wide range of innovative business models. e-Surfing Cloud was fully upgraded into a distributed cloud. Digitalised platform accelerated its module-based transition and the core capabilities of integration service strengthened significantly. The Company achieved 100% cloudification of its new IT systems and 99% cloudification transformation of its existing IT systems, which were all hosted on the e-Surfing distributed cloud. The cloudification of IT achieved significant results in quality enhancement,



Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services/the average number of broadband subscribers.

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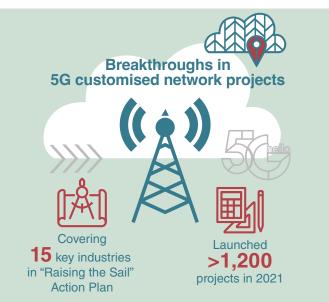


cost reduction and efficiency improvement. All of these propelled "the cloud migration, the use of data and intelligence injection" for customers. In 2021, revenue from the Company's Industrial Digitalisation reached RMB98.9 billion, representing a year-on-year growth of 19.4% on a comparable basis¹², and this growth rate was significantly higher than that of 2020.

The commercial projects of the Company's 5G customised networks have covered all 15 key industries under the "Raising the Sail" Action Plan¹³, with over 1,200 projects being implemented in the year. The three modes of the Company's 5G customised networks, namely "Wide-area", "Adjacent", and "Wingspan", fully exerted the features of 5G including massive connectivity, high speed, low latency and data security to empower such industries as Industrial Internet, convergent media,

smart city, smart mining, Internet of Vehicles (IoV), smart healthcare, and smart ports. Leveraging various customised virtual networks, the Company satisfied the demands for digital transformation and upgrades from a variety of companies of the society, dramatically enhanced their product quality and production efficiency, and effectively resolved challenges faced by certain industries such as complicated network construction, harsh operating environments and high security risks, supporting the digitalisation as well as intelligent transformation and upgrade of vertical industries. Meanwhile, the in-depth coverage of 5G networks propelled informatisation transformation in areas such as city governance, healthcare, education and information consumption, supporting the construction of Digital China.

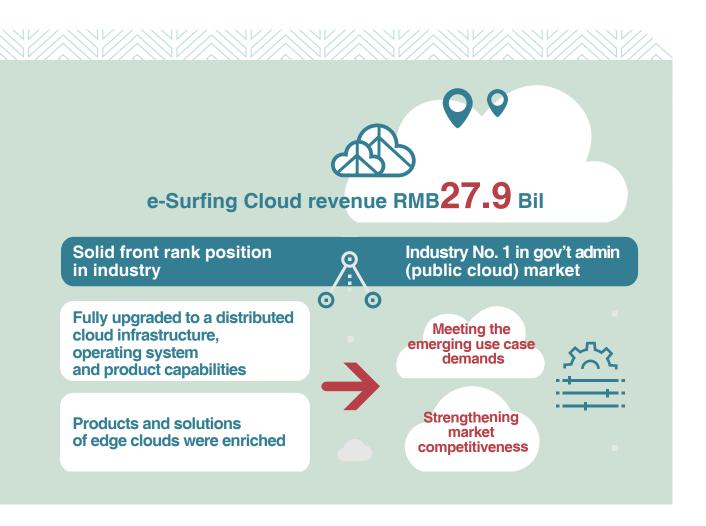




The growth rate of Industrial Digitalisation revenue in 2021 is calculated based on Industrial Digitalisation revenue in 2020 and 2021 that both excluded the revenue impact from the disposals of its subsidiaries.

On 5 July 2021, ten central government departments including the MIIT published the "Raising the Sail" Action Plan for 5G Applications (2021–2023).





e-Surfing Cloud's competitiveness continued to grow with revenue doubled

As the digital economy thrives, industrial transformation and upgrades, as well as digital life of individuals and households triggered booming demand for cloud migration. e-Surfing Cloud achieved significant results in market expansion thanks to its overall edges in cloud-network integration, as well as independence and controllability, local service and security and reliability. In 2021, e-Surfing Cloud achieved breakthroughs in core technologies and was fully upgraded to a distributed cloud infrastructure, operating system and product capabilities. Products and solutions of edge clouds were enriched, while computing power was extended to Edge Nodes to meet the emerging use case demands such as data residency and ultra-low latency. These further strengthened its market competitiveness, allowing it to

win several cloud and CDN service orders worth over RMB100 million in fields of government administration, public utility, Internet and industrial manufacturing. The Company developed secure and reliable cloud storage service of e-Surfing Cloud Drive and introduced a number of leading application and content service providers as partners to meet the increasingly diversified demands for digital life from individuals and households. In 2021, revenue from e-Surfing Cloud doubled to RMB27.9 billion, securing a solid position in the front rank within the industry while maintaining its leading position in the public cloud market of government administration. The Company strengthened the development of datacentres at scale in an efficiently-centralised manner. IDC revenue reached RMB31.6 billion, maintaining an industry-leading market share.



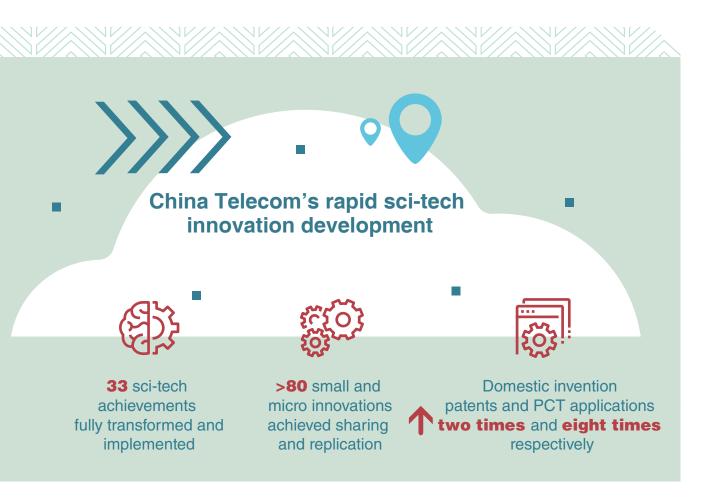
Network and information security capabilities constantly strengthened with continuous expansion of security products and services

The Company continued to enhance cloud-network security protection capabilities, with a number of provincial branches being selected by MIIT as the demonstrative centre of security innovation for 5G applications. The Company plans to build a security capabilities pool covering cloud, network, edge and terminal in 31 provinces and gradually achieve ondemand selection and flexible deployment of security capabilities. The Company plans to build a security core with architectural and logical unity, and gradually achieve efficient centralisation of data, capabilities and management. The Company continued to expand security products and services, and built a network security protection platform by aggregating the edges of cloud-network, security and data resources to provide industry-leading customised security services.

The Company's cyber security protection platform and services of "Cloud Dam" series were widely adopted by nearly 10,000 customers across over ten industries, including finance, education, media, energy, and Internet. At the same time, the Company also proactively expanded its product and service series, such as e-Surfing Security Brain, Graded Protection Assistant, Quantum-encrypted Calls, and Internet Fraud Prevention. These enabled the Company to create endto-end composite security delivery capabilities and provide integrated security protection solutions covering all scenarios for government and enterprise customers. Leveraging capabilities in network traffic channeling and optimisation, the Company offered products such as e-Surfing Anti-harassment and Security Butler for individual and household markets to create a green and secure communications and online environment.







3.2 Completed the deployment for scitech innovations

Powering development by sci-tech innovation, the Company, continued to strengthen sci-tech innovation capabilities and took substantial steps towards becoming a sci-tech company. The Company fully completed deployment of sci-tech innovation and research and development (R&D) system of RDO and is facilitating the penetration of key core technologies such as network, Al, security and quantum into fundamental research of applications, technological R&D of applications and operation-based development. The Company pushed forward the independence and self-control of core technologies, achieving breakthroughs in the innovation of technologies such as e-Surfing Cloud 4.0, 5G edge network, new generation cloud-network operating system, VoLTE Quantum-encrypted Calls, Al energy saving for base stations and sites, while fully deploying its proprietary platform of 5G Colour Ringback Tone with Video. The Company also expedited the commercialisation of technological research achievements, with 33 projects being fully transformed and implemented, and more than 80 small/micro innovations achieved sharing and replication through the shared platform model. The Company led or jointly led the completion of 46 international standards in the year. The numbers of domestic invention patents and PCT applications increased by two times and eight times respectively, further enhancing the Company's sci-tech influence. The Company extensively carried out cooperative innovation with industry, academia, R&D institutes and customers such as that of key technologies with universities, scientific research institutes and other institutions. The Company further strengthened building of sci-tech team by cultivating and recruiting talents across all fronts.



3.3 Accelerating the construction of new information infrastructure based on cloud-network integration

The Company firmly seized opportunities arising from the development of the digital economy, propelled precise cloud-network construction based on user experience and business scenes, and strived to build the new information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon as well as secure and controllable.

Grasping the trend of cloud-network integration while steadily promoting "network adaptive to cloud, cloud and network as one"

The Company deepened network co-building and cosharing with China Unicom, with the number of 5G base stations in use reaching approximately 690,000, and 5G network coverage extended to all cities and counties across the country as well as some developed towns. The Company also stepped up 4G network consolidation and resource sharing and further enhanced network

quality and resource utilisation efficiency. Aggregate savings of network investment exceeded RMB210 billion while that of network operating costs reached RMB20 billion per year. The Company sped up the construction of fibre network, strengthened gigabit's leading role and the popularity of 300Mbps, and continued to enhance fibre network capabilities. The Company promoted IoT at high, medium and low speeds collaboratively and launched Tiantong IoT, offering customers with intelligent integrated information services featuring "space and ground unification, satellites and network integration, and Internet of Everything". Integrating capabilities in cloud, network, Al and others, the Company built an e-Surfing Internet of Video Things platform with a "1+31+X" framework, creating standardised video capabilities that cover 31 provinces. The Company also launched standardised products and services such as e-Surfing Webcam for individual and household customers, as well as customised solutions combining standardised products with industry informatisation applications for government and enterprise customers to meet the demand for smart security and protection for vertical industries.



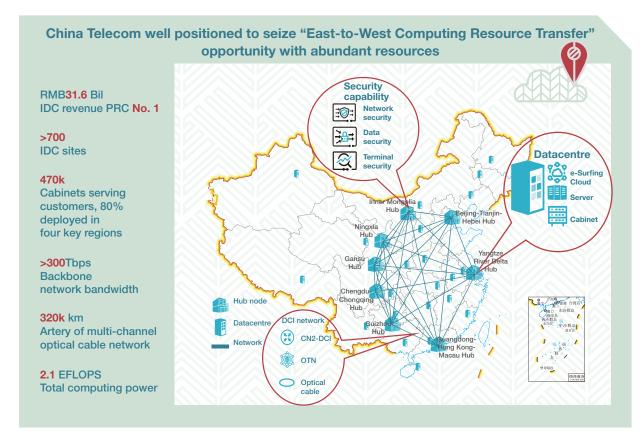


Adhering to the principles of allocating network resources and configuring network as required by cloud, as well as integrating deployment of network and cloud, the Company optimised the structure of its carrying network, completed the construction of an all-fibre transmission ROADM network with nationwide coverage and world's largest capacity, and expanded the scale deployment of the new metropolitan network to support business development. The Company accelerated the migration of core nodes to large-scale parks, with key parks being able to reach the backbone quickly. The Company built the cloud-network POP in accordance with cloud and achieved synchronised launch and activation of standardised and module-based cloud-network capabilities. The Company accelerated the control shift and separation of traditional networks as well as the cloudification of its capabilities, promoted the cloud migration of IT and strengthened the centralised service management and efficiency enhancement. The Company built the new generation cloud-network operating

system, elevated the level of intelligence of networks, and achieved "where cloud is located, where network is deployed" as well as one-stop processing, one-click activation and flexible customisation for its services. The Company also built the capabilities system for security situation awareness covering cloud, network, edge and terminal, to fortify the security foundation for its digital information infrastructure.

Striving to promote the effective implementation of the "East-to-West Computing Resource Transfer" project by fully leveraging its cloud-network edges

Pivoting on the nation's "East-to-West Computing Resource Transfer" project and the deployment of an integrated Big Data centre, the Company deployed datacentres, DCI network, computing power and e-Surfing Cloud on all fronts and carried out advanced deployment of computing power network. The Company had more than 700 IDC sites with 470,000 cabinets serving customers, nearly 80% of which were deployed



in the four key regions, namely Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and Chengdu-Chongging, forming a resource layout of "2+4+31+X+O" which is highly consistent with the layout of the integrated national Big Data centre. The Company built an industry-leading high-speed Internet network connecting datacentres. Its CN2-DCI and the OTN network for government and enterprise customers cover all eight hub nodes and datacentres in major cities nationwide. The bandwidth of its backbone network exceeded 300Tbps. The Company built a 320,000km "artery" of multi-channel optical cable network covering four regions, six axles and eight hubs. The Company grasped the explosive growth momentum of computing power demands, deployed layer-based computing power nationwide, continuously uplifted the scale of its computing power in "2+4 hub nodes" and 31 provinces. The Company continued to strengthen near-field edge computing power as well as computing power at customer sites, with total computing power reaching 2.1 EFLOPS. e-Surfing Cloud was upgraded to a distributed cloud with breakthroughs in key core technologies. The Company launched a series of edge cloud products such as ACS, ECX and iStack, accelerated proprietary research of full-stack technologies, and rolled out an independent and self-controlled new generation cloud platform for e-Surfing Cloud, namely CloudOS4.0. The Company also

launched an independent and self-controlled e-Surfing Cloud operating system, namely CtyunOS, as well as a distributed database TeleDB. The Company teamed up with ecological cooperation partners in technology, application, service and channel to create full-stack products and services.

3.4 All-out ecological cooperation

The Company proactively built mutually beneficial ecosphere and transformed its development model and growth approach. The Company also strengthened strategic synergies and leveraged A Share Offering to introduce 20 strategic investors, thereby teaming up with upstream players with core capabilities and downstream



Continuous enhancement of 5G network coverage and quality



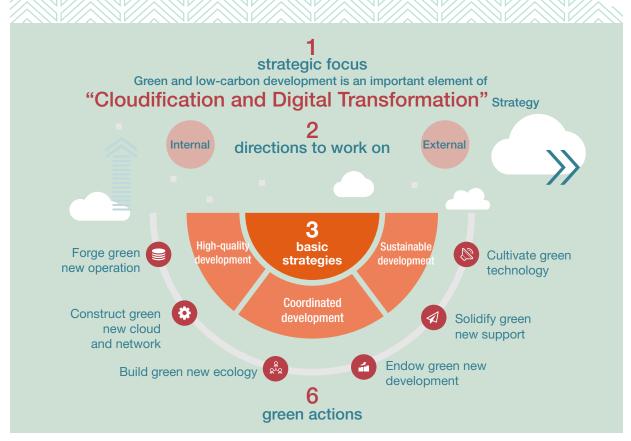
industry application companies at the country's most economically affluent urban areas to carry out in-depth cooperation in terms of R&D, solutions, service and capital in areas such as 5G industry applications, digital life, regional collaboration, cloud-network integration, and network and information security. The Company deepened network co-building and co-sharing, promoted joint procurement within the industry and proactively safeguarded the value of the industry, with an aim to create favourable environment for development. The Company also strengthened ecological cooperation in key business areas and promoted innovative R&D in 5G-related technologies, industries and terminals through the 5G Innovation Alliance, joint innovation centres and open laboratories. China Telecom Cloud Technology Co., Ltd. conducted shareholding diversification reforms by entering into a framework agreement to increase registered capital and shares with four large-scale stateowned enterprises (SOE), resulting in consolidation of ecological resources of Cloud Computing and further enhancement of market expansion capabilities in areas of Industrial Digitalisation such as digital society, digital government and vertical industries.

3.5 Deepened reforms with innovation of systems and mechanisms

The Company fully implemented the three-year action plan for SOE reforms, while continuing to enhance the modernisation level of its governance system and capabilities for its subsidiaries and optimising its modern corporate system. The Company deepened the promotion of three system reforms so that leading cadres can be promoted or demoted, compensation can be raised or reduced, as well as employees can be hired or let go. The Company motivated employees' pursuit for innovation and development, established a market-oriented incentive mechanism and offered higher compensation to sci-tech and Industrial Digitalisation areas. The Company stepped up recruiting talents and granted share appreciation rights to nearly 8,000 key personnel. The Company continued to deepen reforms of professional companies, established China Telecom Cloud Technology Co., Ltd., restructured digital life company, set up the security company and pushed forward "sci-tech reform" of its system integration company on all fronts. The Company carried out pilot reform of authority delegation within its Shenzhen branch







and pushed forward the establishment of regional professional company in Chengdu. The Company deepened government and enterprise reforms, optimised its industry Business Group (BG) operation model, introduced an "open competition mechanism" for human resources and innovated system and mechanisms to fully mobilise the vitality of its government and enterprise team. The Company created industrial research institutes, conducted proprietary R&D of digitalised platform, aggregated and exported its fundamental capabilities, enhanced solution and localised integration delivery capabilities. As a result, the Company's operating vitality and informatisation expansion capabilities in the government and enterprise market significantly strengthened.

3.6 Undertaking social responsibilities while optimising corporate governance

Adhering to the original aspiration and founding mission, the Company proactively implemented social responsibility practices based on the promotion of the high-quality development of the Company, while promoting intelligence

injection and endowment for the sustainable development of the economy and society. The Company insisted on development powered by sci-tech innovation, accelerated the construction of intelligent integrated digital information infrastructure, and has completed the construction of the world's largest 5G SA co-built and co-shared network as well the world's largest telco-operated cloud. The Company successfully completed the communications assurance tasks for key events and major emergencies and natural disasters. The Company proactively carried out network security governance, continuously enhanced the level of corporate network security capabilities, and ensured the security of customer services. Adhering to the customer-oriented approach, the Company expanded scene-based integrated intelligent information services, vigorously pushed forward the construction of digital entertainment and digital households, spared no efforts to build smart communities and digital villages, and continued to enrich the content of digital life services. The Company strengthened the innovation and application of digital information technologies to empower numerous walks of life. The Company spared no efforts to consolidate

SECTION III MANAGEMENT'S DISCUSSION AND ANALYSIS (REPORT OF THE DIRECTORS)



and expand the effective connection between the achievements of poverty alleviation and rural revitalisation and continued to promote universal service, receiving national commendations including the National Poverty Alleviation Summary and Commendation Advanced Groups. The Company comprehensively forged a "China Telecom is trustworthy" reputation and image, maintaining the industry-leading position in terms of overall satisfaction with industry's lowest valid complaint rate. Insisting on people-oriented approach, the Company deeply cared for its employees and strived to achieve mutual growth of employees and the Company. The Company enthusiastically participated in community services and established more than 6,000 "Caring Stations" to provide warm public welfare services. Leveraging emerging information and communications technologies, the Company supported sci-tech-based anti-epidemic measures as well as the normalised Epidemic prevention and control. Insisting on the green development principles, the Company launched the "1236" action plan for carbon

dioxide peaking and carbon neutrality. The Company reduced its carbon dioxide emissions by more than six million tons in a year through network co-building and co-sharing. The Company proactively established a green supply chain to support low-carbon production and green life.

Adhering to excellent, prudent, and effective corporate governance principles, the Company continued to strengthen internal control system, enhance the level of governance, standardise corporate operation to ensure that the Company's operation is in line with the long-term interests of all shareholders. Meanwhile, the Company coordinated and promoted the development of the governance system of its subsidiaries and built a corporate governance mechanism with effective checks and balances. In 2021, the Company's continuous efforts in corporate governance was widely recognised by the capital market and received a number of honours. The Company was voted as the "Most Honoured Companies





in Asia" for the 11th consecutive year in the "The All-Asia-Executive-Team Poll" organised by Institutional Investor. The Company also received several awards in the same poll, including "Best Overall ESG" and "Best IR Program". The Company was awarded the "Gold Award - Excellence in Environmental, Social and Governance" in the poll of "ESG Corporate Awards 2021" by The Asset. In addition, the Company was awarded "The Best of Asia - Icon on Corporate Governance" for the 14th time by Corporate Governance Asia. Furthermore, the Company was named "Most Outstanding Company in Hong Kong - Telecommunication Service Sector" in Asiamoney's "Asia's Outstanding Companies Poll 2021". The Company was also accredited the "ESG Leading Enterprise Award" in the "ESG Leading Enterprise Awards 2021" poll organised by Bloomberg Businessweek/Chinese Edition.

4. OUTLOOK

At present, the society is entering into an intelligent digital age in an accelerated pace, driven by the new generation information and communications technologies. The prospects of the digital economy are boundless. Al has entered into an accelerated development stage while the development of the communications industry is seeing historic new opportunities. In the process of the new round of technological revolution and industrial transformation, the industry's growth drivers will shift from fundamental connections to digitalised service innovation. Sci-tech innovation will become the core driver of high-quality corporate development, while green and low-carbon development is the inevitable path for high-quality corporate development. The Company made a promising start under the "14th Five-Year Plan" in 2021. In 2022, the Company will seize the valuable opportunities arising from the development of the digital economy, put all efforts into promoting high-quality development and jointly create a new pattern for the information and communications industry.





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Looking ahead, entering the new stage of its development, the Company will implement the new development principles completely, accurately and comprehensively, while proactively serving and integrating into the new development pattern. The Company will firmly seize the current vital strategic opportunities, implement the "Cloudification and Digital Transformation" strategy on all fronts, strengthen its R&D and problemtackling efforts in key core areas. The Company will also optimise its R&D mechanism, strengthen its R&D talent team and increase its investment in sci-tech research resources. The Company will also create a customeroriented operating system, proactively explore and plan for the metaverse and strive to create an intelligent and shared new digital life. The Company will deepen network co-building and co-sharing, reinforce its edges in holistic network connectivity covering land, sea, air and space, and fully realise its leading advantages of forward-looking resource deployment. The Company

will spare no efforts to promote the national project of "East-to-West Computing Resource Transfer", speed up the construction of Computing Network, build intelligent integrated digital information infrastructure, and empower the transformation and upgrade of traditional industries. The Company will also adopt its green and low-carbon principles throughout its whole production process and workflow to enhance the green operation capability and empower the green development of the economy and society. The Company will also establish a highly efficient and secure operating system and reinforce the digital security barrier. The Company will deepen its system and mechanism reforms, stimulate employee's vitality to pursue innovation, and push forward the enhancement of quality and efficiency as well as innovative development of the Company. The Company will also deepen the deployment of capital market ecology, expedite the shift of development and growth approach and share the results of its high-quality development with shareholders!

Ke Ruiwen

Chairman and Chief Executive Officer Beijing, China

17 March 2022



2. OVERVIEW OF THE COMPANY'S INDUSTRY DURING THE REPORTING PERIOD

1. INDUSTRY OVERVIEW

At present, global technological innovation has entered a period of unprecedented intensity and activity, with the world picking up its pace towards the intelligent era of digitalisation and connectivity for all. As a fundamental, strategic and pioneering industry of the national economy, the information communications industry has played an important supporting role in promoting economic restructuring and economic and social development.

Accelerated construction of new infrastructure.

Entering the era of digital economy, telecommunications operators proactively grasp the development trend of the global information and communications industry and take "the construction of the intelligent integrated digital information infrastructure that is high-speed and ubiquitous, aerial-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon

as well as secure and controllable" as their responsibility and mission to break through the information "artery" for economic and social development.

Continuously enhanced endowment capability for transformation. To promote the deep integration of digital technology and the real economy, empower the transformation and upgrades of traditional industries, encourage the emergence of new industries, new business types and models, and continuously strengthen, optimise and expand PRC's digital economy. By fully leveraging technological capabilities in 5G, Al and cloud, telecommunications operators will promote the scale development of industry applications and provide solid support for digital transformation, intelligent upgrades, and integrated innovation in various fields of the economy and society.

Constant breakthroughs in sci-tech innovation capabilities. The new generation of network information technologies led by 5G are the technological innovation fields with the most intensive R&D investment, the most active innovations, the most extensive application,





and the largest radiating effect in the world, attracting competition from global technological innovations. Telecommunications operators will continue to promote sci-tech innovation, shoulder the glorious historical mission to accelerate the high-level sci-tech self-reliance and self-improvement, with a focus on global scitech frontier, major economic battlefield, key national demands and people's wellbeing.

Increasing importance of cybersecurity. With the extensive development of new technologies and new applications, cybersecurity threats such as data leakage, Internet fraud, ransomware and security breaches are becoming increasingly prominent, posing new risks and challenges on cybersecurity work. Telecommunications operators will go all-out to strengthen the network security protection system and capability building, to maintain the stability of the economy and society and protect the interests of the general public.

Ongoing green and low-carbon development. To build an economic system for green and low-carbon development and promote comprehensive green transformation of economic and social development to achieve sustainable development. Telecommunications operators expedite the energy-saving and green modification of 5G base stations and datacentres, proactively promote network co-building and co-sharing, thoroughly explore the potential of green development, strengthen green empowerment and support the society in energy saving and carbon emission reduction.

2. SIGNIFICANT IMPACT OF NEW LAWS, ADMINISTRATIVE REGULATIONS, DEPARTMENTAL RULES AND INDUSTRY POLICIES ON THE INDUSTRY

During the Reporting Period, a number of laws, administrative regulations, departmental rules and industry policies were promulgated and implemented, introducing new requirements for the development and compliance operation of the industry.





On 11 March 2021, the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 was approved at the 4th meeting of the 13th National People's Congress, which proposed to accelerate the digital development and construction of Digital China, embrace the digital era, activate the potential of data elements, promote the construction of Cyberpower, accelerate the construction of a digital economy, digital society and digital government, and drive the overall reform of production methods, lifestyle and governance methods through digital transformation.

On 10 June 2021, the Standing Committee of the National People's Congress considered and approved the Data Security Law of the People's Republic of China (the "Data Security Law"), which came into effect on 1 September 2021. The Data Security Law requires that risk monitoring shall be strengthened when conducting data processing activities, and remedial measures shall be taken immediately when risks such as data security defects and loopholes are found. In the event of a data security incident, immediate measures shall be taken, users shall be notified immediately and reported to the relevant competent authorities in a timely manner in accordance with the regulations.

On 30 July 2021, the State Council promulgated the Regulations on the Security Protection of Key Information Infrastructure, which came into effect on 1 September 2021. The Regulations on the Security Protection of Key Information Infrastructure requires operators to take technical protection measures and other necessary measures to respond to network security incidents, prevent cyber-attacks and illegal and criminal activities, ensure the safe and stable operation of key information infrastructure, and maintain the integrity, confidentiality and availability of data in accordance with the provisions of these regulations, relevant laws, administrative regulations and mandatory requirements of national standards on the basis of network security level protection.







On 20 August 2021, the Standing Committee of the National People's Congress considered and approved the Personal Information Protection Law of the People's Republic of China (the "Personal Information Protection Law"), which came into effect on 1 November 2021. The Personal Information Protection Law stipulates that the processing of personal information shall have a clear and reasonable purpose, and shall be directly related to the processing purpose, with minimal impact on personal interests. The collection of personal information shall be limited to the minimum scope for processing purposes and shall not be excessive. The processing of personal information shall follow the principle of openness and transparency, with processing rules of personal information disclosed and the purpose, methods and scope of processing specified. The personal information processor is required to obtain individual consent in the process of handling sensitive personal information, providing or disclosing personal information to others, and cross-border transfer of personal information.

On 1 November 2021, the Ministry of Industry and Information Technology issued the 14th Five-Year Plan for Development of Information and Communications Industry, which requires to unswervingly promote the construction of manufacturing power, Cyberpower and Digital China, expedite the digital development of the economy and society, systematically deploy new digital infrastructure, effectively promote the speed-up and quality improvement of the network, focus on strengthening the R&D and application and promotion of new technologies, establish and improve new industry management system, continuously improve the service quality and security assurance ability of the industry, effectively enhance the ability of the industry's risk resistance, achieve high-quality development of the industry, serve the people's living quality, comprehensively empower the transformation and upgrades of the economy and society, promote the formation of a new development pattern as soon as possible, realise the modernisation of the national governance system and governance ability as soon as possible, and mark a good start for the comprehensive construction of a modern socialist country.



On 28 December 2021, the Cyberspace Administration of China, the National Development and Reform Commission, the Ministry of Industry and Information Technology and other departments jointly promulgated the revised Cyber Security Review Measures, which came into effect on 15 February 2022. The Cyber Security Review Measures clarify that network security review shall be conducted when critical information infrastructure operators purchase network products and services and network platform operators conduct data processing activities that affect or may affect national security.

The Company will conscientiously implement the newly issued and revised relevant laws, administrative regulations, departmental rules and industry policies, and actively follow up and study the upcoming relevant laws, administrative regulations, departmental rules and industry policies to ensure that the relevant business operations are in compliance with laws and regulations to ensure that the Company operates in compliance with laws and regulations.

Management introduced the Company's vision of propelling digitalisation through deepened collaboration

3. BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

In 2021, the Company seized the development opportunities of the digital economy and implemented the "Cloudification and Digital Transformation" strategy. Adhering to the proactive and progressive market development tactics, the Company insisted on the individual informatisation upgrade led by 5G and continued to enhance 5G operation capabilities. Through the convergence of "Gigabit Broadband + Whole-home WiFi + e-Surfing HD + Smart Home Application", the Company accelerated the upgrade of family services to digital life and services. Leveraging "integration of cloud, security, 5G, data, and intelligence", the Company developed scene-based integrated intelligent solutions to accelerate the development of Industrial Digitalisation. In 2021, The total number of the Company's mobile subscribers reached 372 million, with subscribers' net addition maintaining the industry-leading position for four consecutive years. The penetration rate of 5G package subscribers reached 50.4%. The number of wireline broadband subscribers reached nearly 170 million. The







penetration rate of subscribers of Smart Family services such as Whole-home WiFi and e-Surfing Webcam increased rapidly. Revenue from Industrial Digitalisation reached RMB98.9 billion, representing a year-on-year growth of 19.4% on a comparable basis, with its growth rate being significantly higher than that of 2020.

4. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

In 2021, in the face of new opportunities and challenges, China Telecom implemented the "Cloudification and Digital Transformation" strategy, coordinated the promotion of Epidemic prevention and control and production and operation, achieving significant progress and remarkable results in corporate reform and development.

1. INDUSTRY-LEADING CLOUD-NETWORK SERVICING CAPABILITIES

The Company pioneered in the industry to put forward the idea of cloud-network integration, built a leading new information infrastructure based on cloud-network integration, and continued to consolidate the edges of holistic network connectivity covering land, sea, air and space. The Company deepened co-building and cosharing with its 5G network coverage being extended to all cities and counties across the country as well as some developed towns. The Company has built the world's largest 5G SA co-building and co-sharing network. The Company sped up the construction of its fibre network, strengthened gigabit's leading role and the popularity of 300Mbps, and continued to enhance the capabilities in fibre network. The Company launched the Tiantong IoT to provide customers with intelligent integrated information services featuring aerial-ground in one, satellite-network integration as well as Internet of Everything. The Company has built a nationwide ROADM all-fibre transmission network with the world's largest















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capacity and expanded the deployment scale of new metropolitan network based on business development. The Company stepped up its efforts in the Cloud Computing field. China Telecom Cloud Technology Co., Ltd. was officially established, with four large-scale central state-owned enterprises (SOEs) being introduced to sign a framework agreement of shareholding diversification. The Company strived to build a national Cloud Computing team and e-Surfing Cloud brand, continuously enhancing its market influence. Adhering to the "customer-oriented" principle, the Company continued to build a "trustworthy" corporate image, provide high-quality informatised products and services, and enhance customer experience. The Company carried out special improvement programs for satisfaction services, maintaining the industry-leading position in terms of overall satisfaction with the lowest valid complaint rate in the industry.

2. SIGNIFICANT ENHANCEMENT OF SCITECH INNOVATION CAPABILITY

The Company fully achieved the integrated the trisegment R&D system comprised three modules including fundamental research of applications. technological R&D of applications and operationbased development. Continuous breakthroughs have been seen in core capabilities and proprietary key technologies, such as e-Surfing Cloud 4.0 and 5G edge network. The Company has taken the initiative to assume the origin of original Cloud Computing technology and major national problem-tackling projects by carrying out extensive external cooperation and comprehensive cooperation with the four major national laboratories. The establishment of China Telecom Science and Technology Association serves as a bridge for technical exchange and sharing and a home for sci-tech practitioners. The Company gathered top experts in the industry and set up an expert committee for sci-tech innovation to form a high-end "external brain".





3. CONTINUOUS REINFORCEMENT OF NETWORK AND INFORMATION SECURITY CAPABILITY

Internally, the Company continued to improve the network and information security system and established efficiently-centralised security and network channeling capabilities. The Company increased the procurement scale of domestic independent products, fully safeguarded the safety of the supply chain and continuously increased the procurement proportion of domestic systems, software and network equipment. The protection of personal information has been strengthened with full use of informatisation measures to ensure the security of user data and applications. The Company continued to carry out anti-fraud, fraud prevention and anti-telephone harassment, with its antifraud work achieving industry-leading position on all fronts. Externally, the Company continuously developed security products and services, empowered social and economic security and strengthened core security products. The Company also proactively expanded its product and service series, such as e-Surfing Security Brain, Graded Protection Assistant, Quantum-encrypted Calls, and Internet Fraud Prevention, among others, and offered products such as e-Surfing Anti-harassment and Security Butler for individual and household markets. The Company has built great security service system, strengthened the collaboration of security company, Beijing Global Safety Technology and QuantumCTek, forming the development synergy and jointly expanding and strengthening security services.







5. MAJOR OPERATION DURING THE REPORTING PERIOD

In 2021, the Company proactively explored the market, upgraded its products, enhanced its services and continued to meet individual and household customers' demands emerging from consumption upgrade in digital life as well as enterprise customers' demands emerging from transformation in Industrial Digitalisation. The Company spared no efforts to promote high-quality development. The Company's operating revenues amounted to RMB439.6 billion, representing an increase of 11.7% year-on-year. Of which, service revenues amounted to RMB402.8 billion, representing an increase of 7.8% over last year. Excluding the revenue impact from the disposals of its subsidiaries the year-onyear growth rate reached 8.1%, remaining above the industry's average growth rate for five consecutive years.

1. CONTINUING TO STRENGTHEN THE LEADING ROLE OF 5G SERVICES. WITH THE SCALE AND VALUE OF MOBILE SUBSCRIBERS MAINTAINING **FAVOURABLE GROWTH**

The Company proactively seized the window of 5G service development and insisted on developing individual market led by 5G. The Company continued to enrich the content of 5G packages and took the lead in launching the 5G Cloud Package within the industry by leveraging its "cloud-network integration" edges, offering secure and reliable cloud services for 5G customers through "connectivity + cloud drive". The Company also continuously optimised its content, applications and experience, stepped up the scale expansion of 5G applications, with the scale of applications such as Colour Ring back Tone with Video, Ultra HD, Cloud VR/AR, Cloud Games and cloud handsets becoming considerable while DOU continuing to rise. The Company continuously optimised its privilege operating system and provided customers with "more convenient, more preferential, more intelligent and more secure" digitalised privilege products and services. The Company offered better quality 5G network services to customers by optimising network configuration leveraging digital means and enhancing network coverage. In 2021, the Company's mobile subscriber number reached 372 million, representing a net addition of 21.41 million and continuous increase in its market share. Mobile ARPU was RMB45.0, representing an increase of 2.0% yearon-year. The number of 5G package subscribers reached 188 million, with the penetration rate reaching 50.4% which maintained the industry-leading position. DOU of 5G network customers in December 2021 reached 24.1GB.



Customers shopping for Smart Family products



2. CONTINUING TO ACCELERATE THE UPGRADE OF HOUSEHOLD SERVICES, WHILE STEADILY ENHANCING BROADBAND SERVICING CAPABILITIES AND BLENDED ARPU

The Company proactively grasped the development trend of the digital economy, gave full play to its own resource endowment, continued to upgrade household business and services to continuously meet the integrated informatisation needs of household customers. The Company accelerated the comprehensive upgrade of broadband speed for household customers, with the penetration rate of gigabit users continuing to increase. The Company continued to leverage its first-mover advantage in Smart Family services, while continuing to optimise its services, enhance its product capabilities and accelerate the scale development of Smart Family products. The number of subscribers of e-Surfing Webcam and Whole-home WiFi maintained leading position in the industry. The Company proactively seized vantage point in digital life, accelerated the upgrade of Smart Family to whole-home intelligence, and provided family customers with customised services such as whole-home intelligent network and intelligent home. The Company accelerated the connected digital upgrade of household and public services, took the lead in the industry to publish a digital village white paper and continued to upgrade the functions of smart communities and digital village platforms to provide communities and rural customers with abundant digital services such as intelligent management, intelligent monitoring and intelligent security. In 2021, the number of broadband subscribers for the Company reached nearly 170 million, representing a net addition of 11.18 million, with broadband access ARPU recording a positive year-onyear growth. Revenues from Smart Family increased by 25.1%. Driven by Smart Family services, broadband blended ARPU amounted to RMB45.9, representing a year-on-year increase of 3.4%.

3. EXPEDITING CLOUD-NETWORK INTEGRATION TO EMPOWER NUMEROUS WALKS OF LIFE, WITH THE REVENUE OF INDUSTRIAL DIGITALISATION ACHIEVING RAPID GROWTH

Fully leveraging its edges in cloud-network integration, and the "integration of cloud, security, 5G, data, and intelligence", the Company proactively empowered the transformation and upgrades of traditional industries. The Company also accelerated the enhancement of cloud product capabilities, with e-Surfing Cloud being upgraded to a distributed cloud. The Company created differentiated edges such as cloud-network integration, independence and controllability, localised service, security and reliability, so as to maintain a good market brand recognition and a leading position in the public cloud market for government administration. The Company accelerated the development of cloudnetwork integration products, launched a series of leading and pioneering products such as premium OTN dedicated lines, FIRST dedicated lines, and promoted the rapid growth of multi-cloud access, multi-cloud interconnection and DCI. The Company accelerated the enhancement of industry solution capabilities and delivery capabilities, continued to deepen the implementation of the government and enterprise system reform, further subdivided the industry BG and conducted in-depth research on demands of industry customers. The Company built nearly 30 group-level digital platforms for key industries, provided scenebased integrated intelligent solutions, and strengthened the integration and delivery team and capabilities at local level. Leveraging industry platforms, 5G customised networks and IoT, the Company extensively serves key areas and vertical industries such as smart cities, digital



government and industrial Internet. In 2021, revenue from the Company's Industrial Digitalisation reached RMB98.9 billion, representing an increase of 19.4% year-on-year on a comparable basis, a substantial growth acceleration compared to 2020. Revenue from e-Surfing Cloud continued to grow at a rapid pace, amounting to RMB27.9 billion, doubled year-on-year.

4. ACCELERATING DIGITAL TRANSFORMATION AND UPGRADES, SIGNIFICANTLY ENHANCING DIGITAL SALES AND SERVICING CAPABILITIES

The Company proactively promoted digital transformation and upgrades and continuously enhanced the digital management level such as digital R&D and design, intelligent production and operation, integrated operation and management, agile customer service, and ecological product coordination. The Company continued to accelerate the construction of digital sales core to achieve rapid product loading, autonomous consumption, crossregion acceptance and processing and empower various online and offline touchpoints. The Company continued to promote the enhancement of data-based intelligent sales and marketing servicing capabilities, strengthened the application of data tags, and enhanced Al-driven and data-based intelligent sales and marketing capabilities to build accurate user profiles. As a result, the sales conversion rates, sales and marketing resource utilisation efficiency and customer perception were significantly enhanced. The Company sped up the upgrade of databased intelligent servicing capabilities and built intelligent and online based customer servicing capabilities, achieving dual enhancement of service efficiency and customer perception. In 2021, the Company maintained the industry-leading position in overall satisfaction rate.

5. CONTINUING TO ACCELERATE THE CONSTRUCTION OF NEW INFORMATION INFRASTRUCTURE AND FURTHER ENHANCE CLOUD-NETWORK INTEGRATION CAPABILITIES

Adhering to "Cloud Central, Network Around, Network Adaptive to Cloud, Cloud and Network as One", the Company accelerated the construction of digital information infrastructure that is cloud-network integrated, green and low-carbon. The Company continued to strengthen 5G construction and deepened co-building and co-sharing. The number of 5G base stations in use reached approximately 690,000, while 5G network coverage extended to cover all cities and counties and certain developed towns nationwide. The Company built 5G customised networks through front- and backends linage and set the best practices for industry applications. The Company also deepened the promotion of fibre network construction and continued to enhance fibre network capabilities. The Company completed the construction of an all-fibre transmission ROADM network with nationwide coverage and the largest capacity in the world and expanded the scale deployment of the new metropolitan network to support business development. The Company strengthened the construction of cloudnetwork fundamental capabilities. Pivoting on the nation's "East-to-West Computing Resource Transfer" project and the deployment of an integrated Big Data centre, the Company deployed datacentres, DCI network, computing power and e-Surfing Cloud on all fronts. The Company realised a "2+4+31+X+O" layout for its cloud resources and became the first cloud service provider in the country to achieve "one pool for each province". The Company coordinated and deployed the largest cloud-based security capabilities pool within the industry and built the capabilities system for security situation awareness covering cloud, network, edge and terminal, to fortify the security foundation for its digital information infrastructure.



6. FINANCIAL OVERVIEW

In 2021, the Company proactively seized the strategic opportunities brought by the new round of technological revolution and industrial transformation and implemented its "Cloudification and Digital Transformation" strategy. The Company also deepened reforms and innovation and strengthened operation and management, with significant acceleration of operation and development. The Company optimised resource allocation, appropriately increased investment in Industrial Digitalisation and R&D, which effectively supported its business development. At the same time, the Company continued to implement refined cost management and continued to promote efficiency enhancement. In 2021, both the revenues and profit of the Company achieved double-digit growth, with the full year results achieving a new high. In 2021, operating revenues were RMB439,552 million, representing an increase of 11.7% from year 2020. Service revenues¹⁴ were RMB402,827 million, representing an increase of 7.8% from year 2020. Excluding the revenue impact from the disposals of its subsidiaries¹⁵, the growth rate reached 8.1% year-onyear, remaining above the industry's average growth rate for five consecutive years. Operating expenses were RMB408,605 million, representing an increase of 12.0% from year 2020. The Company's profitability continued to enhance. Profit attributable to equity holders of the Company was RMB25,948 million, representing an increase of 24.5% from year 2020. Excluding the one-off after-tax gain from the disposals of its subsidiaries¹⁶, the year-on-year growth was 17.7%. Basic earnings per share were RMB0.31. EBITDA¹⁷ was RMB123,912 million, representing an increase of 4.2% from year 2020 and the EBITDA margin¹⁸ was 30.8%.

OPERATING REVENUES

In 2021, the Company leveraged its edges in cloud-network service capabilities, accelerated the development of Industrial Digitalisation service, with its revenues continuing to maintain favourable growth while its revenue structure continuing to optimise. Operating revenues in 2021 were RMB439,552 million, representing an increase of 11.7% from year 2020. Service revenues were RMB402,827 million, representing an increase of 7.8% from year 2020.

Service revenues are calculated based on operating revenues minus sales of mobile terminals (2021: RMB24,001 million; 2020: RMB10,711 million), sales of wireline equipment (2021: RMB7,330 million; 2020: RMB5,430 million), and other non-service revenues (2021: RMB5,394 million; 2020: RMB3,622 million).

The Company completed the disposals of E-surfing Pay and China Telecom Leasing in April 2021.

The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.

EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation. As the telecommunications business is a capital intensive industry, capital expenditure, the level of gearing and finance costs may have a significant impact on the net profit of companies with similar operating results. Therefore, we believe EBITDA may be helpful in analysing the operating results of a telecommunications service provider such as the Company. Although EBITDA has been widely applied in the global telecommunications industry as a benchmark to reflect operating performance, debt raising ability and liquidity, it is not regarded as a measure of operating performance and liquidity under the International Financial Reporting Standards. It also does not represent net cash from operating activities. In addition, our EBITDA may not be comparable to similar indicators provided by other companies.

EBITDA margin is calculated based on EBITDA divided by service revenues.



The following table sets forth a breakdown of the operating revenues for year 2021 and 2020, together with their respective rates of change:

For the year ended 31 December

(RMB million, except percentage data)	2021	2020	Rates of change
Service revenues	402,827	373,798	7.8%
Of which: Mobile communications			
service revenues	184,157	175,564	4.9%
Wireline and Smart Family			
service revenues	113,522	109,018	4.1%
Industrial Digitalisation			
service revenues	98,945	83,968	17.8%
Other service revenues	6,203	5,248	18.2%
Revenue from sales of goods and others	36,725	19,763	85.8%
Total operating revenues	439,552	393,561	11.7%

Mobile communications service revenues

In 2021, revenues from mobile communications services were RMB184,157 million, representing an increase of 4.9% over the same period of last year, accounting for 41.9% of operating revenues. The increase was mainly due to the increase in handset Internet access revenue. In 2021, the Company deeply integrated its edges in 5G and e-Surfing Cloud, continued to enhance 5G network quality, enriched 5G application and privilege portfolio, and propelled the dual enhancement of the scale and value of its mobile subscribers, with its subscriber net addition maintaining the industry-leading position for four consecutive years. In 2021, handset Internet access revenue was RMB140,270 million, representing a year-on-year increase of 7.4%.

Wireline and Smart Family service revenues

In 2021, the Company's wireline and Smart Family service revenues were RMB113,522 million, representing an increase of 4.1% over the same period of last year and accounting for 25.8% of operating revenues. The increase was mainly due to the increase in revenues from wireline broadband access and Smart Family. The Company gave full play to its edge in cloud-network integration with a focus on digital life under all scenes. In 2021, broadband access ARPU achieved positive yearon-year growth. In addition, leveraging its cloud-network fundamental capabilities, the Company converged "Gigabit broadband + Whole-home WiFi + e-Surfing HD + Smart Family applications" while constantly enriching content of Smart Family services, with its subscriber scale achieving the industry-leading position. In 2021, wireline broadband access revenue amounted to RMB76,548 million, up by 6.5% over last year. Revenue from Smart Family reached RMB13,885 million, representing an increase of 25.1% over last year.

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Industrial Digitalisation service revenues

In 2021, the Company's Industrial Digitalisation service maintained rapid growth, with revenue reaching RMB98,945 million, representing an increase of 17.8% over last year and a year-on-year increase of 19.4% on a comparable basis¹⁹, and accounting for 22.5% of operating revenues. The increase was mainly due to the increase in revenues from IDC and Industry Cloud. In 2021, the Company deeply integrated the key elements of digital economy with the real economy, proactively empowered the transformation and upgrades of traditional industries, and adopted a wide range of innovative business models. Digitalised platform accelerated its module-based transition, while the growth rate was significantly higher compared to that of 2020. Revenue from Industry Cloud reached RMB21,328

million, representing an increase of 90.9% over last year, while revenue from IDC reached RMB31,600 million, representing an increase of 13.0% over last year, continuing to rank No.1 in the industry in terms of scale.

Other service revenues

In 2021, revenues from other services amounted to RMB6,203 million, representing an increase of 18.2% from year 2020, mainly due to the increase in revenues from property rental.

Revenue from sales of goods and others

In 2021, revenue from sales of goods and others amounted to RMB36,725 million, representing an increase of 85.8% from year 2020, mainly due to the significant increase in the sales volume of mobile terminals, such as 5G mobile phones.

OPERATING EXPENSES

The Company firmly seized the opportunity of 5G scale development, accelerated digital transformation and development, and continued to increase investment in government and enterprise service and R&D system. At the same time, the Company strengthened the internal deployment of the digitalised platform, took various measures to continue to strengthen precision cost control, and improved the efficiency of resource utilisation. In 2021, operating expenses were RMB408,605 million, representing an increase of 12.0% from year 2020. Operating expenses accounted for 93.0% of operating revenues, representing an increase of 0.3 percentage point from year 2020.



Revenues from Industrial Digitalisation in 2020 and 2021 are both calculated on the basis of excluding the revenue impact from disposals of subsidiaries.



The following table sets forth a breakdown of the operating expenses in 2021 and 2020 and their respective rates of change:

For the	VOOR	andad	21	December

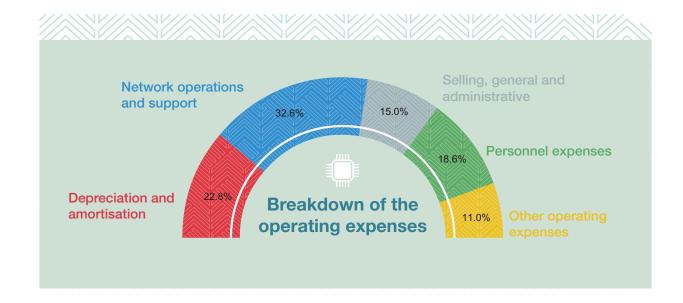
(RMB million, except percentage data)	2021	2020	Rates of change
Depreciation and amortisation	92,965	90,240	3.0%
Network operations and support	133,342	119,517	11.6%
Selling, general and administrative	61,155	55,059	11.1%
Personnel expenses	76,055	65,989	15.3%
Other operating expenses	45,088	29,074	55.1%
Impairment loss on property, plant and equipment	-	5,042	N/A
Total operating expenses	408,605	364,921	12.0%

Depreciation and amortisation

In 2021, the Company further promoted 5G co-building and co-sharing as well as 4G network co-sharing. At the same time, the Company maintained necessary capital expenditure to support the construction of 5G network at scale. Depreciation and amortisation amounted to RMB92,965 million, representing an increase of 3.0% from year 2020 and accounting for 21.1% of operating revenues.

Network operations and support

In 2021, the Company continued to optimise its network quality and enhance customer experience. The Company appropriately increased investment in capabilities build-up to support the development of 5G and Industrial Digitalisation service. Network operations and support expenses amounted to RMB133,342 million, representing an increase of 11.6% from year 2020 and accounting for 30.3% of operating revenues.





Selling, general and administrative

In 2021, selling, general and administrative expenses amounted to RMB61,155 million, representing an increase of 11.1% from year 2020 and accounting for 13.9% of operating revenues. Selling expenses were RMB48,597 million, representing an increase of 6.9% from year 2020. The increase was mainly due to the Company seizing the development opportunities of 5G and maintaining the necessary investment in marketing resources, and at the same time, strengthening online and offline coordination, stepping up precision marketing and improving the efficiency of selling expenses utilisation. General and administrative expenses amounted to RMB12,558 million, representing an increase of 30.6% from year 2020, which was mainly due to the increase in R&D as the Company proactively promoted sci-tech innovation and strived to build a scitech company.

Personnel expenses

In 2021, personnel expenses amounted to RMB76,055 million, representing an increase of 15.3% from year 2020 and accounting for 17.3% of operating revenues. The Company firmly seized the opportunities arising from the development of the digital economy, strengthened the recruitment of high-tech talents and increased incentives for frontline employees and high-performance team, and implemented a new phase of share appreciation rights to enhance employees' vitality. Investments in personnel expenses were in line with the transformation of the Company towards a sci-tech company in the future. For details regarding the number of employees, remuneration policy and training programs, please refer to 2021 Corporate Social Responsibility Report.

Other operating expenses

In 2021, other operating expenses amounted to RMB45,088 million, representing an increase of 55.1% from year 2020 and accounting for 10.3% of operating revenues. The increase was mainly due to the significant increase in the scale of mobile terminals sold.

Net finance costs

In 2021, net finance costs amounted to RMB1,293 million, representing a decrease of 57.1% from year 2020, mainly because the Company maintained sound operating cash flows, while A Share Offering effectively covered the capital needs of key investment projects, and the scale of interest-bearing debt was effectively reduced.

PROFITABILITY LEVEL

Income tax

The Company's statutory income tax rate is 25%. In 2021, income tax expenses were RMB7,716 million while the effective tax rate was 22.8%, representing a decrease of 0.2 percentage point from last year. The reason for the effective tax rate to be lower than the statutory tax rate was because income from investment in the associate company, China Tower, was not subject to tax during the period of the investment held, and some subsidiaries and some branches located in the western region of China enjoyed low tax rates.

Profit attributable to equity holders of the Company

The Company firmly seized the strategic opportunities arising from the booming digital economy, deepened reform and innovation and strived to improve quality and efficiency, resulting in a significant increase in profit attributable to equity holders. In 2021, the profit attributable to equity holders of the Company was RMB25,948 million, representing an increase of 24.5% from year 2020, and a year-on-year increase of 17.7% excluding the one-off after-tax gain of disposals of its subsidiaries²⁰.

The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1,416 million.



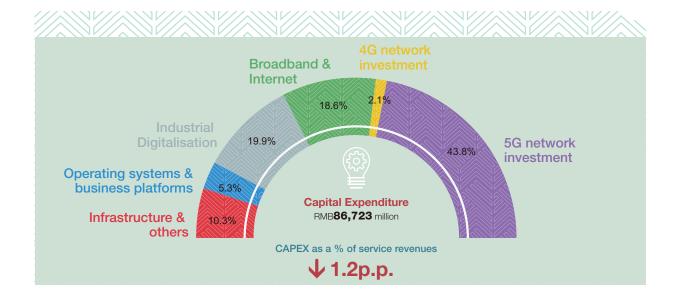
CAPITAL EXPENDITURE AND CASH FLOWS

Capital expenditure

In 2021, the Company maintained the necessary investment scale in 5G network construction, continuously enhanced 5G network coverage capabilities, and expanded the construction of e-Surfing Cloud and IDC. At the same time, the Company strictly controlled capital expenditure and continually promoted the 5G network co-building and co-sharing as well as 4G network co-sharing with China Unicom. Capital expenditure for the year was RMB86,723 million, representing an increase of 2.3% from year 2020.

Cash flows

The net increase in cash and cash equivalents for year 2021 was RMB49,724 million and net increase in cash and cash equivalents for year 2020 was RMB3,076 million.



The following table sets forth the cash flow position in 2021 and 2020:

For the	VOOR	andad	21 D	ecember

(RMB million)	2021	2020
Net cash from operating activities	137,533	132,260
Net cash used in investing activities	(80,287)	(87,077)
Net cash used in financing activities	(7,522)	(42,107)
Net increase in cash and cash equivalents	49,724	3,076

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In 2021, the net cash inflow from operating activities was RMB137,533 million, representing an increase of 4.0% from year 2020, mainly due to the increase in cash inflow resulting from the increase in operating revenues.

In 2021, the net cash outflow used in investing activities was RMB80,287 million, representing a decrease of 7.8% from year 2020, mainly due to the increase in net cash inflow from the disposal of E-surfing Pay.

In 2021, the net cash outflow used in financing activities was RMB7,522 million, representing a decrease of 82.1% from year 2020, mainly due to the impact of the proceeds from the Company's A Share Offering.

WORKING CAPITAL

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2021, the working capital (total current assets minus total current liabilities) deficit was RMB137,712 million, representing a decrease in deficit of RMB49,414 million compared to the end of 2020. The liquidity of the Company continuously improved. As at 31 December 2021, the unutilised credit facilities were RMB276,483 million (2020: RMB244,326 million). Given the stable net cash inflow from operating activities and sound credit record, the Company has sufficient working capital to satisfy operational needs. As at the end of 2021, cash and cash equivalents amounted to RMB73,281 million, among which cash and cash equivalents denominated in Renminbi accounted for 89.6% (2020: 73.0%).





ASSETS AND LIABILITIES

In 2021, the Company continued to maintain a solid financial position. At the end of 2021, the total assets increased by 6.6% from RMB715,096 million as at the end of 2020 to RMB762,234 million. Total indebtedness²¹ decreased to RMB16,496 million from RMB53,342 million at the end of 2020. Gearing ratio²² decreased to 3.7% from 12.8% at the end of 2020.

Indebtedness

The indebtedness analysis as at the end of 2021 and 2020 is as follows:

For the year ended 31 December

(RMB million)	2021	2020
Short-term debts	2,821	27,994
Long-term debts maturing within one year	6,280	1,126
Long-term debts	7,395	24,222
Total indebtedness	16,496	53,342

As at the end of 2021, the total indebtedness was RMB16,496 million, representing a decrease of RMB36,846 million from the end of 2020, which was mainly because the proceeds from A Share Offering satisfied the capital requirements of key projects, leading to decreased external financing needs. Of the total indebtedness, loans denominated in Renminbi, US Dollars and Euro accounted for 98.2% (2020: 99.3%), 1.1% (2020: 0.4%) and 0.7% (2020: 0.3%), respectively. 95.9% (2020: 90.1%) of the indebtedness are loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

As at 31 December 2021, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2020: Nil).

Most of the revenues received and expenses paid in the course of the Company's business were denominated in Renminbi, therefore there were no significant risk exposures arising from foreign exchange fluctuations.

Total indebtedness refers to interest-bearing debts excluding lease liabilities.

Gearing ratio is calculated based on total indebtedness divided by total capital, while total capital is calculated based on total equity attributable to equity holders of the Company plus total indebtedness.



Size of

Significant investment

As at 31 December 2021, the Company's external investments mainly included interests in associates and joint ventures and equity instruments at fair value through other comprehensive income, with carrying amounts of RMB41,166 million and RMB1,216 million, respectively. The Company's investment in China Tower, an associate of the Company, constituted its significant investment. Details of such investment are set out below:

					As at 31 December 2021			fair value relative to	
Company name	Stock Code	Principal businesses	Place of incorporation	Investment cost (RMB million)	Number of shares held	Percentage of shares held	Carrying amount (RMB million)	Fair value (RMB million)	total assets of the Group
China Tower	0788.HK	Include the tower business and indoor Distributed Antenna System (DAS) business for telecommunications industry, and the Trans- sector Site Application and Information (TSSAI) business and energy operation business for customers from various industries across wider society		36,087	36,087,147,592	20.5%	38,250	25,374	3.3%

As at 31 December 2021, the carrying amount of the Group's interests in China Tower, an associate of the Company, was RMB38,250 million, accounting for 5.0% of the Group's total assets. In 2021, share of unrealised profits of China Tower recognised by the Company amounted to RMB1,651 million, and dividends received amounted to RMB807 million. In the future, the Company can enjoy more fundamental network resources through China Tower. As one of the shareholders of China Tower, it is expected that the Company can benefit from the long-term enhancement of profits and values from China Tower.

Contractual obligations

Contractual obligations as at 31 December 2021 are as follows:

			Between	Between	
(RMB million)	Total	Within 1 year	1 to 2 years	2 to 5 years	Thereafter
Short-term debts	2,870	2,870	_	-	_
Long-term debts	15,038	6,415	3,218	3,201	2,204
Lease liabilities	46,068	15,193	9,556	15,560	5,759
Capital commitments	20,773	20,773	_	_	_
Total contractual obligations	84,749	45,251	12,774	18,761	7,963

Note: Amounts of short-term debts, long-term debts and lease liabilities include recognised and unrecognised interest payable, and are not discounted.



7. INDUSTRY OPERATION ANALYSIS

In 2021, China's communications industry proactively promoted the construction of Cyberpower and Digital China, with full acceleration of the construction and application popularity of new information infrastructure, such as 5G and gigabit fibre networks, laying a solid foundation for the development of the 14th Five-Year Plan.

In 2021, revenue of China's telecommunications industry increased steadily, amounting to RMB1.47 trillion, representing an increase of 8.0% and the growth rate increase of 4.1 percentage points over last year. The revenue from fixed data and Internet services amounted to RMB260.1 billion, representing an increase of 9.3% over the previous year, with a proportion of the revenue from telecommunications services increasing to 17.8%. Revenue from mobile data and Internet services amounted to RMB640.9 billion, representing an increase of 3.3% over last year.

The number of subscribers continued to expand. As of the end of 2021, China's mobile phone subscribers reached 1,643 million, representing a net increase of 48.75 million over the previous year. The total number of wireline broadband access subscribers of the three fundamental telecommunications enterprises reached 536 million, representing a net increase of 52.24 million as compared to the previous year, of which the number of subscribers with access speed of 1000Mbps or above recorded a net increase of 28.16 million for the year, reaching 34.56 million, accounting for 6.4% of the total number of users.

The mobile Internet traffic grew rapidly. Under the impact of the Covid-19 Epidemic, users' demand for online office and shopping continued to increase. Combined with the increasingly flourishing application scenarios for large data traffic, the potential for traffic consumption was further released. In 2021, the mobile Internet access traffic reached 221.6 billion GB, representing an increase of 33.9% as compared with last year. DOU reached 13.36 GB/user, representing an increase of 29.2% as compared with last year.

The development of emerging businesses accelerated, with technologies accelerated, including the innovation of Big Data, Cloud Computing and Artificial Intelligence, while the integration with various industries also accelerated. In 2021, the wireline value-added service revenue reached RMB222.5 billion, representing a year-on-year increase of 27.8% with growth rate continuing to increase, accounting for 15.2% of the revenue from telecommunications services. Among them, revenue from Cloud Computing increased by 91.5% and revenue from Big Data business increased by 35.5% over last year.

The network infrastructure continued to evolve and upgrade and the construction of 5G and gigabit fibre networks was accelerated. As of the end of 2021, the length of optical cable in China reached 54.88 million kilometers, and the number of Internet broadband access ports reached 1,018 million. Among them, the number of fibre access (FTTH/O) ports reached 960 million, representing a net increase of 80.17 million compared with the end of the previous year; The total number of mobile communications base stations in China reached 9.96 million. Over 650,000 new 5G base stations were built throughout the year, and a total of 1.425 million 5G base stations were built and operated.



8. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

1. INDUSTRY LANDSCAPE AND TREND

The unprecedented changes of the world have been evolving in an accelerated speed, seeing a new round of sci-tech revolution and industrial transformation and the wave of digitalisation sweeping the world. The Covid-19 Epidemic has further accelerated the progress of these trends. Although the development of the information and communications industry is subject to risks and challenges, there are broad prospects and opportunities.

The new generation of information communications technology drives the human society towards the era of digital intelligence. The information and communications technology has gone through the Internet era represented by All IP and entered the whole cloud era represented by All Cloud, and is gradually moving towards the fully intelligent era represented by All Intelligence. Transforming from connecting personal computers, connecting people and mobile applications to the Internet of Everything, the perception of Everything and the intelligence of Everything.

The core of intelligent integrated digital information infrastructure is "high-speed and ubiquitous, ariel-ground in one, cloud-network integrated, intelligent and agile, green and low-carbon, and secured and controllable". The new generation of information communications technology represented by 5G, fibre network, cloud and Artificial Intelligence, as the basic elements of new information infrastructure, has become the foundation and necessity for economic and social development.

In the intelligent and digital era, user needs are becoming more intelligent, diversified and scene-based. The digitaldriven demand of users has been continuously upgraded, from identical basic needs such as voice, SMS and traffic to customised needs such as content, applications and solutions, and continues to shift towards the scenebased needs of every individual.

The evolution of new technologies and the stimulation of customer needs require the provision of new digital products and services to drive the digital transformation of the whole society. The digital transformation of various industries has brought huge room for industrial digitalisation, causing the boundaries of traditional industries to fade out gradually. Internet companies, software companies, equipment manufacturers and other companies have entered the market. As a result, enhancing industry collaboration and industry chain cooperation became the common choice for global mainstream enterprises.

2. DEVELOPMENT STRATEGY OF THE COMPANY

China Telecom proactively implements the original mission of building a Cyberpower, Digital China and safeguarding network information security, fully implements the "Cloudification and Digital Transformation" strategy and insists on the customeroriented principle. The Company strengthens the core capability of sci-tech innovation, accelerates the construction of new information infrastructure which is cloud-network integrated, green and secure and consolidates the foundation of green development and network information security. The Company builds a digital platform hub, creates a win-win cooperation ecosystem, deepens the reform of systems and mechanisms, provides customers with flexible, diversified, integrated, convenient, quality experience, green and secure integrated intelligent information services, meets the information needs of people for a better life, and continues to promote the Company to grow stronger, better and bigger, to become a world-class enterprise and create greater value for shareholders.



3. BUSINESS PLAN

In 2022, the Company will firmly seize the strategic opportunities arising from the development of the digital economy, fully implement the "Cloudification and Digital Transformation" strategy, vigorously promote sci-tech innovation and continue to deepen corporate reform. Adhering to the customer-oriented principle, the Company will continue to accelerate subscribers' upgrade to 5G and gigabit users, proactively participate in the digital upgrades of residential and community facilities, provide customers with a new and shared digital life to promote the quality upgrade of living consumption. The Company will accelerate the promotion of smart communities and digital villages while using digital means to improve the level of urban and rural public services. Leveraging the advantages of cloud-network integration, the Company will continuously enrich "the cloud migration, the use of data and intelligence injection" services based on the characteristics of different industries and differentiated needs, with an aim to facilitate the digital transformation and upgrades of enterprise customers and strive to promote high-quality development.

4. POTENTIAL RISKS

Risks of adapting to economic and policy environment

The impact of the global Covid-19 Epidemic is farreaching, while protectionism and unilateralism have affected the stability of the global landscape, with increasing sources of turbulence and risk points. The Company may be exposed to restrictions, sanctions or other legal or regulatory measures in different jurisdictions. The domestic economy is facing the "triple pressure" of shrinking demand, supply shocks and weakening expectations. The increasingly stringent regulatory environment and policies such as market entry, speed upgrade and tariff reduction and mobile number portability may bring risks and challenges to the Company's business development and revenue growth. The Company will strengthen the analysis and determination of the external environment, actively prevent and respond to the risks brought by environmental changes, implement the requirements of regulatory policies, comprehensively deepen reform, promote the strategy of "Cloudification and Digital Transformation", innovate business models, accelerate technological innovation, improve the compliance management system and solidly promote the high-quality development of the Company.

Business operation risks

The Nation requires to give full play to the supporting role of sci-tech innovation strategy, which will bring new opportunities and challenges to the sci-tech innovation of enterprises. With the rapid development of the digital economy, the upgrading and iteration of products and services have accelerated towards the more diversified and personalized needs of customer. There is a certain gap between the Company's products and services in terms of varieties, performance and experience and customer's needs, as well as between the level of industrial digitalisation and the requirements of digital economy development. Market competition further intensified, with the growth rate of subscribers in the telecommunications industry under downward pressure and lagging technological and innovation development. The Company will further strengthen the research and development and the transformation of achievements of sci-tech innovations, increase the dual driving forces of fundamental business and digital industrialisation business and the mutual promotion of dual circulation of domestic and international markets, make efforts in the research and development and promotion of supply-side products, promote the improvement of 5G business model and industry chain, accelerate the scale development of 5G, increase the capital deployment intensity, expand the "circle of friends" in the ecology and continuously improve the market competitiveness of product supply to meet the diversified and personalised needs of customers.



Network and information security risks

The accelerated evolution of information and communication networks and the growing number of cyber-attacks for different purposes have brought new challenges to network security operations. With the promulgation, revision and implementation of relevant laws and regulations including the Data Security Law, the Personal Information Protection Law, the Regulations on the Protecting the Security of Critical Information Infrastructure and the Cyber Security Review Measures, the Nation has further strengthened the supervision over relevant fields. Amid the network illegal and criminal acts widely concerned by the society, the Company put forward higher requirements for the data security and personal information protection, and will further consolidate the security foundation of new information infrastructure, improve the independence and controlling capability of core network technologies, improve the supply chain security management system and improve the emergency response and sourcing capability. At the same time, the Company will further strengthen the protection of key information infrastructure, deepen data security and user personal information protection, accelerate the use of data and intelligence injection in the security core, continue to carry out network security risk investigation, effectively ensure security reliability of network operation as well as data and personal information security.

International operation risks

The recurrence of the global Epidemic has brought greater challenges to overseas operations. Factors such as changes in the policy environment in the countries/regions where the Company operates have brought risks to overseas business expansion. There is still a gap between product and service and demands of customers. The overseas subsidiaries will further strengthen market analysis and study on policies and laws of relevant countries/regions, strengthen overseas compliance management, improve risk response capabilities and continue to improve the overseas Epidemic prevention and control and risk prevention responsibility system.

9. OTHER DISCLOSURES

1. PRINCIPAL BUSINESS

The principal business of the Company and the Group is the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications businesses such as Internet access services, information services and other related services within the service area of the Group.

2. DIVIDEND POLICY

The basic principles of the Company's profit distribution policy are:

- (1) The Company attaches great importance to reasonable investment returns to investors, and the Company's profit distribution policy will take into account the overall interests of all shareholders, the Company's long-term interests and the Company's sustainable development;
- (2) Under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company takes into account the continuous profits, meets regulatory requirements, operates regularly and develops in the long term, the Company will give priority to cash distribution of dividends.

The Board is responsible for formulating the dividend distribution plan and will execute the relevant approval procedures in accordance with relevant laws, rules, regulations and articles of association of the Company (the "Articles of Association") before proceeding with the distribution. In the future, the Company will strive for profitability enhancement and at the same time continue to deliver favourable dividend return for the shareholders. Details of the dividend policy of the Company are set out in the "Corporate Governance Report" of this annual report.



3. DIVIDENDS

The Board proposes a final dividend in the amount to RMB0.170 (pre-tax) per share, totaling RMB15,568,915,025 for the year ended 31 December 2021. The dividend proposal will be submitted for consideration at the Annual General Meeting to be held on Thursday, 19 May 2022 (the "2021 AGM"). Dividends will be denominated and declared in Renminbi. Details of the profit distribution of the Company for 2021 are set out in the "Corporate Governance Report" of this annual report.

Dividends for holders of A Shares and the investors of the Shanghai Stock Exchange and Shenzhen Stock Exchange (including enterprises and individuals) investing in the H shares of the Company listed on the Hong Kong Stock Exchange (the "Southbound Trading Link") (the "Southbound Investors") will be paid in Renminbi, whereas dividends for H share shareholders other than Southbound Investors will be paid in Hong Kong dollars. The relevant exchange rate will be the average median rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of declaration of dividends at the 2021 AGM. The proposed final dividends are expected to be paid on or before 18 July 2022 upon approval at the 2021 AGM.

Pursuant to the "Enterprise Income Tax Law of the People's Republic of China", the "Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China" and the "Circular of the State Taxation Administration on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares" (Guo Shui Han [2008] No. 897), the Company shall be obliged to withhold and pay 10% enterprise income tax when it distributes the proposed 2021 final dividends to nonresident enterprise shareholders of overseas H shares (including HKSCC Nominees Limited, other corporate nominees or trustees, and other entities or organisations) whose names appear on the Company's H share register of members on Tuesday, 7 June 2022.

Pursuant to the "Notice of the State Taxation Administration on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)", if the individual H share shareholders who are Hong Kong or Macau residents and those whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of less than 10%, the Company will finally withhold and pay individual income tax at the rate of 10% on behalf of the individual H share shareholders. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H share shareholders whose country of domicile is a country which has entered into a tax treaty with PRC stipulating a dividend tax rate of 20%, or a country which has not entered into any tax treaties with PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H share shareholders. If those shareholders need to request a refund of tax overpaid from the PRC tax authorities on his own or through an agent or the Company in accordance with the relevant requirements of the "Announcement of the State Taxation Administration on Promulgating the Administrative Measures for Non-resident Taxpayers for Treatments under Tax Treaties" (Announcement [2019] No. 35 of the State Taxation Administration), they shall submit the "Information Report on Nonresident Taxpayers for Treatments under Tax Treaties" (Announcement [2019] No. 35 of the State Taxation Administration), and collect and file such information.



The Company will determine the country of domicile of the individual H share shareholders based on the registered address as recorded in the H share register of members of the Company on Tuesday, 7 June 2022 (the "Registered Address"). If the country of domicile of an individual H share shareholder is not the same as the Registered Address or if the individual H share shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H share shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 1 June 2022. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H share shareholders may either personally attend or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

For Southbound Investors (including enterprises and individuals), the Shanghai branch of China Securities Depository and Clearing Corporation Limited and the Shenzhen branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors of the Southbound Trading Link, will receive all dividends distributed by the Company and will distribute the dividends to the relevant investors under the Southbound Trading Link through its depositary and clearing system. According to the relevant provisions under the "Notice on Taxation Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)" and "Notice on Taxation Policies for Shenzhen-Hong Kong Stock Connect Pilot Programme (Cai Shui [2016] No. 127)", the Company shall withhold and pay individual income tax at the rate of 20% with respect to dividends received by the Mainland individual investors for investing in the H shares of the Company listed on the Hong Kong Stock Exchange through the Southbound Trading Link. In respect of the dividends received by Mainland securities investment funds





investing in the H shares of the Company listed on Hong Kong Stock Exchange through the Southbound Trading Link, the tax levied shall be ascertained by reference to the rules applicable to individual investors. The Company is not required to withhold and pay income tax on dividends derived by the Mainland enterprise investors under the Southbound Trading Link, and such enterprises shall report the income and make tax payment by themselves. The record date for entitlement to the shareholders' rights and the relevant arrangements of dividend distribution for the Southbound Investors are the same as those for the Company's H share shareholders.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual H share shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual H share shareholders or any disputes relating to the tax withholding and payment mechanism or arrangements.

4. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

The following table sets out certain information of the Directors and senior management of the Company:

Name	Age	Position in the Company	Date of Appointment*
Ke Ruiwen	58	Executive Director, Chairman and Chief Executive Officer	30 May 2012
Li Zhengmao	59	Executive Director, President and Chief Operating Officer	26 May 2020
Shao Guanglu	58	Executive Director	26 May 2020
Liu Guiqing	55	Executive Director and Executive Vice President	19 August 2019
Tang Ke	47	Executive Director and Executive Vice President	22 March 2022
Chen Shengguang	58	Non-Executive Director	23 May 2017
Tse Hau Yin, Aloysius	74	Independent Non-Executive Director	9 September 2005
Xu Erming	72	Independent Non-Executive Director	9 September 2005
Wang Hsuehming	72	Independent Non-Executive Director	29 May 2014
Yeung Chi Wai, Jason	67	Independent Non-Executive Director	26 October 2018

^{*} Date of appointment as Director

References are made to the announcements in relation to the changes of Directors and senior management published by the Company on the following dates: on 19 January 2021, Mr. Chen Zhongyue resigned from his positions as an Executive Director and Executive Vice President of the Company due to change in work arrangement. On 30 September 2021, Mr. Zhang Zhiyong resigned from his position of Executive Vice President of the Company due to change in work arrangement. On 29 November 2021, Mr. Tang Ke was appointed as an Executive Vice President of the Company. He was subsequently appointed as an Executive Director of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022. The relevant appointment became effective from the date of approval at the Extraordinary General Meeting until the Annual General Meeting of the Company for the year of 2022 to be held in the year of 2023. On 27 December 2021, Madam Zhu Min resigned from her positions as an Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board of the Company due to change in work arrangement.



5. SUPERVISORS OF THE COMPANY

The following table sets out certain information of the Supervisors of the Company:

Name	Age	Position in the Company	Date of Appointment*
Han Fang	48	Chairlady of the Supervisory Committee and	22 March 2022
		Shareholder Representative Supervisor	
Zhang Jianbin	56	Employee Representative Supervisor	16 October 2012
Dai Bin	53	Employee Representative Supervisor	26 May 2020
Xu Shiguang	42	Shareholder Representative Supervisor	26 October 2018
Wang Yibing	55	Shareholder Representative Supervisor	22 March 2022

^{*} Date of appointment as Supervisor

References are made to the announcements in relation to the changes of Supervisors published by the Company on the following dates: on 17 December 2021, Mr. Sui Yixun and Mr. You Mingiang resigned from their positions as Supervisors due to reason of age and change in work arrangement respectively, and their resignations took effect on the date of election of the new Supervisors at the Extraordinary General Meeting of the Company held on 22 March 2022. Madam Han Fang and Madam Wang Yibing were subsequently appointed as the Shareholder Representative Supervisors of the seventh session of the Supervisory Committee of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022. The relevant appointments became effective from the date of approval at the Extraordinary General Meeting until the Annual General Meeting of the Company for the year of 2022 to be held in year of 2023. Madam Han Fang was elected as the Chairlady of the seventh session of the Supervisory Committee at a meeting of the Supervisory Committee held on 29 March 2022, with a term commencing from 29 March 2022 until the Annual General Meeting of the Company for the year of 2022 to be held in the year of 2023.

6. SHARE CAPITAL, ISSUE OF SHARES AND USE OF PROCEEDS

As at 31 December 2021, the total share capital of the Company was approximately RMB91,507 million, divided into 91,507,138,699 shares at a nominal value of RMB1.00 per share (including 77,629,728,699 A Shares and 13,877,410,000 H shares). In order to seize the opportunities of digital development, improve corporate governance, broaden financing channels, accelerate reform and development, promote the implementation of strategies and achieve high-quality development, on

20 August 2021, the Company successfully completed the offering and listing of A Shares on the SSE and initially issued 10,396,135,267 A Shares (with a nominal value of RMB1.00 each) at an issue price of RMB4.53 per share, where the total nominal value of the initial issuance was approximately RMB10,396 million. The subscribers are qualified natural persons and institutional investors (except those prohibited by the laws and regulations and other regulatory requirements applicable to the Company). A total of 67,054,958,321 Domestic Shares held by the existing domestic shareholders of the Company were converted into 67,054,958,321 A Shares. The total proceeds from the issuance amounted to approximately RMB47,094 million before the exercise of the Over-allotment Option. After deducting the issuance expenses, the net proceeds amounted to approximately RMB46,712 million, and the net proceeds (or the net price) per share amounted to approximately RMB4.49 before the exercise of the Over-allotment Option. The exercise period of the Over-allotment Option for the A Share Offering expired on 22 September 2021. On the basis of the initial issuance of 10,396,135,267 A Shares, the Company issued an additional 178,635,111 A Shares (with a nominal value of RMB1.00 each) at an issue price of RMB4.53 per share, where the total nominal value of the additional A Shares issued was approximately RMB179 million. The total increase in gross proceeds amounted to approximately RMB809 million. Together with the proceeds from the initial issuance of A Shares, the final gross proceeds from the issuance amounted to approximately RMB47,904 million, the net proceeds after deducting the issuance expenses amounted to approximately RMB47,516 million, and the net proceeds



(or the net price) per share amounted to approximately RMB4.49. As disclosed in the Prospectus, the above proceeds will be used on the three investment projects of the Company, namely 5G Industrial Internet Construction Project, the Cloud-network integration new information infrastructure project and the research and development project of scitech innovation. During the Reporting Period, the proceeds were used, or are proposed to be used, according to the intentions previously disclosed in the Prospectus, and there was no material change or delay. Details of the A Share Offering are set out in "Changes in Shares and Information on Shareholders" of this annual report. The total amount of proceeds invested as of the end of the Reporting Period was approximately RMB14,895 million. The use of proceeds is as follows:

Projects invested with proceeds	Total committed investment of proceeds (RMB million)	Amount invested as of the end of the Reporting Period (RMB million)	Amount not utilised as of the end of the Reporting Period (RMB million)	Expected timeline for use of proceeds
5G Industrial Internet Construction Project	9,957	2,797	7,160	2023 or before
Cloud-network integration new information infrastructure project	23,583	9,437	14,146	2023 or before
Research and development project of sci-tech innovation	13,976	2,661	11,315	2023 or before
Total	47,516	14,895	32,621	-

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

As at 31 December 2021, the interests or short position of persons who are entitled to exercise or control the exercise of 5% or more of the voting power at the shareholders' class meetings of the Company (excluding the Directors and Supervisors) in the shares and underlying shares of the Company as recorded in the register required to be maintained under Section 336 of the Securities and Futures Ordinance (the "SFO") are as follows:

Name of shareholder	Number of shares*	Class of share	Approximate percentage of the respective class of shares in issue	Approximate percentage of the total number of shares in issue	Capacity
China Telecommunications Corporation	57,783,972,256 (Long Position)	A Share	74.43%	63.14%	Beneficial owner
Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653 (Long Position)	A Share	7.25%	6.14%	Beneficial owner
GIC Private Limited	1,945,047,702 (Long Position)	H Share	14.02%	2.12%	Investment manager

^{*} The information disclosed above is based on the the interests and short position as recorded in the register required to be maintained by the Company under Section 336 of the SFO. Pursuant to the relevant provisions of the SFO, shareholders only have to file a disclosure of interest on the occurrence of certain events — called "relevant events". Accordingly, the exact numbers of shares held by the above-mentioned shareholders as at 31 December 2021 may be different from those as disclosed above.

Save as disclosed above, as at 31 December 2021, in the register required to be maintained under Section 336 of the SFO, no other persons were recorded to hold any interests or short positions in the shares and underlying shares of the Company.



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

Save as disclosed below, as at 31 December 2021, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be maintained under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

					Shares held as approximate percentage of the total number of	Shares held as approximate percentage of
		01	Nous bound		respective	the total
		Class of	Number of		class of	number of
Name	Position	share	Shares	Capacity	shares in issue	shares in issue
Chen Shengguang	Non-Executive	A Share	1,000	Beneficial owner	0.00%	0.00%
	Director		(Long Position)			
			1,000	Interest of spouse	0.00%	0.00%
			(Long Position)			
Zhang Jianbin	Employee	A Share	1	Beneficial owner	0.00%	0.00%
	Representative		(Long Position)			
	Supervisor					

During the year 2021, the Company has not granted its Directors or Supervisors, or their respective spouses or any of their respective minor child (natural or adopted) or on their behalf any rights to subscribe for the shares or debentures of the Company or any of its associated corporations and none of them has ever exercised any such right to subscribe for the shares or debentures.

9. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 26 March 2021, the Company had entered into agreements with China Telecommunications, pursuant to which the Company had agreed to sell, and China Telecommunications had agreed to purchase all the share capital in E-surfing Pay with an investment amount of RMB500 million held by the Company for a consideration in the amount of RMB3,897 million. On the same date, the Company and its wholly owned subsidiary, China Telecom Global Limited ("China Telecom Global"), had entered into agreements with China Telecommunications and Guang Hua Properties Limited ("Guang Hua Properties"), a wholly-owned subsidiary of China Telecommunications, respectively, pursuant to which, the Company and China Telecom Global had respectively agreed to sell, and China Telecommunications and Guang Hua Properties had agreed to purchase, 75% of the share capital in China Telecom Leasing from the Company and 25% of the share capital in China Telecom Leasing from China Telecom Global for a consideration in the amount



of RMB131 million and RMB44 million, respectively. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications and Mr. Li Zhengmao and Mr. Shao Guanglu also served as Directors of China Telecommunications, all of them had abstained from voting on the relevant board resolutions to approve the disposals of the subsidiaries.

On 29 April 2021, the Company and E-surfing Pay had entered into the Payment and Digital Finance Related Services Framework Agreement, pursuant to which E-surfing Pay and its subsidiaries provided payment and digital finance related services to the Group. The term of the agreement continued until 31 December 2021. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications, Mr. Li Zhengmao and Mr. Shao Guanglu also served as Directors of China Telecommunications, Mr. Liu Guiging also served as a Vice President of China Telecommunications, and Madam Zhu Min also served as the Chief Accountant of China Telecommunications, all of them had abstained from voting on the relevant board resolutions to approve the Payment and Digital Finance Related Services Framework Agreement.

On 22 October 2021, the Company and China Telecommunications had entered into 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 Lease Financing Framework Agreement, the Telecommunications Resources Leasing

Agreement, the New Trademark License Agreement and the Intellectual Property License Framework Agreement with a term from 1 January 2022 to 31 December 2024. On the same day, the Company and E-surfing Pay had entered into the New Payment and Digital Finance Related Services Framework Agreement with a term from 1 January 2022 to 31 December 2024. In addition, on 22 October 2021, financial services framework agreements were entered into between the Company and China Telecom Finance, China Telecom Finance and China Telecommunications, China Telecom Finance and CCS, China Telecom Finance and New Guomai Digital Culture Co., Ltd, China Telecom Finance and Beijing Global Safety Technology Co., Ltd, respectively. The respective terms of all these financial services framework agreements are effective from 1 January 2022 until 31 December 2024. As Mr. Ke Ruiwen also served as the Chairman of China Telecommunications, Mr. Li Zhengmao and Mr. Shao Guanglu served as Directors of China Telecommunication, Mr. Liu Guiging also served as a Vice President of China Telecommunications and Madam Zhu Min also served as the Chief Accountant of China Telecommunications and the Chairlady of China Telecom Finance, all of them had therefore abstained from voting on the relevant board resolutions in respect of the above respective agreements.

Save as disclosed above and the service agreements entered into between the Company and the Directors and Supervisors, for the year ended 31 December 2021, the Directors and Supervisors of the Company or their connected entities did not have any material interest, whether directly or indirectly, in any transactions, arrangements or contracts which was significant to the Company's business and which was entered into by the Company, its parent company or any of its subsidiaries or fellow subsidiaries.



10. SERVICE CONTRACTS

None of the Directors or Supervisors of the Company has entered into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

11. EMOLUMENTS OF THE DIRECTORS AND SUPERVISORS

Please refer to note 34 of the audited consolidated financial statements for details of the emoluments of all Directors and Supervisors of the Company in 2021.

12. EMPLOYEES AND EMOLUMENT POLICY

The details of the Group's emolument policy are set out in the "Corporate Governance Report" in this annual report. The details of share appreciation rights are set out in the "Corporate Governance Report" in this annual report and note 46 of the audited consolidated financial statements.

13. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

In 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

14. ISSUE OF DEBENTURES

In 2021, the Company successfully issued three tranches of super short-term commercial papers in an aggregate amount of RMB8 billion. The proceeds were used to replenish the Company's working capital in the course of business operations. Details are set out in the section headed "Relevant Information on Bonds" in this annual report.

15. MATERIAL ACQUISITIONS AND DISPOSALS

On 26 March 2021, the Company had entered into agreements with China Telecommunications, pursuant to which, the Company had agreed to sell, and China Telecommunications had agreed to purchase all the share capital in E-surfing Pay with an investment amount of RMB500 million held by the Company for a consideration in the amount of RMB3,897 million. On the same date, the Company and its wholly owned subsidiary, China Telecom Global, had entered into agreements with China Telecommunications and Guang Hua Properties, a wholly-owned subsidiary of China Telecommunications, respectively, pursuant to which, the Company and China Telecom Global had respectively agreed to sell, and China Telecommunications and Guang Hua Properties had agreed to purchase, 75% of the share capital in China Telecom Leasing from the Company and 25% of the share capital in China Telecom Leasing from China Telecom Global for a consideration in the amount of RMB131 million and RMB44 million, respectively. The disposals had been completed in April 2021 in accordance with the terms of the agreement.

Save as disclosed above, for the year ended 31 December 2021, the Company had no material acquisitions and disposals.

16. PUBLIC FLOAT

As at the date of this Report of the Directors, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float required under the Listing Rules and as agreed with the Hong Kong Stock Exchange.



17. SUMMARY OF FINANCIAL INFORMATION

Please refer to pages 288 to 290 of this annual report for a summary of the operating results, assets and liabilities of the Group for each of the years in the five-year period ended 31 December 2021.

18. BANK LOANS AND OTHER BORROWINGS

Please refer to note 20 of the audited consolidated financial statements for details of bank loans and other borrowings of the Group.

19. CHARGE ON ASSETS

As at 31 December 2021, no fixed assets was pledged to banks as loan security (31 December 2020: Nil).

20. CAPITALISED INTEREST

Please refer to note 32 of the audited consolidated financial statements for details of the Group's capitalised interest for the year ended 31 December 2021.

21. FIXED ASSETS

Please refer to note 4 of the audited consolidated financial statements for movements in the fixed assets of the Group for the year ended 31 December 2021.

22. RESERVES

Pursuant to Article 190 of the Articles of Association, where the financial statements prepared in accordance with the China Accounting Standards for Business Enterprises and regulations materially differ from those prepared in accordance with either the International Financial Reporting Standards or accounting standards at a place outside mainland China where the Company's shares are listed, the after-tax profit for distribution for the relevant fiscal year shall be deemed to be the lesser of the amounts shown in those respective financial statements. Distributable reserves of the Company as at 31 December 2021, calculated on the above basis and before deducting the proposed final dividends for 2021, amounted to RMB158,723 million.

Please refer to note 26 of the audited consolidated financial statements for details of the movements in the reserves of the Company and the Group for the year ended 31 December 2021.

23. EQUITY-LINKED AGREEMENTS

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist for the year ended 31 December 2021.

24. DONATIONS

For the year ended 31 December 2021, the Group made charitable and other donations with a total amount of RMB11.93 million.

25. SUBSIDIARIES AND ASSOCIATES

Please refer to note 9 and note 10 of the audited consolidated financial statements for details of the Company's subsidiaries and the Group's associates as at 31 December 2021.

26. PERMITTED INDEMNITY

For the year ended 31 December 2021 and as at the date of approval of this report, the Company has arranged appropriate insurance coverage in respect of legal actions against the directors of the Group.

27. CHANGES IN EQUITY

Please refer to the consolidated statement of changes in equity as contained in the audited consolidated financial statements of the year.

28. RETIREMENT BENEFITS

Please refer to note 45 of the audited consolidated financial statements for details of the retirement benefits provided by the Group.



29. PRE-EMPTIVE RIGHTS

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

30. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, revenue generated from the five largest customers of the Group accounted for an amount of less than 30% of the total operating revenues of the Group.

For the year ended 31 December 2021, purchases from the five largest suppliers of the Group accounted for an amount of less than 30% of the total annual purchases of the Group.

31. COMPETING BUSINESS

None of the Directors of the Company had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

32. MANAGEMENT CONTRACTS

During the Reporting Period, the Company had not entered into any management contracts with respect to the entire or principal business of the Company.

33. RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group ("Related Party Transactions") are set out in note 43 of the consolidated financial statements. Only the Related Party Transactions set out in note 43(a) of the consolidated financial statements constitute continuing connected transactions under Chapter 14A of the Listing Rules, the details of which (except for fully exempt

continuing connected transactions) have been disclosed in "Significant Events" in this annual report. Other Related Party Transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

34. BUSINESS REVIEW

The details of the material development of the Group in 2021, a fair review of the business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position, description of the principal risks and uncertainties faced by the Group and the outlook of the Group's business can be found throughout this annual report, particularly in this section. Particulars of important events affecting the Group that have occurred after 31 December 2021, if any, can also be found in the Notes to the consolidated financial statements.

Description of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Company and on which the Company's success depends can be found throughout different parts of the annual report (including this section, "Corporate Governance Report", etc.), and are particularly detailed in the 2021 Corporate Social Responsibility Report (the "CSR Report") of the Company published on the websites of the Hong Kong Stock Exchange and the Company. In addition, more details regarding the financial key performance indicators and environmental policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are also disclosed throughout this annual report (including this section, "Environmental and Social Responsibilities", "Corporate Governance Report", etc.) and the CSR Report. Each of the above-mentioned relevant contents form an integral part of this Report of the Directors.



35. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Please refer to the "Corporate Governance Report" for details of our compliance with the Corporate Governance Code.

36. DELISTING OF ADSs FROM THE NYSE AND TERMINATION OF THE ADS PROGRAM

The NYSE Regulation of The New York Stock Exchange LLC (the "NYSE") had determined to proceed with the delisting (the "Determination") of the ADSs of the Company (NYSE stock ticker: CHA) and that a Committee of the Board of Directors of the NYSE had affirmed the Determination. The delisting of the Company's ADSs became effective on 18 May 2021. In light of the delisting, the Board resolved to terminate the ADS program on 9 September 2021 and the ADS program was terminated on 8 December 2021 (U.S. eastern time). The Company filed a Form 15F with the Securities and Exchange Commission of the United States on 25 February 2022 to deregister the ADSs and terminate its reporting obligations under the U.S. Securities Exchange Act of 1934, as amended.

For details, please refer to the announcements of the Company dated 4 January 2021, 5 January 2021, 7 January 2021, 21 January 2021, 28 January 2021, 7 May 2021, 10 September 2021 and 25 February 2022.

37. AUDITORS

PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the external auditors of the Company for the year ended 31 December 2021. PricewaterhouseCoopers has audited the consolidated financial statements set out in this report, which have been prepared in accordance with the International Financial Reporting Standards.

Pursuant to the relevant requirements of the Ministry of Finance of the People's Republic of China and the SASAC, the service term of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the international and domestic auditors of the Company for the year of 2020 expired on the date of the Annual General Meeting for the year of 2020 (7 May 2021). The appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2021 was approved at the Annual General Meeting for the year of 2020. The Audit Committee and the Board of the Company had agreed on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year of 2022 and would propose the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP at the Annual General Meeting for the year of 2021 of the Company for consideration.

By Order of the Board

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China 17 March 2022

RECOGNITION AND AWARDS





OUR ACHIEVEMENTS



Soar to new height





1. AN OVERVIEW OF CORPORATE **GOVERNANCE**

The Company strives to maintain high level of corporate governance and has adhered to excellent, prudent and efficient corporate governance principles and continuously improves its corporate governance methodology, regulates its operations, improves its internal control mechanism, implements sound corporate governance and disclosure measures, and ensures that the Company's operations are in line with the longterm interests of the Company and its shareholders as a whole. In 2021, the shareholders' meeting, the Board and the Supervisory Committee operated soundly and efficiently. The Company was dedicated to lean management while ensuring stable and healthy operation, and elevated its high-quality development to a new level, while continuously optimising its internal control system and comprehensive risk management in order to effectively ensure steady operation of the Company. The standard of the Company's corporate governance continued to improve and effectively protected the best long-term interests of shareholders.

The Company persists in refining the basic system of its corporate governance and continues to optimise the corporate governance system and operating mechanism to ensure standardised operation in strict compliance with the Company Law, the Securities Law and the requirements of the CSRC, the SSE and the Stock Exchange on corporate governance. In 2021, in order to meet the regulatory requirements from the CSRC and the SSE on corporate governance and standardised operation after the Company's initial public offering of A Shares, and taking into account the actual situation of the Company, the Company revised the relevant provisions of the Articles of Association, and correspondingly revised

or formulated relevant internal governance systems such as the Administrative Measures for Proceeds, the Administrative Measures for Related-party (Connected) Transactions, the Administrative Measures for External Guarantees and System for Internal Reporting of Material Information to continuously improve the level of corporate governance. At the same time, the Company attaches great importance to the construction and improvement of risk management and internal control systems, which mainly include clear organisational structure and management responsibilities, effective authorisation approval and accountability system, clear objectives, policies and procedures, comprehensive risk assessment and management, sound financial accounting system, continuous operation performance analysis and supervision, etc., which play an important role in ensuring the overall operation of the Company.

A two-tier structure is adopted as the overall structure for corporate governance: the Board and the Supervisory Committee are established under the shareholders' meeting, while the Audit Committee, Remuneration Committee and Nomination Committee are established under the Board. The Board is authorised by the Articles of Association of the Company to make major operational decisions of the Company and to oversee the daily management and operations of the senior management. The Supervisory Committee is mainly responsible for the supervision of the performance of duties of the Board and the senior management. Each of the Board and the Supervisory Committee is independently accountable to the shareholders' meeting. In 2021, the Company convened a total of 5 general meetings, 20 Board meetings and 9 Supervisory Committee meetings. The convening, holding, voting and disclosure procedures of the relevant meetings were in compliance with the requirements of laws and regulations and the Articles of Association.

For the year ended 31 December 2021, the roles of Chairman and Chief Executive Officer of the Company were performed by the same individual. In the Company's opinion, through the supervision by the Board and the Independent Non-Executive Directors of the Company, with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company's efficiency in decision-making and execution and enable the Company to effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements. Save as stated above, the Company was in compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "Corporate Governance Code") in the year 2021.

The Company has always attached great importance to information disclosure, strictly complied with the requirements of the relevant regulatory rules of the places where the Company's shares are listed, and formulated the Rules for the Management of Information Disclosure to standardise the procedures for the Company to collect, organise, summarise and report important information internally and prepare external disclosure documents, clarify the responsibilities and code of conduct of relevant departments and branches, and ensure the truthfulness, accuracy, completeness and timeliness of the Company's information disclosure. In addition, the Company actively discloses data such as the number of access lines in service, mobile and wireline broadband users on a monthly basis to strengthen communication with the capital market and improve the transparency of information disclosure. Meanwhile, we attach great importance to the handling of inside information and have formulated the Registration and Management System for Insiders to standardise management, ensure the fairness and justice of information disclosure, and protect the legitimate rights and interests of investors and relevant parties.

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services in a timely manner. It also maintains proactive communications with shareholders, investors and other capital market participants. The Company's senior management presents the annual results and interim results every year. Through various activities such as analyst meetings, press conferences, global investor telephone conferences and investors road shows, the senior management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped reinforce their understanding of the Company's business and the overall development of the industry. In 2021, due to the prolonged impact of the Covid-19 Epidemic, the Company announced the results and communicated with investors, shareholders and the media through online means. In daily operation, the Company participated in a number of investor conferences held by major international investment banks and domestic securities firms worldwide through on-site and online integrated means to promote communication with institutional investors. At the same time, the Company set up a dedicated investor relations enquiry line to facilitate communications between investors and the Company and better serve shareholders and investors.

In 2021, the Company commenced and successfully completed its A Share Offering. In order to deepen domestic and international investors' knowledge and understanding of the Company's emerging business, the Company organised a dedicated roadshow for domestic investors to specifically introduce 5G, cloud, IDC and other emerging business which are of interest to most investors. Domestic investors could visit relevant exhibition halls in person and have faceto-face communications with business department heads. Meanwhile, the Company set up a webcast platform for international analysts who could not visit in person and facilitated communications between

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investors and management of the Company through means such as video presentation and telephone conference. The roadshow was a great success, which effectively deepened domestic and international investors' understanding of the Company's business and operations, and received favorable feedback from both domestic and international investors. After A Share Offering, the Company proactively invited domestic analysts to visit the Company's annual Tianyi Intelligent Ecological Expo held in Guangzhou and visit the Company's 5G 2B benchmark project in Shenzhen. The Company arranged major business department heads and technical experts to conduct in-depth communications with investors.

In 2021, the Company's continuous efforts in corporate governance gained wide recognition from the capital market and the Company was accredited with a number of awards. The Company was voted as the "Most Honoured Company in Asia" for eleven consecutive years in the 2021 "All-Asia-Executive-Team" poll organised by Institutional Investor. The Company also received "Best Overall ESG", "Best IR Program" and other honours. The Company was also accredited with "Gold Award -Excellence in Environmental, Social and Governance" in the poll of "ESG Corporate Awards 2021" by The Asset. In addition, the Company was awarded, for the 14th time, "The Best of Asia -Icon on Corporate Governance" by Corporate Governance Asia. The Company was voted as "Most Outstanding Company in Hong Kong — Telecommunication Services Sector" in Asiamoney's "Asia's Outstanding Companies Poll 2021". The Company was also awarded "ESG Leading Enterprise Award" in "ESG Leading Enterprise Awards 2021" organised by Bloomberg Businessweek/Chinese Edition.

2. SPECIFIC MEASURES
TAKEN BY THE CONTROLLING
SHAREHOLDER AND THE
ULTIMATE CONTROLLER OF
THE COMPANY TO ENSURE
THE INDEPENDENCE OF
THE COMPANY'S ASSETS,
PERSONNEL, FINANCE,
ORGANISATION AND BUSINESS,
AS WELL AS SOLUTIONS, WORK
PROGRESS AND FOLLOW-UP
WORK PLANS ADOPTED IN
LIGHT OF THE IMPACT ON
THE INDEPENDENCE OF THE
COMPANY

The Company is independent from its controlling shareholder in terms of business, assets and finance, etc. The controlling shareholder of the Company undertakes not to act beyond their authority to interfere with the operation and management activities of the Company and not to misappropriate the interests of the Company. The controlling shareholder of the Company exercise its rights as a shareholder through the general meeting in accordance with the law, and have not acted beyond the authority of the general meeting of the Company, directly or indirectly interfered with the Company's business decisions and operating activities. The Company has independent and complete business and self-operation capabilities. During the Reporting Period, the Company was not aware of any act of controlling shareholder by taking advantage of its special status to encroach on or damage the interests of the Company and other shareholders.

3. GENERAL MEETINGS

		Designated websites for		
Session	Date	publishing resolutions	Res	solutions of the Meeting
The First Extraordinary General Meeting in	2021-04-09	www.hkexnews.hk www.chinatelecom-h.com	1.	THAT the proposal regarding the plan for the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
2021			2.	THAT the proposal regarding the proposed authorisation to be granted by the General Meeting to the Board and its authorised persons to deal with matters in connection with the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			3.	THAT the proposal regarding the distribution plan of accumulated profits prior to the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			4.	THAT the proposal regarding the use of proceeds from the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			5.	THAT the proposal regarding the amendments to the Articles of Association be considered and approved;
			6.	THAT the proposal regarding the adoption of the Rules of Procedures of the Shareholders' General Meeting applicable after the initial public offering and listing of the A Shares be considered and approved;
			7.	THAT the proposal regarding the amendments to the Rules of Procedures of the Meeting of the Board of Directors be considered and approved;
			8.	THAT the proposal regarding the amendments to the Rules of Procedures of the Meeting of the Supervisory Committee be considered and approved;
			9.	THAT the proposal regarding the dilution of immediate returns resulting from the initial public offering of RMB ordinary shares (A Shares) and the remedial measures be considered and approved;
			10.	THAT the proposal regarding the Price Stabilisation Plan of A Shares within three years following the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			11.	THAT the proposal regarding the plan for shareholders' return within three years following the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			12.	THAT the proposal regarding the undertakings on the information disclosure in the Prospectus in connection with the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved.





Session	Date	Designated websites for publishing resolutions	Re	esolutions of the Meeting
Domestic Shareholders'	2021-04-09	www.hkexnews.hk	1.	THAT the proposal regarding the plan for the initial public offering and listing of RMB
Class Meeting		www.chinatelecom-h.com		ordinary shares (A Shares) be considered and approved;
			2.	THAT the proposal regarding the proposed authorisation to be granted by the General Meeting to the Board and its authorised persons to deal with matters in connection with the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			3.	THAT the proposal regarding the distribution plan of accumulated profits prior to the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			4.	THAT the proposal regarding the use of proceeds from the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			5.	THAT the proposal regarding the dilution of immediate returns resulting from the initial public offering of RMB ordinary shares (A Shares) and the remedial measures be considered and approved;
			6.	THAT the proposal regarding the Price Stabilisation Plan of A Shares within three years following the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			7.	
H Shareholders'	2021-04-09	www.hkexnews.hk	1.	THAT the proposal regarding the plan for the initial public offering and listing of RMB
Class Meeting		www.chinatelecom-h.com		ordinary shares (A Shares) be considered and approved;
			2.	THAT the proposal regarding the proposed authorisation to be granted by the General Meeting to the Board and its authorised persons to deal with matters in connection with the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			3.	THAT the proposal regarding the distribution plan of accumulated profits prior to the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			4.	THAT the proposal regarding the use of proceeds from the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			5.	THAT the proposal regarding the dilution of immediate returns resulting from the initial public offering of RMB ordinary shares (A Shares) and the remedial measures be considered and approved;
			6.	THAT the proposal regarding the Price Stabilisation Plan of A Shares within three years following the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved;
			7.	THAT the proposal regarding the undertakings on the information disclosure in the Prospectus in connection with the initial public offering and listing of RMB ordinary shares (A Shares) be considered and approved.

Date	Designated websites for publishing resolutions		solutions of the Meeting
2021-05-07	www.hkexnews.hk www.chinatelecom-h.com	1.	THAT the consolidated financial statements of the Company, the report of the Board of Directors, the report of the Supervisory Committee and the report of the international auditor for the year ended 31 December 2020 be considered and approved, and the Board be authorised to prepare the budget of the Company for the year 2021;
		2.	THAT the profit distribution proposal and the declaration and payment of a final
			dividend for the year ended 31 December 2020 be considered and approved;
		3.	THAT the appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year ended 31 December 2021 be considered and approved, and the Board be authorised to fix the remuneration of the auditors;
		4.	To consider and approve the issue of debentures by the Company, to authorise the Board to issue debentures and determine the specific terms, conditions and other matters of the debentures and to approve the centralised registration of debentures by the Company;
		5.	To consider and approve the issue of company bonds in mainland China, and to authorise the Board to issue company bonds and determine the specific terms, conditions and other matters of the company bonds in the People's Republic of China;
		6.	To grant a general mandate to the Board to issue, allot and deal with additional shares in the Company not exceeding 20% of each of the existing Domestic Shares and H Shares in issue, to authorise the Board to increase the registered capital of the Company and to correspondingly amend the articles of association of the Company to reflect such increase in the registered capital of the Company under the general mandate.
2021-11-30	www.sse.com.cn www.hkexnews.hk www.chinatelecom-h.com	1.	THAT the Continuing Connected Transactions 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. THAT the amendments to the Articles of Association of the Company be considered and approved; THAT any Director of the Company be and is hereby authorised to undertake actions in his opinion as necessary or appropriate, so as to complete the
	2021-05-07	Date publishing resolutions 2021-05-07 www.hkexnews.hk www.chinatelecom-h.com 2021-11-30 www.sse.com.cn www.hkexnews.hk	Date publishing resolutions Resolutions 2021-05-07 www.hkexnews.hk www.chinatelecom-h.com 1. 2. 3. 4. 5. 2021-11-30 www.sse.com.cn www.hkexnews.hk www.chinatelecom-h.com 1.



During the Reporting Period, the Company held 5 general meetings (including shareholders' class meeting), with all resolutions approved. For details, please refer to the relevant announcements published by the Company on the websites of the Stock Exchange and the Company.

The convening, holding, voting and other relevant procedures of the general meetings of the Company were in compliance with the laws and regulations, the Articles of Association of the Company, the Rules of Procedures of the Shareholders' General Meeting and other relevant requirements to ensure that all shareholders, especially minority shareholders, enjoy equal status and fully exercise their rights.

4. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in shareholding and remuneration of Directors, Supervisors and senior management during the Reporting Period

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousands)
Ke Ruiwen	Executive Director, Chairman and Chief Executive Officer	Male	58	2012-05-30	Annual General Meeting for the year 2022	0	0	0	/	70.46
Li Zhengmao	Executive Director, President and Chief Operating Officer	Male	59	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	71.18
Shao Guanglu	Executive Director	Male	58	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	64.16
Chen Zhongyue (resigned)	Executive Director and Executive Vice President	Male	50	2017-05-23	2021-01-19	0	0	0	/	5.51
Zhang Zhiyong (resigned)	Executive Vice President	Male	56	2018-07-10	2021-09-30	0	0	0	/	52.13

Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousands)
Liu Guiqing	Executive Director and Executive Vice President	Male	55	2019-08-19	Annual General Meeting for the year 2022	0	0	0	/	62.39
Zhu Min (resigned)	Executive Director, Executive Vice President, Chief Financial Officer and Secretary to the Board	Female	57	2018-10-26	2021-12-27	0	0	0	1	61.70
Tang Ke	Executive Vice President	Male	47	2021-11-29	Annual General Meeting for the year 2022	0	0	0	/	5.13
Chen Shengguang	Non-Executive Director	Male	58	2017-05-23	Annual General Meeting for the year 2022	0	1,000	1,000	Obtained from the Company's online issuance of A Shares	0.00
Tse Hau Yin, Aloysius	Independent Non- Executive Director	Male	74	2005-09-09	Annual General Meeting for the year 2022	0	0	0	/	44.97
Xu Erming	Independent Non- Executive Director	Male	72	2005-09-09	Annual General Meeting for the year 2022	0	0	0	/	25.00
Wang Hsuehming	Independent Non- Executive Director	Female	72	2014-05-29	Annual General Meeting for the year 2022	0	0	0	/	24.53
Yeung Chi Wai, Jason	Independent Non- Executive Director	Male	67	2018-10-26	Annual General Meeting for the year 2022	0	0	0	/	24.53



Name	Position	Gender	Age	Commencement date of term	End date of term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for change	Total remuneration before tax received from the Company during the Reporting Period (RMB in ten thousands)
Sui Yixun (resigned)	Chairman of the Supervisory Committee and Shareholder Representative Supervisor	Male	58	2015-05-27	Annual General Meeting for the year 2022	0	0	0	/	102.28
Zhang Jianbin	Employee Representative Supervisor	Male	56	2012-10-16	Annual General Meeting for the year 2022	0	1	1	Obtained from the Company's online issuance of A Shares	106.83
Dai Bin	Employee Representative Supervisor	Male	53	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	98.29
Xu Shiguang	Shareholder Representative Supervisor	Male	42	2018-10-26	Annual General Meeting for the year 2022	0	0	0	/	52.98
You Minqiang (resigned)	Shareholder Representative Supervisor	Male	48	2020-05-26	Annual General Meeting for the year 2022	0	0	0	/	0.00
Total	/	/	/	/	/	0	1,001	1,001	/	872.07

Note 1: During the Reporting Period, the Company also settled the bonus for the year 2020, including RMB415,500 for Ke Ruiwen, RMB380,900 for Li Zhengmao, RMB342,800 for Shaoguang Lu, RMB368,500 for Chen Zhongyue and RMB364,400 for each of Zhang Zhiyong, Liu Guiqing and Zhu Min.

Note 2: On 29 November 2021, Mr. Tang Ke was appointed as an Executive Vice President of the Company. He was subsequently appointed at an Executive Director of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022.

Note 3: Tse Hau Yin, Aloysius tendered resignation as an independent non-executive director of China Huarong Asset Management Co., Ltd. on 23 March 2021. Such resignation shall take effect after the commencement of term of office of a new independent non-executive director.

Note 4: On 17 December 2021, Mr. Sui Yixun and Mr. You Minqiang resigned from their positions as Supervisors due to the reason of age and change in work arrangement respectively, and their resignations took effect on the date of election of the new Supervisors at the Extraordinary General Meeting of the Company held on 22 March 2022. Madam Han Fang and Madam Wang Yibing were subsequently appointed as the Shareholder Representative Supervisors of the seventh session of the Supervisory Committee of the Company at the Extraordinary General Meeting of the Company held on 22 March 2022. Madam Han Fang was elected as the Chairlady of the seventh session of the Supervisory Committee at a meeting of the Supervisory Committee held on 29 March 2022, with a term commencing from 29 March 2022 until the Annual General Meeting of the Company for the year 2022 to be held in year 2023.

(2) Biographical Details of Current Directors, Senior Management and Supervisors

KE RUIWEN

Age 58, is an Executive Director, the Chairman of the Board of Directors and Chief Executive Officer of the Company. He joined the Board of Directors of the Company in May 2012. Mr. Ke is a senior engineer with a doctorate degree in business administration. Mr. Ke served as Deputy Director General of Jiangxi Posts and Telecommunications Administration, Deputy General Manager of Jiangxi Telecom, Managing Director of the Marketing Department of the Company and China Telecommunications Corporation*, General Manager of Jiangxi Telecom, Managing Director of the Human Resources Department of the Company and China Telecommunications Corporation, Executive Vice President, President and Chief Operating Officer of the Company, Vice President and President of China Telecommunications Corporation and the Chairman of Supervisory Committee of China Tower Corporation Limited. Mr. Ke is also the Chairman of China Telecommunications Corporation. Mr. Ke has extensive experience in management and the telecommunications industry.



LI ZHENGMAO

Age 59, is an Executive Director, the President and Chief Operating Officer of the Company. He joined the Board of Directors of the Company in May 2020. Mr. Li is a professor with a doctorate degree in engineering. Mr. Li served as an Executive Director and Vice President of China United Telecommunications Corporation, a Vice President of China Mobile Limited which is listed on the Main Board of the HKSE, a Vice President and General Counsel of China Mobile Communications Group Co., Ltd. and a Director and Vice President of China Mobile Communication Co., Ltd., a Non-Executive Director of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE and a Vice Chairman of True Corporation Public Company Limited which is listed on the Stock Exchange of Thailand. Mr. Li is also a Director and the President of China Telecommunications Corporation. Mr. Li has extensive experience in management and the telecommunications industry.



^{*} Now known as "中國電信集團有限公司", the controlling shareholder (within the meaning of the Listing Rules) and a substantial shareholder (within the meaning of Part XV of the Securities and Futures Ordinance of Hong Kong) of the Company, which held approximately 63.20% of the issued share capital of the Company at the end of the Reporting Period.



SHAO GUANGLU

Age 58, is an Executive Director of the Company. He joined the Board of Directors of the Company in May 2020. Mr. Shao is a professor level senior engineer with a doctorate degree in management. Mr. Shao served as a Deputy General Manager of China United Network Communications Group Company Limited, an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited which is listed on the Main Board of the HKSE, a Senior Vice President of China United Network Communications Limited which is listed on the Shanghai Stock Exchange, a Director and Senior Vice President of China United Network Communications Corporation Limited, a Non-Executive Director of China Communications Services Corporation Limited, China Tower Corporation Limited and PCCW Limited, all of which are listed on the Main Board of the HKSE, a member of the board of directors of Open Networking Foundation, a member of the strategy committee of GSM Association and a Vice President of China Information Technology Industry Federation. Mr. Shao is currently a Director of China Telecommunications Corporation and a Deputy Director of Communications Science and Technology Committee of the Ministry of Industry and Information Technology of the People's Republic of China. Mr. Shao has extensive experience in management and the telecommunications industry.



LIU GUIQING

Age 55, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in August 2019. Mr. Liu is a professor level senior engineer with a doctorate degree in engineering science. Mr. Liu served as Deputy General Manager and General Manager of China Unicom Hunan branch and General Manager of China Unicom Jiangsu provincial branch. Mr. Liu is currently a Vice President and General Counsel of China Telecommunications Corporation, a Non-Executive Director of China Tower Corporation Limited which is listed on the Main Board of the HKSE, a Deputy Director General of China Institute of Communications and a Director of Global System for Mobile communications Association (GSMA). Mr. Liu has extensive experience in management and the telecommunications industry.



TANG KE

Age 47, is an Executive Director and Executive Vice President of the Company. He joined the Board of Directors of the Company in March 2022. Mr. Tang is a senior accountant with a master's degree in economics. Mr. Tang previously served as the General Manager of the Finance Department of both China Telecommunications Corporation and the Company, and as the General Manager of China Telecom Anhui branch and Guangdong branch. Mr. Tang is currently a Vice President of China Telecommunications Corporation. Mr. Tang has extensive experience in finance, management and the telecommunications industry.



CHEN SHENGGUANG

Age 58, is a Non-Executive Director of the Company. He joined the Board of Directors of the Company in May 2017. Mr. Chen graduated from Zhongnan University of Economics with a major in finance and accounting, and obtained a postgraduate degree in economics from Guangdong Academy of Social Sciences and a master degree in business administration (MBA) from Lingnan College of Sun Yat-sen University. Mr. Chen served as the Manager of Finance Department and Deputy General Manager of Guangdong Foreign Trade Import & Export Corporation, Head of Finance Department, Assistant to General Manager and Chief Accountant of Guangdong Guangxin Foreign Trade Group Co., Limited, a Director of FSPG Hi-Tech Co., Ltd. which is listed on the Shenzhen Stock Exchange, a Non-Executive Director of Xingfa Aluminium Holdings Limited which is listed on the Main Board of the HKSE, a Director of Guangdong Silk-Tex Group Co., Ltd., the Chief Accountant and Deputy General Manager of Guangdong Guangxin Holdings Group Ltd.. Mr. Chen is currently the Director and General Manager of Guangdong Rising Holdings Group Co., Ltd.* (one of the shareholders of the Company). Mr. Chen has extensive experience in finance and corporate management.



^{*} A substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.



TSE HAU YIN, ALOYSIUS

Age 74, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in September 2005. Mr. Tse is currently an Independent Non-Executive Director of CNOOC Limited, Sinofert Holdings Limited, SJM Holdings Limited and China Huarong Asset Management Co., Ltd., all of which are listed on the Main Board of the HKSE. From 2004 to 2021, Mr. Tse was an Independent Non-Executive Director of OCBC Wing Hang Bank Limited (formerly known as "Wing Hang Bank Limited", which was listed on the Main Board of the HKSE until October 2014). From 2004 to 2010, he was an Independent Non-Executive Director of China Construction Bank Corporation, which is listed on the Main Board of the HKSE. From 2005 to 2016, Mr. Tse was also an Independent Non-Executive Director of Daohe Global Group Limited (formerly known as "Linmark Group Limited"), which is listed on the Main Board of the HKSE. Mr. Tse was appointed as an Independent Non-Executive Director of CCB International (Holdings) Limited, a wholly owned subsidiary of China Construction Bank Corporation in March 2013. He is also a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is a past President and a former member of the Audit Committee of the HKICPA. He joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a Non-Executive Chairman of KPMG's operations in China and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is a graduate of the University of Hong Kong.



XU ERMING

Age 72, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in September 2005. Professor Xu is a Vice Chairman of the Chinese Enterprise Management Research Association. He is entitled to the State Council's special government allowances. Professor Xu served as a professor, Ph.D. supervisor of the Graduate School and Dean of Business School at the Renmin University of China, a professor and Dean of Business School of Shantou University, and was an Independent Supervisor of Harbin Electric Company Limited and an Independent Non-Executive Director of Comtec Solar Systems Group Limited, both are listed on the Main Board of the HKSE. Over the years, Professor Xu has conducted research in areas related to strategic management, innovation and entrepreneurship management, and has been responsible for research on many subjects put forward by the National Natural Science Foundation, the National Social Science Foundation, and other authorities at provincial and ministry level. He has received many awards such as the Ministry of Education's Class One Excellent Higher Education Textbook Award, the State-Level Class Two Teaching Award and the National Excellent Course Award. Professor Xu has been awarded the Fulbright Scholar of U.S.A. twice and the visiting scholar of McGill University, Canada. Professor Xu was previously a lecturer at the New York State University at Buffalo, U.S.A., the University of Scranton, U.S.A., the University of Technology, Sydney, the Kyushu University, Japan, Panyapiwat Institute of Management, Thailand and the Hong Kong Polytechnic University.



WANG HSUEHMING

Age 72, is an Independent Non-Executive Director of the Company. She joined the Board of Directors of the Company in May 2014. Madam Wang received a bachelor of arts degree from the University of Massachusetts and attended Columbia University. She was a Senior Advisor and former Chairman of BlackRock China. She was also the former Chairman of China at Goldman Sachs Asset Management. She joined Goldman Sachs in 1994, became a Partner in 2000 and an Advisory Director from 2010 to 2011. With nearly 30 years of experience in financial services, she participated in pioneering efforts in China's economic reform and development. She was instrumental in advising Ministry of Posts and Telecommunications and Ministry of Information Industry (now known as Ministry of Industry and Information Technology) in the privatisations and listings of its mobile and fixed line businesses. She also participated in advising appropriate operators in strategic investments by international telecom companies. The early cross-border financings of aircraft and other capital equipment in China's aviation sector, as well as the separate listings of national airlines, and important provincial and municipal credit restructurings also formed part of Madam Wang's understanding of China's economic growth in the past three decades.



YEUNG CHI WAI, JASON

Age 67, is an Independent Non-Executive Director of the Company. He joined the Board of Directors of the Company in October 2018. Mr. Yeung is currently the Group Chief Compliance and Risk Management Officer of Fung Holdings (1937) Limited and its listed companies in Hong Kong and an Independent Non-Executive Director of Bank of Communications Co., Ltd, which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange. Mr. Yeung has extensive experience in handling legal, compliance and regulatory matters and previously worked in the Securities and Futures Commission of Hong Kong, law firms and enterprises practising corporate, commercial and securities laws. Mr. Yeung served as a Director and the General Counsel of China Everbright Limited, which is listed on the Main Board of the HKSE and was also a partner of Woo, Kwan, Lee, & Lo.. He acted as the Board Secretary of BOC Hong Kong (Holdings) Limited which is listed on the Main Board of the HKSE, from 2001 to 2011 and concurrently acted as the Board Secretary of Bank of China Limited which is listed on the Main Board of the HKSE and the Shanghai Stock Exchange, from 2005 to 2008. He also served as the Deputy Chief Executive (Personal Banking) of Bank of China (Hong Kong) Limited from April 2011 to February 2015. Mr. Yeung received a bachelor degree in social sciences from the University of Hong Kong. He then graduated from The College of Law, United Kingdom and received a bachelor degree in law and a master degree in business administration from the University of Western Ontario, Canada.





SUPERVISORS

HAN FANG

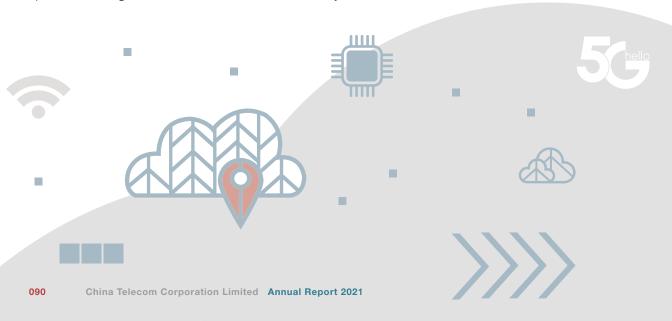
Age 48, is a Shareholder Representative Supervisor and the Chairlady of the Supervisory Committee of the Company. She joined the Supervisory Committee of the Company in March 2022. She currently serves as the Managing Director of audit department of both China Telecommunications Corporation and the Company and a Supervisor of China Tower Corporation Limited which is listed on the Main Board of the HKSE. Madam Han graduated from the Beijing University of Posts and Telecommunications with a bachelor's degree in engineering management and received a master's degree in business administration at the BI Norwegian School of Management. Madam Han served as a Supervisor of the Company, the Chief Financial Officer of China Telecom Global Limited, the Deputy Managing Director of audit department of both China Telecommunications Corporation and the Company and the Chairperson of the Supervisory Committee of China Communications Services Corporation Limited which is listed on the Main Board of the HKSE. Madam Han is an international internal auditor, a qualified accountant in PRC and a senior accountant. She has extensive experience in operation management and financial management in the telecommunications industry.

ZHANG JIANBIN

Age 56, is an Employee Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in October 2012. Mr. Zhang is a senior economist with a LLM degree and an EMBA degree. He previously worked at the Department of Policy and Regulation of the Ministry of Posts and Telecommunications ("MPT") and the Directorate General of Telecommunications of the MPT. Mr. Zhang is currently the Managing Director of the Legal Department (Compliance Management Department) of the Company and the Deputy General Counsel of China Telecommunications Corporation. Mr. Zhang has extensive experience in corporate legal affairs.

DAI BIN

Age 53, is an Employee Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in May 2020. Mr. Dai is a senior economist with an EMBA degree. He served as a Deputy Managing Director of the Office of the Board of Directors of the Company and the Deputy Managing Director of the General Affairs Office (Office of the board of directors and Security Department) of China Telecommunications Corporation. Mr. Dai serves as the Vice Chairman of the Labour Union of China Telecommunications Corporation. Mr. Dai has extensive experience in operational management in the telecommunications industry.



XU SHIGUANG

Age 42, is a Shareholder Representative Supervisor of the Company. He joined the Supervisory Committee of the Company in October 2018. Mr. Xu is a member of the Chinese Institute of Certified Public Accountants and a Certified Internal Auditor with a master's degree in management. Mr. Xu served at various positions in internal control and auditing at China Telecommunications Corporation for many years and was the Director of general office of audit department of the Company. Mr. Xu is currently the Deputy General Manager of Inner Mongolia Autonomous Region branch of the Company. Mr. Xu has extensive experience in internal control and auditing.

WANG YIBING

Age 55, is a Shareholder Representative Supervisor of the Company. She joined the Supervisory Committee of the Company in March 2022. She currently serves as the Deputy General Manager of Zhejiang Provincial Financial Development Co., Ltd. (one of the Shareholders of the Company) and a Supervisor of Zhejiang Provincial Financial Holdings Co., Ltd. Madam Wang is a senior accountant and graduated from the accounting program of Zhejiang Institute of Finance and Economics with a bachelor's degree in economics. Madam Wang served as the Vice General Manager of Zhejiang Province Xingcai Real Estate Development Company, the General Manager of financial management department and investment management department of Zhejiang Provincial Financial Holdings Co., Ltd., a Director of China Zheshang Bank Co., Ltd. which is listed on the HKSE and the Shanghai Stock Exchange, Caitong Securities Co., Ltd, Yongan Futures Co., Ltd., Wuchan Zhongda Group Co., Ltd. and Zhejiang China Commodities City Group Co., Ltd., all of which are listed on the Shanghai Stock Exchange, etc.. Madam Wang has extensive experience in operation management of state-owned enterprises.



(3) Positions of Directors, Supervisors and senior management as of the end of **Reporting Period**

1. Positions held in shareholder entities

		Positions held	Commencement	End date
Name	Name of shareholders	in shareholders	date of term	of term
Ke Ruiwen	China Telecommunications Corporation	Chairman	2019-04-15	Present
Li Zhengmao	China Telecommunications Corporation	Director President	2020-01-27 2020-02-17	Present Present
Shao Guanglu	China Telecommunications Corporation	Director	2020-01-27	Present
Chen Zhongyue (resigned)	China Telecommunications Corporation	Vice President	2014-10-20	2021-02-26
Zhang Zhiyong (resigned)	China Telecommunications Corporation	Vice President General Counsel	2017-12-26 2021-04-21	2021-11-05 2021-11-26
Liu Guiqing	China Telecommunications Corporation	Vice President General Counsel	2017-12-26 2021-11-26	Present Present
Zhu Min (resigned)	China Telecommunications Corporation	Chief Accountant	2018-06-15	2022-01-21
Tang Ke	China Telecommunications Corporation	Vice President	2021-06-23	Present
Chen Shengguang	Guangdong Rising Holdings Group Co., Ltd.	Director and General Manager	2016-12	Present
Zhang Jianbin	China Telecommunications Corporation	Deputy General Counsel	2015-02-06	Present
Dai Bin	China Telecommunications Corporation	Vice Chairman of the Labour Union	2017-11-27	Present
You Minqiang (resigned)	Zhejiang Provincial Financial Development Co., Ltd.	Deputy Director of the Organisation Department (Human Resources Department)	2019-12-13	Present

2. Positions held in other entities

		Positions held	Commencement	End date
Name	Name of other entities	in other entities	date of term	of term
Shao Guanglu	Communications Science and Technology Committee of the Ministry of Industry and Information Technology	Deputy Director	2017-12	Present
Zhang Zhiyong (resigned)	China Comservice	Chairman of the board of directors and Executive Director	2018-03-16	2021-09-30
	China Tower	Non-Executive Director	2017-08-07	2021-09-30
	China Chamber of International Commerce	Vice President	2021-03	Present
Liu Guiqing	China Institute of Communications	Deputy Director General	2018-06	Present
	Global System for Mobile communications Association	Director	2018-09	Present
Chen Shengguang	Guangdong Rising Holdings Co., Ltd.	Director and General Manager	2016-12	Present
Tse Hau Yin, Aloysius	CNOOC Limited	Independent Non-Executive Director	2005-06-08	Present
	Sinofert Holdings Limited	Independent Non-Executive Director	2007-06-28	Present
	SJM Holdings Limited	Independent Non-Executive Director	2007-10-15	Present
	SJM Resorts, Limited	Chairman of the Supervisory Committee	2014-12	Present
	Grand Lisboa Property Investment Company Limited	Chairman of the Supervisory Committee	2014-12	Present
	Sociedade de Desenvolvimento Unido de Macau S.A.R.L.	Chairman of the Supervisory Committee	2014-12	Present
	Pier 16 Property Development Limited.	Chairman of the Supervisory Committee	2014-12	Present



Name	Name of other entities	Positions held in other entities	Commencement date of term	End date of term	
	Cotai Magnific View Property Development Company Limited	Chairman of the Supervisory Committee	2014-12	Present	
	China Huarong Asset Management Co., Ltd.	Independent Non-Executive Director	2015-03-23	Present	
	CCB International (Holdings) Limited	Independent Non-Executive Director	2013-03-14	Present	
	OCBC Wing Hang Bank (China) Limited	Independent Non-Executive Director	2016-08-09	2021-09-08	
	OCBC Wing Hang Bank Limited	Independent Non-Executive Director	2004-11-26	2021-06-03	
	OCBC Wing Hang Bank Limited (Macau)	Chairman of the Supervisory Committee	2018-03-15	2021-09-21	
	Bacchus Fine Wines (Hubei) Company Limited	Chairman	2010-11-16	Present	
Xu Erming	China Enterprise Management Research Association	Vice Chairman	2004-09	Present	
Yeung Chi Wai, Jason	Fung Holdings (1937) Limited and its listed companies in Hong Kong	Group Chief Compliance and Risk Management Officer	2015-07-01	Present	
	Bank of Communications Co., Ltd.	Independent Non-Executive Director	2016-10-17	Present	
	Enchated Hills Limited	Director	1997-05-14	Present	
Sui Yixun (resigned)	China Tower	Supervisor	2018-05-03	2022-01-14	
Explanation on positions held in other entities	Tse Hau Yin, Aloysius tendered resignation as an independent non-executive director of China Huarong Asset Management Co., Ltd. on 23 March 2021. Such resignation shall take effect after the commencement of term of office of a new independent non-executive director.				

(4) Remuneration of Directors, Supervisors and senior management

Decision-making procedures for remuneration of Directors, Supervisors and senior management	Decision-making procedures for remuneration of Directors and senior management: The Remuneration Committee makes recommendations to the Board in respect of the overall remuneration policy and structure for the Company's Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy; After election and appointment of each session of the Board of Directors and senior management, the Board of Directors reviews the remuneration plan for that session of Directors and senior management.
	Decision-making procedures for remuneration of Supervisors: Supervisors of the Company do not receive remuneration as Supervisors.
Basis for determining the remuneration of Directors, Supervisors and senior management	In accordance with the administrative requirements of the SASAC, the remuneration is determined based on the Remuneration Plan for Senior Management of the Company and factors such as the duties, responsibilities, experience of the Directors, Supervisors and senior management and the prevailing market conditions.
Actual payment of remuneration of Directors, Supervisors and senior management	For details, please refer to "(1) Changes in shareholding and remuneration of Directors, Supervisors and senior management during the Reporting Period" in this section.
Total remuneration actually received by all Directors, Supervisors and senior management as at the end of the Reporting Period	For details, please refer to "(1) Changes in shareholding and remuneration of Directors, Supervisors and senior management during the Reporting Period" in this section.

(5) Changes in Directors, Supervisors and Senior Management of the Company during the Reporting Period

Name	Position held	Type of changes	Reason for change
Chen Zhongyue	Executive Director and Executive Vice President	Resigned	Change in work arrangement
Zhang Zhiyong	Executive Vice President	Resigned	Change in work arrangement
Zhu Min	Executive Director, Executive Vice President, Chief Financial Officer and Secretary of the Board	Resigned	Change in work arrangement
Tang Ke	Executive Vice President	Appointed	Work needs



(6) Composition of Board of Directors and Board Diversity Policy

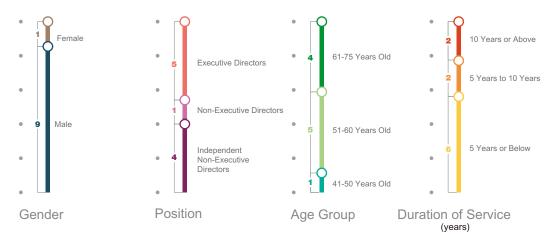
As at 31 December 2021, the Board consisted of 9 Directors with 4 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. There is no relationship (including financial, business, family or other material or relevant relationship) among the Board members. The Audit Committee, Remuneration Committee and Nomination Committee under the Board consist solely of Independent Non-Executive Directors, which ensures that the Committees are able to provide sufficient checks and balances and make independent judgements to protect the interests of the shareholders and the Company as a whole. The number of Independent Non-Executive Directors exceeds one-third of the members of the Board, Mr. Tse Hau Yin. Aloysius, the Chairman of the Audit Committee, is an internationally renowned financial expert with extensive expertise in accounting and financial management. The Board currently comprises 10 Directors, including 5 Executive Directors, 1 Non-Executive Director and 4 Independent Non-Executive Directors. The term of office for the seventh session of the Board (including the Non-Executive Directors) lasts for 3 years, starting from 26 May 2020 until the day of the Company's Annual General Meeting for the year 2022 to be held in 2023, upon which the eighth session of the Board will be elected.

In August 2013, the Company implemented the Board Diversity Policy. The Company strongly believes that board diversity will contribute significantly to the enhancement of the overall performance of the Company. The Company views board diversity as the

key element for accomplishing its strategic goals and sustainable development. In determining the composition of the Board, the Company takes into account diversity of the Board from a number of perspectives, including but not limited to gender, age, educational background, professional experience, skills, knowledge, duration of service and time commitment, etc. All appointments made or to be made by the Board are merit-based, and candidates are selected based on objective criteria taking full consideration of board diversity. Final decisions are comprehensively made based on each candidate's attributes and the consideration for his/her valuable contributions that can be made to the Board. The Nomination Committee oversees the implementation of Board Diversity Policy, reviews the existing policy as and when appropriate, and recommends proposals for revisions for the Board's approval.

There is currently one female Director on the Board. The Board currently comprises experts from diversified professions such as telecommunications, accounting, finance, law, banking, regulatory, compliance and management with diversification in terms of gender, age, duration of service, etc., advancing the enhancement of management standard and the further standardisation of corporate governance practices, which results in a more comprehensive and balanced Board structure and decision-making process. Each Director brings to the Board different views and perspectives. Both the Nomination Committee and the Board believe that the gender, age, educational background, professional experience, skills, knowledge and the duration of service of the Board members are in alignment with the Board Diversity Policy.





The Company strictly complies with the Corporate Governance Code to rigorously regulate the operating procedures of the Board and its Committees, and to ensure that the procedures of the Board meetings are in compliance with related rules in terms of organisation, regulations and personnel. The Board responsibly and earnestly supervises the preparation of financial statements for each financial period, so that such financial statements truly and fairly reflect the financial condition, the operating results and cash flows of the Company for such period. In preparing the financial statements for the year ended 31 December 2021, the Directors adopted appropriate accounting policies and made prudent, fair and reasonable judgements and estimates, and prepared the financial statements on a going concern basis.

The Articles of Association clearly defines the respective duties of the Board and the management. The Board is accountable to the shareholders' meetings, and its duties mainly include the execution of resolutions, formulation of major operational decisions, financial proposals and policies, formulation of the Company's basic management system and the appointment of

senior management. The management is responsible for leading the production, operation and management of the Company, the implementation of Board resolutions and the annual operation plans and investment proposals of the Company, formulating the proposal of the Company's internal administrative organisations and suborganisations, and performing other duties as authorised by the Articles of Association and the Board. In order to maintain highly efficient operations, as well as flexibility and swiftness in operational decision-making, the Board may delegate its management and administrative powers to the management when necessary, and shall provide clear guidance regarding such delegation so as to avoid impeding or undermining the capabilities of the Board when exercising its powers as a whole.

The Board formulates and reviews the Company's policies and practices on corporate governance; reviews and monitors the training and continuous professional development of Directors and senior management; reviews and monitors the Company's policies and practices on compliance with legal and regulatory requirements; formulates, reviews and monitors the code of conduct for employees; and reviews the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.



(7) Directors' training and continuous professional development

The Company provides guidelines including on directors' duties, continuing obligations, relevant laws and regulations, operation and business of the Company to newly appointed Directors so that they are provided with tailored induction relating to their appointment. To ensure that the Directors are familiar with the Company's latest operations for decision-making, the Company arranges for key financial data and operational data to be provided to the Directors on a monthly basis. Meanwhile, through regular Board meetings and reports from management, the Directors are able to have clearer understanding of the operations, business strategy, and the latest development of the Company and the industry.

In addition, the Company reminds the Directors of their functions and duties by continuously providing them with information regarding the latest development of the Two Listing Rules and other applicable regulations, and arranging internal training on topics related to the latest development of the industry and operational focus of the Company for mutual exchange of ideas and discussion. The Directors actively participate in training and continuous professional development to develop and refresh their knowledge and skills in order to contribute to the Company.

During the year, the Directors have participated in training and continuous professional development activities, and the summary is as follows:

Directors	Types of training
Executive Directors	
Ke Ruiwen	A, B
Li Zhengmao	A, B
Shao Guanglu	A, B
Liu Guiqing	A, B
Chen Zhongyue *	A, B
Zhu Min *	А, В
Non-Executive Director	
Chen Shengguang	А, В
Independent Non-Executive Directors	
Tse Hau Yin, Aloysius	A, B
Xu Erming	A, B
Wang Hsuehming	A, B
Yeung Chi Wai, Jason	A, B

A: attending relevant seminars and/or conferences and/or forums; or delivering speeches at relevant seminars and/or conferences and/or forums

B: reading or writing relevant newspapers, journals and articles relating to economy, general business, telecommunications, corporate governance or directors' duties

^{*} On 19 January 2021, Mr. Chen Zhongyue resigned from his positions as an Executive Director and Executive Vice President of the Company due to change in work arrangement. On 27 December 2021, Madam Zhu Min resigned from her positions as an Executive Director, an Executive Vice President, the Chief Financial Officer and the Secretary to the Board of the Company due to change in work arrangement.

(8) Compliance with the Model Code for Securities Transactions by Directors and Supervisors and confirmation of independence by the Independent Non-Executive Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules to govern securities transactions by the Directors and Supervisors. Based on the written confirmation from the Directors and Supervisors, the Company's Directors and Supervisors have strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules regarding the requirements in conducting securities transactions for the year 2021. Meanwhile, the Company has received annual independence confirmation from each of the Independent Non-Executive Directors and considered them to be independent.

5. BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date	Resolutions of the Meeting
Written Resolution No. 1 of the seventh session of the Board in 2021	2021-02-09	To approve the resolution in relation to the "2021 Share Appreciation Rights Grant Proposal for Key Personnel of China Telecom Corporation Limited".
The fourth meeting of the seventh session of the Board	2021-03-09	 To approve the proposal in relation to the annual results for the year 2020; To approve the proposal regarding the plan for the initial public offering and listing of RMB ordinary shares (A Shares); To approve the risk management and internal control implementation and assessment report for the year 2020, and to consider and approve the external auditor's attestation report on the internal control of the Company; To consider and approve the evaluation on the performance of the audit work of the external auditors, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu for the year 2020; To approve the proposed appointment of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Company for the year 2021; To approve the proposal in relation to the authorisation to issue debentures of the Company; To consider and approve the structure and operation review of the Board; To approve the convening of the 2020 Annual General Meeting; To approve the proposal in relation to liabilities insurance for 2021-2022 for directors, senior management and the Company.



Session	Date	Resolutions of the Meeting	
Written Resolution No. 2 of the seventh session of the Board in 2021	2021-03-10	To approve the grant date and exercise price of the The Phase Incentive Scheme for Share Appreciation Rights of China Telecon Corporation Limited.	
The fifth meeting of the seventh session of the Board	2021-03-19	To approve the proposal in relation to the transfer of equity interest in E-surfing Pay Co., Ltd. and China Telecom Leasing Corporatio Limited.	
The sixth meeting of the seventh session of the Board	2021-04-08	 To approve the proposal in relation to the prospectus for the initial public offering (A Shares) of the Company; To approve the proposal in relation to the Entrusted Operation and Management Contract entered into between the Company and China Telecommunications Corporation; To approve the relevant financial and accounting documents of the Company for the offering and listing of A Shares; To approve the new connected transaction of "Payment and Digital Finance Related Services" and the application for the annual cap for the year 2021; To approve the appointment of Deloitte as the auditor of the Company for the offering and listing of A Shares and the relevant fees; To approve the basic management system documents applicable to the Company after the offering and listing of A Shares. 	
Written Resolution No. 3 of the seventh session of the Board in 2021	2021-04-28	 To approve the proposal on the 2021 first quarterly results of the Company; To approve the proposal in relation to the Form 20-F for the year 2020; To approve the proposal in relation to the conversion of China Telecom Cloud Technology Co., Ltd into a wholly-owned subsidiary. 	
Written Resolution No. 4 of the seventh session of the Board in 2021	2021-05-17	To approve the proposal in relation to the review report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP on the financial report of the Company for the first quarter of 2021 prepared in accordance with Chinese Accounting Standard.	

Session Date Resolutions of the		Resolutions of the Meeting
Written Resolution No. 5 of the seventh session of the Board in 2021	2021-05-31	To approve the proposal in relation to the tender of China Telecom Global Limited in bidding for the land parcel in Tseung Kwan O Industrial Park, Hong Kong and the investment and operation plan after securing the tender.
Written Resolution No. 6 of the seventh session of the Board in 2021	2021-06-07	To approve the proposal that the Executive Order signed by the President of the United States on 3 June 2021 does not constitute inside information of the Company.
Written Resolution No. 7 of the seventh session of the Board in 2021	2021-06-18	To approve the proposal in relation to the order made by the Disciplinary Committee of the Hong Kong Institute of Certified Public Accountants regarding Mr. Tse Hau Yin, Aloysius, an independent non-executive director of the Company and the relevant announcement made by the Company.
Written Resolution No. 8 of the seventh session of the Board in 2021	2021-06-20	To approve the proposal on the adjustment of the dividend policy of the Company.
Written Resolution No. 9 of the seventh session of the Board in 2021	2021-07-15	To approve the proposal in relation to the updated Prospectus.
The seventh meeting of the seventh session of the Board	2021-08-10	 To approve the proposal in relation to the 2021 interim results; To consider and approve the report on the progress of the 2021 Environmental, Social and Governance Report; To approve the proposal in relation to the appointment of independent financial adviser for continuing connected transactions; To approve the proposal in relation to the increase in registered capital of China Telecom Cloud Technology Co., Ltd; To approve the appointment of the securities affairs representative of the Company.
The eighth meeting of the seventh session of the Board	2021-08-30	To approve the proposal regarding the payment of funds required for investment projects by way of telegraphic transfer by banks, bills of exchange, letters of credit, etc. and the replacement of the proceeds in equivalent amount.



Session	Date	Resolutions of the Meeting
The ninth meeting of the seventh session of the Board	2021-09-09	To approve the proposal regarding the termination of the American Depositary Shares program of the Company.
The tenth meeting of the seventh session of the Board	2021-09-29	To approve the proposal regarding the use of proceeds for capital injection into wholly-owned subsidiaries and provision of loans for implementation of investment projects.
The eleventh meeting of the seventh session of the Board	2021-10-22	 To approve the proposal on the 2021 Third Quarterly Report; To approve the proposal regarding the renewal of continuing connected (related-party) transactions and the application for annual caps for 2022-2024; To approve the proposal regarding the amendments to the articles of association; To approve the proposal on convening the second extraordinary general meeting in 2021.
The twelfth meeting of the seventh session of the Board	2021-11-10	 To approve the proposal regarding the replacement of self-raised funds previously invested in investment projects and paid offering expenses with proceeds; To approve the proposal on the use of part of temporarily idle proceeds for cash management; To approve the proposal on the plan for external guarantee.
The thirteenth meeting of the seventh session of the Board	2021-11-29	To approve the proposal regarding the appointment of Executive Vice President and Director of the Company.
The fourteenth meeting of the seventh session of the Board	2021-12-20	 To approve the proposal on the fees of external auditors for the year 2021; To consider and approve the work progress report on the 2021 Environmental, Social and Governance Report; To approve the proposal on convening the first extraordinary general meeting in 2022.

In 2021, the Company convened 20 Board meetings in total (including various written resolutions); the Chairman held a meeting to independently communicate with the Independent Non-Executive Directors without the presence of any other Directors to ensure their opinions can be fully expressed, which further facilitated the exchange of different views within the Board.

6. PERFORMANCE OF DUTIES BY DIRECTORS

Attendance of Directors at Board meetings and general meetings

								Attendance
				Attandanas at D				at general
				Attendance at Bo	oard meetings		Failure to	meetings
		Required					attend two	Number of
	Whether as an	attendance		Attendance			consecutive	general
	Independent	during	Attendance	by way of	Attendance	Absent	meetings	meetings
Name of Director	Director	the year	in person	communication	by proxy*	Times	in person	attended
Ke Ruiwen	No	20	20	15	0	0	No	5
Li Zhengmao	No	20	20	15	0	0	No	5
Shao Guanglu	No	20	20	15	0	0	No	5
Liu Guiqing	No	20	20	15	0	0	No	2
Chen Shengguang	No	20	19	15	1	0	No	4
Tse Hau Yin, Aloysius	Yes	20	20	15	0	0	No	5
Xu Erming	Yes	20	20	15	0	0	No	4
Wang Hsuehming	Yes	20	18	14	2	0	No	2
Yeung Chi Wai, Jason	Yes	20	20	15	0	0	No	2
Chen Zhongyue (resigned)	No	0	0	0	0	0	No	0
Zhu Min (resigned)	No	20	20	15	0	0	No	5
Number of Board mee	etings held durir	ng the year		2	20			
Including: Number of o	on-site meeting	S		5	i			
Number of meetings h	eld by commur	nication		1	5			
Number of meetings h	eld both on site	and by m	eans					
of communication				C)			

Certain Directors could not attend some of the Board meetings due to other arrangement. Such Directors have reviewed the relevant Board meeting proposals before the meetings and authorised other Directors in writing to vote on their behalf so as to ensure their views were fully reflected in the meetings.



7. SPECIAL COMMITTEES UNDER THE BOARD

(1) Members of the special committees under the Board

Category of special committees	Name of Members
Audit Committee	Tse Hau Yin, Aloysius, Xu Erming, Wang Hsuehming, Yeung Chi Wai,
	Jason
Remuneration Committee	Xu Erming, Tse Hau Yin, Aloysius, Wang Hsuehming
Nomination Committee	Wang Hsuehming, Tse Hau Yin, Aloysius, Xu Erming

(2) Audit Committee

As at 31 December 2021, the Audit Committee comprised 4 Independent Non-Executive Directors, Mr. Tse Hau Yin, Aloysius as the Chairman and Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason as the members. The Audit Committee is responsible to the Board. The Rules of Procedures of the Audit Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Audit Committee. The Audit Committee's principal duties include the supervision of the truthfulness and completeness of the Company's financial statements, the effectiveness and completeness of the Company's internal control and risk management systems as well as the work of the Company's Internal Audit Department. It is also responsible for the supervision and review of the qualifications, selection and appointment, independence and services of external independent auditors. The Audit Committee ensures that the management has discharged its duty to establish and maintain an effective risk management and internal control system including the adequacy of resources, qualifications and experience of staff fulfilling the accounting, internal control and financial reporting functions of the Company together with the adequacy of the staff's training programmes and the related budget. The Audit Committee also has the authority to set up a reporting system on whistleblowing to receive and handle cases of complaints or complaints made on an anonymous basis regarding the Company's accounting, internal control and audit matters.

In 2021, pursuant to the requirements of the governing laws and regulations of the places of listing and the Rules of Procedures of the Audit Committee, the Audit Committee fully assumed its responsibilities within the scope of the clear mandate from the Board and communicated independently with the external auditors twice a year. The Audit Committee proposed a number of practical and professional recommendations for improvement based on the Company's actual circumstances in order to promote the continuous improvement and perfection of corporate management. The Audit Committee has provided important support to the Board and played a significant role in protecting the interests of the independent shareholders.

The Audit Committee convened 9 meetings during the Reporting Period

		Important	Other	
		comments and	Performance	
Date	Agenda of meeting	suggestions	of Duties	
2021-03-08	1. To approve the 2020 annual results and recommend	Nil	Nil	
	the same to the Board for approval;			
	2. To approve the report on the implementation of			
	connected transactions of the Company for the year			
	2020;			
	3. To approve the risk management and internal control			
	report for the year 2020 and recommend the same to			
	the Board for consideration and approval;			
	4. To consider and approve the report on the internal			
	audit of the Company for the year 2020 and the work			
	plan for 2021;			
	5. To consider and approve the review of the operation			
	and charter of the Audit Committee for the year 2020;			
	6. To consider and approve the audit performance			
	of Deloitte Touche Tohmatsu Certified Public			
	Accountants LLP and Deloitte Touche Tohmatsu for			
	the year 2020 and approve and recommend to the			
	Board the appointment of PricewaterhouseCoopers			
	Zhong Tian LLP and PricewaterhouseCoopers as the			
	Company's external auditors for the year 2021.			
2021-03-19	To approve the proposal in relation to the transfer of	Nil	Nil	
	equity interests in E-surfing Pay Co., Ltd. and China			
	Telecom Leasing Corporation Limited and to recommend			
	the same to the Board for approval			

Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2021-04-08	 To approve the proposal in relation to the prospectus for the initial public offering (A Shares) of the Company and to recommend the same to the Board for approval; To approve the proposal in relation to the Entrusted Operation and Management Contract entered into between the Company and China Telecommunications Corporation and to recommend the same to the Board for approval; To approve the relevant financial and accounting documents of the Company for the offering and listing of A Shares, and to recommend the same to the Board for approval; To approve the proposal in relation to the new connected transaction of "Payment and Digital Finance Related Services" and the application for the annual cap for the year 2021, and to recommend the same to the Board for approval; To approve the proposal in relation to the appointment of Deloitte as the auditor of the Company for the offering and listing of A Shares and the relevant fees, and to recommend the same to the 	Nil	Nil
	Board for approval.		
2021-04-28	 To approve the proposal in relation to the results of the Company for the first quarter of 2021 and to recommend the same to the Board for approval; To approve the proposal in relation to the Form 20-F for the year 2020 and to recommend the same to the Board for approval. 	Nil	Nil

Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2021-05-17	To approve the proposal in relation to the review report issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP on the financial report of the Company for the first quarter of 2021 prepared in accordance with Chinese Accounting Standard and to recommend the same to the Board for approval	Nil	Nil
2021-06-16	 To consider and approve the report on the implementation of connected transactions of the Company for the first quarter of 2021; To consider and approve the internal audit report of the Company for the first quarter of 2021; To approve the review plan of PricewaterhouseCoopers on the 2021 interim results of the Company. 	Nil	Nil
2021-08-09	 To approve the proposal in relation to the 2021 interim results and to recommend the same to the Board for approval; To consider and approve the report on the implementation of connected transactions for the first half of 2021; To consider and approve the internal audit report for the second quarter of 2021; To consider and approve the report on the progress of the 2021 Environmental, Social and Governance Report. 	Nil	Nil
2021-10-22	 To approve the proposal on the 2021 Third Quarterly Report and to recommend the same to the Board for approval; To approve the proposal on the renewal of continuing connected (related-party) transactions and the application for annual caps for 2022-2024, and to recommend the same to the Board for approval. 	Nil	Nil



Date	Agenda of meeting	Important comments and suggestions	Other Performance of Duties
2021-12-20	 To consider and approve the proposal on the report of external auditors on the audit work plan for the year 2021; To consider and approve the proposal regarding)	Nil
	the report of preliminary results of internal contro assessment by external auditors for the year 2021;		
	 To approve the proposal on the fees of externa auditors for the year 2021, and to recommend the same to the Board for approval; 		
	 To consider and approve the proposal regarding the report on the implementation of connected transactions for the first three quarters of 2021; 		
	 To consider and approve the proposal on the 2021 third quarter internal audit work report and internal audit work plan for the year 2022; 		
	 To approve the proposal in relation to the report or the progress of the 2021 Environmental, Social and Governance Report and to recommend the same to the Board for approval; 		
	7. To approve the proposal on the meeting plan of the Audit Committee for the year 2022.	,	

The attendance of each member is as follows:

Yeung Chi Wai, Jason

Name of Members	Actual attendance/Required attendance
Tse Hau Yin, Aloysius	9/9
Xu Erming	9/9
Wang Hsuehming *	7/9

9/9

Madam Wang Hsuehming, a member of the Audit Committee, was unable to attend some of the meetings of the Audit Committee due to other arrangements. She reviewed the relevant proposals in advance and authorised another member in writing to vote on her behalf to ensure that her opinions were fully reflected in the meetings.

(3) Remuneration Committee

As at 31 December 2021, the Remuneration Committee comprised 3 Independent Non-Executive Directors, Mr. Xu Erming as the Chairman and Mr. Tse Hau Yin, Aloysius and Madam Wang Hsuehming as the members. The Remuneration Committee is responsible to the Board. The Rules of Procedures of the Remuneration Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Remuneration Committee. The Remuneration Committee assists the Board to formulate overall remuneration policy and structure for the Company's Directors and senior management, and to establish related procedures that are standardised and

transparent. The Remuneration Committee's principal duties include giving recommendations to the Board in respect of the overall remuneration policy and structure for the Company's Directors and senior management and the establishment of a formal and transparent procedure for developing remuneration policy, and determining, with delegated responsibility by the Board, the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). Its responsibilities comply with the requirements of the Corporate Governance Code.

The Remuneration Committee convened 1 meeting during the Reporting Period

		Important	Other
		comments and	Performance
Date	Agenda of meeting	suggestions	of Duties
2021-02-09	To approve the proposal in relation to the 2021 Share	Nil	Nil
	Appreciation Rights Grant Proposal for Key Personnel of		
	China Telecom Corporation Limited and to recommend		
	the same to the Board for approval.		

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Xu Erming	1/1
Tse Hau Yin, Aloysius	1/1
Wang Hsuehming	1/1



(4) Nomination Committee

As at 31 December 2021, the Nomination Committee comprised 3 Independent Non-Executive Directors, Madam Wang Hsuehming as the Chairlady and Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming as the members. The Nomination Committee is responsible to the Board. The Rules of Procedures of the Nomination Committee clearly defines the status, structure and qualifications, work procedures, duties and responsibilities, funding and remuneration, etc. of the Nomination Committee, and it specifically requires that the Nomination Committee members shall have no significant connection with the Company, and comply with the regulatory requirements related to "independence". The Nomination Committee

assists the Board to formulate standardised, prudent and transparent procedures for the appointment and succession plans of Directors, and to further optimise the composition of the Board. The principal duties of the Nomination Committee include regularly reviewing the structure, number of members, composition and diversity of the Board; identifying candidates with the appropriate qualifications for the position of Directors and senior management and advising the Board on the same; reviewing the Board Diversity Policy as appropriate to ensure its effectiveness; evaluating the independence of Independent Non-Executive Directors; advising the Board on matters regarding the appointment or re-appointment of Directors and succession plans for the Directors.

The Nomination Committee convened 2 meetings during the Reporting Period

		Important	Other
		comments and	Performance
Date	Agenda of meeting	suggestions	of Duties
2021-03-08	To consider and approve the structure and operation	Nil	Nil
	review of the Board, and to recommend the same to the		
	Board for approval.		
2021-11-29	To consider and approve the proposal on the	Nil	Nil
	appointment of Executive Vice President and Director of		
	the Company, and agree to submit the proposal to the		
	Board for consideration.		

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Wang Hsuehming*	1/2
Tse Hau Yin, Aloysius	2/2
Xu Erming	2/2

^{*} Madam Wang Hsuehming, the Chairlady of the Nomination Committee, was unable to attend a meeting of the Nomination Committee due to other arrangements. She reviewed the relevant proposal in advance and authorised other member in writing to vote on her behalf to ensure that her opinions were fully reflected in the meeting.

(5) Independent Board Committee

Pursuant to the requirement under the Listing Rules, the Company convened 1 Independent Board Committee meeting in 2021, with all 4 Independent Non-Executive Directors attending the meeting. The meeting reviewed the continuing connected transactions and the applicable annual caps thereto and gave the relevant confirmation as well as submitted the recommendations on these matters to the independent shareholders.

The attendance of each member is as follows:

Name of Members	Actual attendance/Required attendance
Tse Hau Yin, Aloysius	1/1
Xu Erming	1/1
Wang Hsuehming	1/1
Yeung Chi Wai, Jason	1/1

8. DESCRIPTION OF RISKS IDENTIFIED BY THE SUPERVISORY COMMITTEE

The Supervisory Committee had no objection to the matters under supervision during the Reporting Period.

9. INFORMATION ON EMPLOYEES AT THE END OF THE REPORTING PERIOD

In 2021, work on human resources has closely centered around the Company's "Cloudification and Digital Transformation" strategy. The Company coordinated and promoted the reform of labor, personnel and distribution systems, gave full play to the decisive role of the market in resource allocation, comprehensively implemented the tenure system and contractual management of management members, promoted market-oriented labor deployment, strengthened the construction of cadres, talents and employees, continuously optimised the team layout and structure, established a market-oriented talent selection and employment mechanism, improved the market-oriented operation mechanism and incentive and restraint mechanism and improved the level and efficiency of human resources management, to provide sound organisational assurance and talent support for the Company's sustainable and healthy development.



(1) Employees

Total number of employees	278,922
Composition of professions	
Categories of professions	Number of professionals
Sales and Marketing	132,407
Operations and Maintenance	82,825
Sci-tech Research and Product Development	15,376
Management, Finance and Administration	48,314
Total	278,922
Education level	
Categories of education level	Number (person)
Doctoral degree	373
Master's degree	26,690
Bachelor's degree	153,871
Vocational school	74,117
High school and below	23,871
Total	278,922

(2) Emolument policy

In accordance with the income distribution principle reflecting efficiency and promoting fairness, while improving the market-oriented remuneration distribution mechanism with efficiency as the priority, the Company focuses on protecting the basic salary income of grassroots employees and sharing the benefits of the Company's growth. The Company actively implemented medium and long-term incentives such as equity incentives for listed companies and equity and dividend incentives for state-owned technology enterprises to further stimulate the enthusiasm and creativity of core talents at all levels.

(3) Training program

The Company attaches great importance to talent training. Through the online and offline integrated digital training model, the Company carried out training for leading cadres at different levels and categories and provided high-level professional talent training by promoting top-notch driving scale and tackling key scenarios. Focusing on the implementation of the "Cloudification and Digital Transformation" strategy, with the help of the online platform, the Company carried out large-scale, targeted skill talent training integrating training, practices and competition as a whole.

10. PROPOSAL FOR PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE

(1) Formulation, implementation or adjustment of cash dividend policy

Pursuant to the Articles of Association, under the premise that the Company's profit distribution does not exceed the cumulative distributable profit and that the Company takes into account the continuous profits, meeting regulatory requirements, operating normally and development in the long term, the Company will give priority to cash distribution of dividends. If the Company has no events such as major investment plans or significant cash expenditures, and the Company's risk control indicators can meet regulatory requirements and the normal operating capital requirements of the Company can be satisfied after the distribution of cash dividends, within any three consecutive years, the cumulative profit distributed by the Company in cash shall be no less than 30% of the annual average distributable profit realised in such three years.

The Board approved the resolution to adjust the dividend policy of the Company on 20 June 2021, agreeing that the profit to be distributed by the Company in cash for year 2021 shall be no less than 60% of the profit attributable to equity holders of the Company for that year, and that within three years after the A Share Offering and Listing, the profit to be distributed by the Company in cash for each year will gradually increase to 70% or above of the profit attributable to equity holders of the Company for that year. Meanwhile, the dividend arrangement will be adjusted to provide for the declaration and payment of interim dividends from year 2022.

According to Article 190 of the Articles of Association, the Company shall distribute its after-tax profits for the year 2021 at the lower of the amounts in the financial statements prepared in accordance with the Chinese Accounting Standard and IFRSs. As a result, RMB25,948,191,708 applies for profit distribution. After fully considering the return to shareholders, the Company's profitability, cash flow level and capital needs for future development, the Board proposed at the 16th meeting of the seventh session of the Board a dividend in an aggregate amount of RMB15,568,915,025 to all shareholders which represents 60% of the profit attributable to equity holders of the Company in the amount of RMB25,948,191,708 for the year 2021. Calculated based on 91,507,138,699 shares, being the total number of issued share capital of the Company as at 31 December 2021, a dividend of RMB0.170 per share (pre-tax) will be declared and paid to all shareholders. In case of any change in the total number of issued share capital of the Company before the record date for the implementation of the dividend distribution, the total distribution amount will remain unchanged and the distribution amount per share will be adjusted accordingly.

The profit distribution plan will be submitted to the Annual General Meeting of the Company for the year 2021 for consideration and approval.



(2) Specific description of cash dividend policy

Compliance with the Articles of Association or the resolutions of the general meeting	✓ Yes	□ No
Clear and definite standards and proportion of dividend distribution	✓ Yes	□ No
Complete relevant decision-making procedures and mechanisms	✓ Yes	□ No
Independent Directors fulfilled their duties and played their role	✓ Yes	□ No
Minority shareholders have the opportunity to fully express their opinions and appeals, and their legitimate rights and interests have been fully protected	✓ Yes	□No

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

(1) Share appreciation rights

The Company implemented two phases of share appreciation rights scheme in 2018 and 2021, respectively, to provide mid- to long-term incentives for key personnel (excluding the Executive Directors, Non-Executive Directors, Independent Directors, Supervisors and senior management of the Company). As approved by the Board, according to the 2021 Share Appreciation Rights Proposal, the Company granted a total of approximately 2,402 million H share appreciation rights to 7,908 key personnel of the Company with an exercise price of HK\$2.686.

Firstly, share appreciation rights are distributed based on contribution, adhering to the value-oriented principle and tilting towards units with remarkable high-quality development. Secondly, share appreciation rights are distributed based on potential, which adheres to the development orientation and tilts to the key areas of

"Cloudification and Digital Transformation" and high-end and high-quality talents. Thirdly, share appreciation rights are granted based on performances. The Company adheres to the performance-oriented principle and closely links the number of rights exercised with the Company's performance and employees' individual performance, and imposes penalties for failure to achieve performance targets.

The scheme does not involve the grant of options over new shares or other new securities that may be issued by the Company (or any of its subsidiaries) and therefore, it does not fall within the scope of, and is not subject to, the requirements under Chapter 17 of the Listing Rules.

(2) Establishment and implementation of the appraisal mechanism and incentive mechanism for senior management during the Reporting Period

During the Reporting Period, the incentives of senior management were closely linked to the overall operating results of the Company. The senior management are evaluated for work performance within their scope of duties, focusing on the financial performance, customer and market performance, compliance and risk control, completion of annual key tasks and cadre training in their areas of responsibilities.

12. ESTABLISHMENT AND IMPLEMENTATION OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

The Board attaches great importance to the establishment and perfection of the risk management and internal control systems. The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems, and the Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board takes effective approaches to supervise the implementation of related control measures, whilst enhancing operation efficiency and effectiveness, and optimising corporate governance, risk assessment, risk management and internal control so that the Company can achieve long-term development goals.

The risk management and internal control systems of the Company is built on clear organisational structure and management duties, an effective delegation and accountability system, definite targets, policies and procedures, comprehensive risk assessment and management, a sound financial accounting system, and continuing analysis and supervision of operational performance, etc. which plays a pivotal role in the Company's overall operation. The Company has formulated a code of conduct for the senior management and employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal

reporting system, which encourages anonymous reporting of situations where employees, especially Directors and senior management, breach the rules.

The internal control management system of the Company mainly includes internal control manual, implementation guidance, list of authority and relevant systems and measures. The Company continuously revises and improves the internal control system according to the changes in the internal control environment and the needs of business development. In accordance with the internal control management system of the Company and based on the management needs of the Company, each subsidiary has refined and improved its internal control manual, forming a complete, comprehensive and effective internal control system.

The Company views comprehensive risk management as an important task within the Company's daily operation. Pursuant to regulatory requirements in capital markets where the shares of the Company are listed, the Company has achieved closed-loop management of risk identification, risk assessment, key risk analysis, risk response and tracking and monitoring of risk management based on risk management theory. In continuously strengthening the risk process control and management and focusing on significant risk which may be encountered, the Company follows and reports the status of risk management and control regularly to ensure risks are manageable and controllable. Following the efforts made over the years, the Company has established a structured and highly effective comprehensive risk management system and has gradually perfected its comprehensive risk monitoring and prevention mechanism.

In 2021, pursuant to the requirement of code provision D2 of the Corporate Governance Code promulgated by the Stock Exchange, the Company concentrated resources on the prevention of significant potential risks, and strived to reduce negative effect from significant risks. The Company was not confronted by any major risk event throughout the whole year.



The Company has identified, assessed and analysed potential major risks faced by the Company in 2022, including areas of economic and policy environment adaptation, business operation, network and information security and international operation etc., determined major risk points and put forward detailed response plans. For details of the major risks that the Company may face and the response measures thereof, please refer to the section headed "Management's Discussion and Analysis (Report of the Directors)" in this annual report. Through strict and appropriate risk management procedures, the Company will ensure the potential impact from the above risks on the Company is limited and within an expected range.

The Company highly values the compliance with the laws and regulations of the PRC as well as the places of listing of the Company and where the Company's business operations are located, strictly complies with all laws and regulations and timely and proactively incorporates the laws and regulations into the Company's rules and regulations to protect the Company's legitimate business management, maintain the Company's legitimate rights and interests and support the Company to achieve long-term healthy development target. Please refer to the section headed "Management's Discussion and Analysis (Report of the Directors)" of this annual report for the newly published policies, laws and regulations relating to the industry in which the Company operated during the Reporting Period.

Since 2003, based on the requirements of the U.S. securities regulatory authorities and the COSO Internal Control Framework, and with the assistance of other advisory institutions including external auditors, the Company has formulated manuals, implementation rules and related rules in relation to internal control, and has developed the Policies on Internal Control Management and Internal Control Accountability Management to

ensure the effective implementation of the above systems. The Company has all along continuously revised and improved the manuals and implementation rules in view of the ever changing internal and external operation environment as well as the requirements of business development over the years. While continuing to improve the internal control related policies, the Company has also been strengthening its IT internal control capabilities, which has improved the efficiency and effectiveness of internal control and enhanced the safety of the Company's information system so that the integrity, timeliness and reliability of data and information are maintained. At the same time, the Company attaches great importance to the control and monitoring of network information safety. The Company persistently optimises the relevant rules and guidances, further defines the responsible entities and regularly commences the inspection of network safety and information safety in order to promote the enhancement of the awareness of network information safety and relevant skills and knowledge.

In 2021, the Company conducted annual revision of internal control manuals, list of authority and implementation guidance based on external regulatory supervision, changes in policy environment and requirements for prevention and control of the Company's key risks, while taking into account measures for deepened reform and changes in business development and focusing on responding quickly to market demands and supporting business innovation and operational innovation for enterprises. The Company optimised and adjusted systems and regulations such as the Internet of Things business, single-point settlement business, risk management and capital internal control supervision, supplemented and improved the management of proceeds, management of relatedparty (connected) transactions, guarantee management, information disclosure management, research and development and other processes.

The Internal Audit Department plays a vital role in supporting the Board, the management and the risk management and internal control systems. The functions of the Internal Audit Department are independent of the Company's business operations, complementary with the functions of the external auditors and plays an important role in the monitoring of the Company's internal management. The Internal Audit Department is responsible for internal control assessment of the Company, and provides an objective assurance to the Audit Committee and the Board that the risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards. The Internal Audit Department regularly reports the internal audit results to the Audit Committee on a quarterly basis, and reports the internal audit results to the Board through the Audit Committee.

Annual evaluation of risk management and internal control systems

The Company has been continuously improving the risk management and internal control systems to meet the regulatory requirements of the places where the Company's shares are listed and strengthening its internal control while guarding against operational risk.

The Company has adopted the COSO Internal Control Framework (2013) as the standard for the internal control assessment. With the management's internal control testing guidelines and the Auditing Standard No. 2201 that were issued by The Public Company Accounting Oversight Board (PCAOB) as its directives, the Company's internal control assessment system is composed of the self-assessment conducted by the persons responsible for internal control together with the independent assessment conducted by the Internal Audit Department. In order to evaluate the nature of internal control deficiencies and reach a conclusion as to the effectiveness of the internal control system, the Company

adopts the following 4 major steps of assessment: (1) analyse and identify areas which require assessment, (2) assess the effectiveness of the design of internal control, (3) assess the operating effectiveness of internal control, (4) analyse the impact of deficiencies in internal control, judge the nature of deficiencies in internal control and conclude on the effectiveness of the internal control system. At the same time, the Company rectifies any deficiencies found during the assessment. By formulating the amended "Measures for the Internal Control Assessment", the "Manual for the Self-Assessment of Internal Control", the "Manual for the Independent Assessment of Internal Control" and other regulations, the Company has ensured the assessment procedures are in compliance. In accordance with the requirements of the Basic Standards for Enterprise Internal Control and its ancillary application guidelines and other relevant laws, regulations and regulatory rules, the Company conducts internal control assessment. In 2021, the Company's Internal Audit Department initiated and coordinated the assessment of internal control all over the Company, and reported the results to the Audit Committee and the Board. In response to the problems identified in the audit and evaluation, the Company implemented the rectification responsibility one by one, fully completed the rectification tasks, and effectively controlled and prevented risks. During the year, the effectiveness of internal control implementation continued to improve, which provided a strong guarantee for the healthy development of the Company.

In terms of internal control self-assessment, the Company continued to insist on 100% coverage of all units (including the newly incorporated professional companies). Through the self-assessment for the year 2021, management responsibilities were further strengthened, to promote the closed-loop management of internal control design, implementation, evaluation, and rewards and penalties, further create a good internal control atmosphere, and promote the continuous improvement of internal control management. The



Company deepened horizontal coordination and vertical integration, adhered to the risk joint prevention work model, increased the evaluation of cross-level, crossdepartment, cross-system and cross-professional processes, and prevented the occurrence of systematic risks and major risks. Various departments were coordinated to jointly carry out special self-assessment and solve key and difficult problems in operation and management. Based on the changes in internal and external environment and the focus of risk prevention and control, the Company focused on the risk management and control in the fields of authenticity and reliability of financial reports, legal compliance of operation and management, security of overseas state-owned assets, network information security, emerging business and quasi-financial business in accordance with the national major decision-making and deployment, corporate strategic transformation and high-quality development. The Company assessed the comprehensiveness and effectiveness of the design and implementation of risks, compliance and internal control. Causes of the problems found would be analysed with strict rectification measures formulated and implementation. At the same time, it strengthened the assessment, rewards and penalties, and implemented the application of the evaluation results.

In 2021, in accordance with the three-year full coverage requirements of its affiliated units and the annual internal control audit work plan, the independent internal control assessment was conducted on 4 provincial branches, 4 professional companies and the financial sharing service centre of the headquarters, and special assessment was conducted on channel management and user personal information protection. During the year, the independent assessment of internal control continued to strengthen the tracking, analysis and judgment of changes in the internal and external environment of the enterprise development, and focused on the selection of evaluation units and contents. Firstly, the Company conducted

independent assessment and self-assessment to promote the improvement of self-assessment ability and the implementation of problem rectification. Secondly, key points were highlighted to ensure the breadth and depth of projects and improve the overall evaluation efficiency. Thirdly, the Company conducted independent assessment on emerging businesses, quasi-financial businesses and professional companies in the transformation period, timely alerted potential risks and promoted the rectification of problems. Through the combination of independent assessment and self-assessment, the Company conducted multiperspective inspection and evaluation on the risk areas that affect the development of the Company, supervised comprehensive rectification, to promote the improvement of self-recovery ability of the Company and support highquality development.

Furthermore, the Company organised the risk management and internal control assessment team and other relevant departments to closely coordinate with the external auditors' audit of internal control over financial reporting. The internal control audit performed by the external auditor covered the Company and all of its subsidiaries as well as the key processes and control points in relation to material financial statements items. The external auditors regularly communicated with the management in respect of the audit results.

The Company attaches great importance to rectifying internal control deficiencies. In response to the defects and problems found in the audit, the Company implemented account management, strengthened the effect of rectification, carried out special rectification of key issues, promoted the effectiveness of rectification through various means and strengthened closed-loop management. The internal control deficiencies and issues identified by the Company during the year have been basically rectified and passed the year-end attestation undertaken by the external auditors.

The Board oversees the Company's risk management and internal control systems on an on-going basis and the Board, through the Audit Committee, conducted an annual review of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2021, which covered all material areas including financial controls, operational controls and compliance controls, as well as its risk management functions. After receiving the reports from the Internal Audit Department and the confirmation from the management to the Board on the effectiveness of the Company's risk management and internal control systems (including Environmental, Social and Governance risk management and internal control systems), the Board is of the view that these systems are solid, well established, effective and sufficient. The annual review also confirms the adequacy of resources relating to the Company's accounting, internal control and financial reporting functions, the sufficiency of the qualifications and experience of staff, together with the adequacy of the staff's training programmes and the relevant budget.

13. MANAGEMENT CONTROL OVER SUBSIDIARIES DURING THE REPORTING PERIOD

In order to make every effort to build a more mature and established modern enterprise system with Chinese characteristics and promote the modernisation of governance system and capability, China Telecom issued a series of documents related to the promotion and improvement of modern enterprise system with Chinese characteristics for its subsidiaries at all levels to guide them to standardise and strengthen corporate governance. Firstly, the Company strengthened the construction of the corporate fundamental system of the Articles of Association, improved the basic internal regulations, enhanced the internal system of the Company, and promoted all governance bodies of the Company to perform their duties in accordance

with the Articles of Association in decision-making, implementation, supervision and other aspects, leading to the better transformation and integration of system construction and governance efficiency. Secondly, the Company strengthened the establishment of the board of directors of subsidiaries with terms of reference to promote the fulfillment of the requirements to strengthen the construction of the board of directors, standardise the operation of the board of directors, reasonably determine the size of the board of directors, scientifically allocate directors, achieve the majority of external directors and implement the terms of reference of the board of directors. Thirdly, the Company strengthened the delegation of authority, streamlined decision-making procedures and improved the quality of decisionmaking. The Company encouraged the subsidiaries to improve the working system of each governance body, established a management system authorised by the board of directors to the management in accordance with practices and strengthened the management before, during and after the events, so as to promote each subsidiary to become a more independent market operation entity.

In order to further establish and improve the legal entity management system that is more suitable for strategic development, the Company continuously improves its governance level and efficiency. In 2021, the Company invested in 5 new subsidiaries, including China Telecom Digital City Technology Co., Ltd., Lingang Computing Power (Shanghai) Technology Co., Ltd., E-surfing Digital Life Technology Co., Ltd., China Telecom Cloud Technology Co., Ltd and E-Surfing Security Technology Co., Ltd.. The Company manages and controls its subsidiaries in accordance with the requirements of the Company Law and relevant laws and regulations, and fully mobilises the vitality and enthusiasm of its subsidiaries and their employees in accordance with the requirements of modern corporate governance and market-oriented operation.



14. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

PricewaterhouseCoopers Zhong Tian LLP engaged by the Company has issued an audit opinion on the effectiveness of the Company's internal control over financial reporting and issued the Internal Control Audit Report, and is of the view that the Company has maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and relevant regulations as at 31 December 2021. There was no disagreement between the 2021 Internal Control Assessment Report of China Telecom Corporation Limited disclosed by the Company and the Internal Control Audit Report.

For details of the above reports, please refer to the relevant documents disclosed on the websites of the SSE (www.sse.com.cn) and the Company (www.chinatelecom-h.com).

15. DIRECTOR NOMINATION POLICY AND PROCEDURES

The Company will identify suitable Director candidates through multiple channels such as internal recruitment and recruiting from the labour market. The criteria of identifying candidates include but not limited to their gender, age, educational background, professional experience, skills, knowledge and length of service and capability to commit to the affairs of the Company and, in the case of Independent Non-Executive Director, the candidates should fulfill the independence requirements set out in the Two Listing Rules from time to time. After the Nomination Committee and the Board have reviewed and resolved to appoint the appropriate candidate, the relevant proposal will be put forward in writing to the shareholders' meeting for approval.

Directors shall be elected at shareholders' general meeting for a term of three years. At the expiry of a director's term, the director may stand for re-election and reappointment for a further term. However, independent directors shall not serve for more than six consecutive years. Pursuant to the Articles of Association, before the Company convenes a shareholders' general meeting, the board of directors, the supervisory committee or shareholders, individually or jointly, holding 3% or more of the total voting shares of the Company shall have the right to propose new motions (such as election of directors) in writing, and the Company shall place such proposed motions on the agenda for such general meeting if they are matters falling within the functions and powers of shareholders in general meetings. Pursuant to the Articles of Association, shareholders can also request to convene an extraordinary general meeting. Shareholder(s) individually or collectively holding 10% or more of the Company's issued and outstanding voting shares may sign a written proposal requesting the board of directors to convene an extraordinary general meeting. If the board of directors decides to convene an extraordinary general meeting, a notice to convene such meeting shall be issued within five days after the resolution to convene an extraordinary general meeting is adopted by the board of directors. The Company shall convene an extraordinary general meeting for election of directors within two months. The minimum period during which written notice given to the Company of the intention to propose a person for election as a director, and during which written notice to the Company by such person of his/her willingness to be elected may be given, will be at least 7 days. Such period will commence no earlier than the day after the despatch of the notice of the meeting for the purpose of considering such election and shall end no later than 7 days prior to the date of such meeting. An ordinary resolution for election of directors must be passed by votes representing half or more of the voting rights represented by the shareholders (including proxies) present at the meeting.

16. SUPERVISORY COMMITTEE

As at 31 December 2021, the Company's Supervisory Committee comprised 5 Supervisors, including 2 Employee Representative Supervisors. The principal duties of the Supervisory Committee include supervising, in accordance with the law, the Company's financials and performance of its Directors, managers and other senior management so as to prevent them from abusing

their powers. The Supervisory Committee is a standing supervisory organisation within the Company, which is accountable to and reports to all shareholders. The Supervisory Committee convened 9 meetings in 2021. The term of office for the seventh session of the Supervisory Committee lasts for 3 years, starting from 26 May 2020 until the day of the annual general meeting for the year 2022 to be held in year 2023, upon which the eighth session of the Supervisory Committee will be elected.

Number of Supervisory Committee Meetings Attended/Held in 2021

Companies	Number of Meetings
Supervisors	Attended/Held
Sui Yixun (Chairman of the Supervisory Committee and Shareholder	
Representative Supervisor)	9/9
Zhang Jianbin (Employee Representative Supervisor)	9/9
Dai Bin (Employee Representative Supervisor)	9/9
Xu Shiguang (Shareholder Representative Supervisor)*	8/9
You Minqiang (Shareholder Representative Supervisor)	9/9

^{*} Mr. Xu Shiguang, a Supervisor of the Company, was unable to attend a meeting of the Supervisory Committee due to other arrangements.

17. EXTERNAL AUDITORS

The Company's external auditors are PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP. The non-audit services provided by the external auditors did not contravene the requirements of the US Sarbanes-Oxley Act and therefore enabling them to maintain the independence.

A breakdown of the remuneration received by the external auditors for audit and non-audit services provided to the Company for the year ended 31 December 2021 is as follows:

	Fee (excluding
Service item	value-added tax)
	(RMB million)
Audit services	57
Non-audit services (mainly tax and other advisory services)	7
Total	64



The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Directors were not aware of any material uncertainties relating to any events or conditions which may cast a serious impact upon the Group's ability to continue as a going concern. The statements by the external auditors of the Company, PricewaterhouseCoopers, regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 180 to 185 of this annual report.

The term of appointment of Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP, the international and domestic auditors for the year 2020, expired on the date of the annual general meeting for the year 2020 (7 May 2021). PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP were appointed as the external auditors of the Company for the year 2021 at the annual general meeting for the year 2020. The Audit Committee and the Board of the Company have agreed on the re-appointment of PricewaterhouseCoopers and PricewaterhouseCoopers Zhong Tian LLP as the external auditors of the Company for the year 2022 and will propose to the annual general meeting for the year 2021 of the Company for consideration and approval.

18. INVESTOR RELATIONS AND TRANSPARENT INFORMATION DISCLOSURE MECHANISM

The Company established an Investor Relations Department which is responsible for providing shareholders and investors with the necessary information, data and services in a timely manner. It also maintains proactive communications with shareholders, investors and other capital market participants so as to allow them to fully and timely understand the operation and development of the Company. The Company's senior management presents the annual results and interim results every year. Through various activities such as analyst meetings, press conferences, global investor telephone conferences and investors road shows, senior management provides the capital market and media with important information and responds to key questions which are of prime concerns to the investors. This has helped reinforce the understanding of the Company's business and the overall development of the telecommunications industry in China. Since 2004, the Company has been holding the annual general meeting in Hong Kong to provide convenience and encourage its shareholders, especially the public shareholders, to actively participate in the Company's annual general meeting and to promote direct and two-way communications between the Board and shareholders. Due to the Covid-19 Epidemic in 2021, the management was unable to attend the results announcement briefings and the annual general meeting in person in Hong Kong. Therefore, the management announced the results and communicated with investors, shareholders and the media through online and video conferencing. Meanwhile, the Company set up a dedicated investor relations enquiry line, for the purpose of providing a direct channel to address enquiries from the investment community. This allows the Company to better serve its shareholders and investors.

In 2021, the Company commenced and successfully completed its A Share Offering. The Company therefore organised a dedicated roadshow for domestic investors, with an aim to further strengthen communications with domestic capital market and effectively enhance domestic investors' knowledge and understanding of the Company's business and operation. The Company also proactively invited domestic analysts to visit the Company's annual Tianyi Intelligent Ecological Expo held in Guangzhou and hosted a Q&A session to communicate with investors. In addition, in order to deepen domestic and international investors' knowledge and understanding of the Company's emerging business, the Company also organised a dedicated non-deal roadshow to specifically introduce 5G, cloud, IDC and other new services which are of interest to most investors in the year. Domestic investors could visit relevant exhibition halls in person and have faceto-face communications with business department heads. Meanwhile, the Company set up a webcast platform for international investors who could not visit in person due to travel restriction and facilitated twoway communications through means such as video presentation and telephone conference. The roadshow was a great success and received favorable feedback from both domestic and international investors.

With an aim of strengthening communications with the capital market and enhancing transparency of information disclosure, the Company has provided quarterly disclosure of revenue, operating expenses, EBITDA, net profit figures and other key operational data, and monthly announcements of the number of access lines in service, mobile and wireline broadband subscribers. The Company attaches great importance to maintaining daily communication with shareholders, investors and analysts. In 2021, facing travel restriction brought by the Covid-19 Epidemic, the Company proactively participated in a number of investor conferences held by a number of major international investment banks and domestic securities firms around the globe both in person and through online meetings, which facilitated communications with institutional investors.





In 2021, the Company attended the following investor conferences held by major international investment banks and domestic securities firms:

Date	Name of Conference
January 2021	Citi 2021 Global TMT West Virtual Conference
January 2021	Morgan Stanley Virtual China New Economy Summit 2021
January 2021	UBS Greater China Conference 2021
March 2021	BofA 2021 APAC TMT Conference
March 2021	24th Credit Suisse Asian Investment Conference
March 2021	Morgan Stanley Virtual Hong Kong Summit 2021
April 2021	Daiwa ESG Virtual Conference 2021
April 2021	Industrial Securities 2021 Taiwan & South Korea H-Share Online Corporate Day
June 2021	CITIC Securities Mid-year Strategy Conference 2021
June 2021	Huatai Securities Mid-year Investor Conference 2021
June 2021	Citi Pan-Asia Regional Investor Conference 2021
July 2021	Huatai Securities TMT Summit 2021
August 2021	UBS China TMI Virtual Conference 2021
August 2021	Nomura Virtual China Investor Forum 2021
September 2021	Jefferies Asia Forum 2021
September 2021	CLSA 28th Investors' Forum
November 2021	Jefferies 5G, Software & Data Centers Access Days 2021
November 2021	Goldman Sachs China Conference 2021
November 2021	12th Credit Suisse China Investment Conference
November 2021	Citi China Investor Conference 2021
November 2021	Hua Chuang Securities Investment Strategy Conference 2022
November 2021	CITIC Securities Investment Strategy Conference 2022
November 2021	Guotai Junan Investment Strategy Conference 2022
November 2021	Huatai Securities Investor Conference 2022
November 2021	CICC Investment Conference 2021
December 2021	BOCI TMT Corporate Day
December 2021	Zheshang Securities Investment Strategy Conference 2022
December 2021	Essence Securities Investment Strategy Conference 2022
December 2021	BOC International (China) Investment Strategy Conference 2022

The Company's investor relations website (www.chinatelecom-h.com) not only serves as an important channel for the Company to disseminate press releases and corporate information to investors, media and the capital market, but also plays a significant role in the Company's valuation and its compliance with regulatory requirements for information disclosure. The Company launched a responsive website with the latest technology, which allows automatic adjustment to fit for different screen resolution and user interface, assuring the best browsing experience of website content with desktop computers, tablets or mobile devices. This allows investors, shareholders, reporters and the general public to browse the latest information on the Company's website with any device more easily and promptly anytime anywhere. The Company's website is equipped with a number of useful functions including interactive stock quote, interactive KPI, interactive FAQs, auto email alerts of investors activities, downloading to excel, RSS Feeds, self-selected items in investors briefcase, html version annual report, financial highlights, investor toolbar, historical stock quote, adding investor events to calendars, content sharing to social media, etc. The Company's website has recently introduced the push notification function, which pushes important content update to terminals including desktop computers, tablets and mobile devices through browsers, timely informing website users of the Company's latest news. In addition to setting up a dedicated investor relations enquiry line, a specialised appointment function to schedule a meeting with investor relations professionals was also launched on the Company's website, to promote direct and close communication between the Company and investors, as well as to increase transparency.

The Company also strives to enhance the disclosure quality and format of annual report. The Company further enhanced the transparency of disclosure in environmental, social and governance areas, by following the guidelines of *Environmental, Social and Governance Reporting Guide*, Appendix 27 of the Listing Rules as well

as other relevant regulatory requirements of its places of listing, to report the Company's achievements and key performance indicators on environmental protection. For details, please refer to the *Corporate Social Responsibility Report 2021* which is published on HKEx website (www.hkexnews.hk) and the Company's website (www.chinatelecom-h.com). Relevant indicators and data were analysed and assessed by independent third party to ensure compliance with relevant requirements.

The Company also actively seeks recommendations on how to improve the Company's annual report from shareholders through survey, and prepared and distributed the annual report in a more environmentallyfriendly and cost-saving manner according to the recommendations received. Shareholders can ascertain their choice of receiving the annual reports and communications by electronic means, or receiving printed version in English and/or Chinese. The Company clearly and precisely delivered the messages about its strategies and goals in its 2020 Annual Report "Digitalising the Future", so that shareholders and investors can easily understand the Company's development directions and focus. The printed and online versions of our 2020 Annual Report won a number of top accolades in international competitions, including earning 11 gold awards in total in "2021 International ARC Awards", while further winning two grand awards in categories of "Best of Hong Kong" and "Interactive Annual Reports". They received in total four platinum and six gold awards, and ranked No.10 of "Top 100 Reports Worldwide" in "LACP 2020 Vision Awards". They have also won in aggregate three gold awards in this year's "Galaxy Awards" and "W3 Awards". These prestigious honours reflect the unanimous worldwide recognition towards China Telecom's tireless pursuit of excellence and globally leading performance on corporate governance and disclosure, on both conventional and digital channels.



The Company has always maintained a sound and effective information disclosure mechanism while keeping highly transparent communications with media, analysts and investors. Meanwhile, we attach great importance to the handling of inside information and have formulated rules on information disclosures and guidelines on inside information which encompass (including but not limited to) disclosure of sensitive information and rules on confidential information, identifying the scope of inside information, procedure and management guidelines on handling inside information. In general, the authorised speakers only clarify and explain on information that is available on the market, and avoid providing or divulging any unpublished inside information either as an individual or as a team. Before conducting any external interview, if the authorised speaker has any doubt about the information to be disclosed, he/she would seek verification from the relevant person or the person-in-charge of the relevant department, so as to determine if such information is accurate. In addition, discussions on the Company's key financial data or other financial indicators are avoided during the blackout periods.



19. SHAREHOLDERS' RIGHTS

Procedures for convening of an extraordinary general meeting or a class meeting

According to the Articles of Association, shareholders who request for the convening of an extraordinary general meeting or a class meeting shall comply with the following procedures:

- (1) Shareholders who individually or jointly hold more than 10% of the Company's issued and outstanding shares with voting rights (the "Requesting Shareholders") may sign a written proposal requesting the board of directors to convene an extraordinary general meeting or a class meeting. The board of directors shall reply in writing agreeing or disagreeing to convene an extraordinary general meeting or a class meeting within ten days upon receipt of such proposal in accordance with laws, regulations and the Articles of Association.
- (2) If the board of directors decides to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five days after the resolution is adopted by the board of directors. Any changes to the original proposal in the notice require the consent of the Requesting Shareholders.
- (3) If the board of directors decides not to convene an extraordinary general meeting or a class meeting or does not reply within ten days upon receipt of such request, the Requesting Shareholders have the right to propose to the Supervisory Committee to convene an extraordinary general meeting or a class meeting by way of written request(s).

- (4) If the Supervisory Committee agrees to convene an extraordinary general meeting or a class meeting, a notice to convene such meeting shall be issued within five days upon receipt of such request. Any changes to the original proposal in the notice require the consent of the Requesting Shareholders.
- (5) If the Supervisory Committee does not issue the notice of the shareholders' general meeting within the required period, it will be deemed as having failed to convene and preside over the shareholders' general meeting, and shareholders individually or jointly holding 10% or more of the shares of the Company for 90 consecutive days or more (the "Convening Shareholders") have the right to convene and preside over the meeting on their own.
- (6) In the event where shareholders convene a shareholders' general meeting on their own initiative, the Convening Shareholders must hold no lower than 10% of shares in the Company immediately before the resolution of such meeting is announced.

Procedures for proposing resolutions at the annual general meeting

When the Company convenes an annual general meeting, shareholders who individually or jointly hold 3% or more of the total voting shares of the Company shall have the right to propose new motions in writing, and the Company shall place such proposed motions on the agenda for such annual general meeting if they are matters falling within the functions and powers of shareholders' meetings.



Process of forwarding shareholders' enquiries to the Board or requesting for convening of an extraordinary general meeting or a class meeting or proposing new motions

Shareholders may at any time send their enquiries, requests, proposals and concerns to the Board in writing through the Company Secretary and the Investor Relations Department.

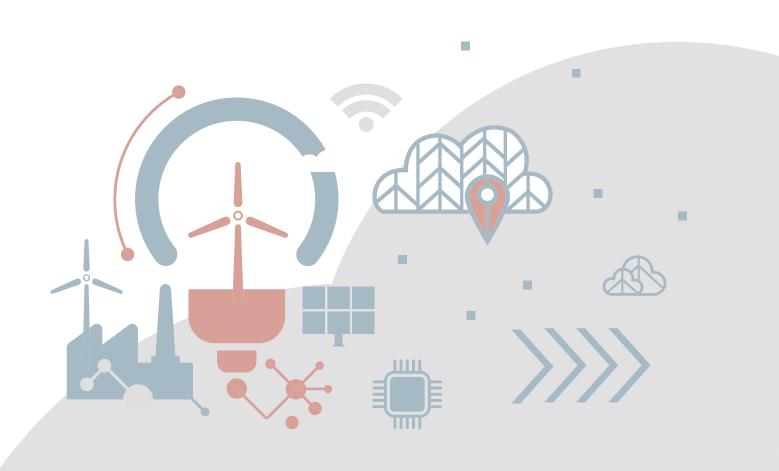
The contact details of the Company Secretary are as follows:

The Company Secretary
China Telecom Corporation Limited
28th Floor, Everbright Centre,
108 Gloucester Road, Wanchai,
Hong Kong

Email: ir@chinatelecom-h.com

Tel No.: (852) 2877 9777
IR Enquiry: (852) 2582 0388
Fax No.: (852) 2877 0988

A dedicated "Investor" section is available on the Company's website (www.chinatelecom-h.com). There is a FAQ function in the "Investor" section designated to enable timely, effective and interactive communication between the Company, shareholders and investors.



Company Secretary and the Investor Relations Department of the Company handle both telephone and written enquiries from shareholders of the Company from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or the relevant Board Committees of the Company, where appropriate, which will answer the shareholders' questions. Information on the Company's website is updated regularly.

20. AMENDMENTS TO ARTICLES OF ASSOCIATION

In 2021, the Company amended the Articles of Association twice in total:

To satisfy relevant needs for corporate governance and normative operations after the A Share Offering and Listing of the Company, the amendments to the corresponding provisions of the Articles of Association were considered and approved at the extraordinary general meeting held on 9 April 2021. For details of the amendments, please refer to the circular of the Company dated 17 March 2021. Such amendments have become effective on 20 August 2021, i.e. the date of the A Share Offering and Listing.

In light of the status of A Share Listing and the actual operational needs of the Company, the amendments to the Articles of Association regarding the number of issued share capital and the scope of business were considered and approved at the extraordinary general meeting held on 30 November 2021. For details of the amendments, please refer to the announcement of the Company dated 22 October 2021 in relation to the proposed amendments to Articles of Association and the circular of the Company dated 9 November 2021.



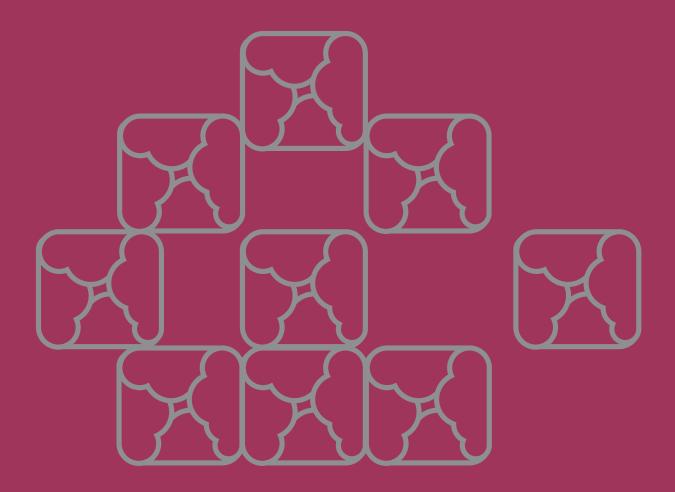


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SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES



1. ENVIRONMENTAL INFORMATION

(1) Description of environmental protection of the Company other than key pollutant discharging units

During the Reporting Period, the subsidiaries of the Company had two incidents of penalties by the relevant authorities for the failure of filing in the place where the solid waste was to be moved out for transfer of solid waste out of the province, with a total fine of RMB33,000. The relevant subsidiaries had paid the fines in full and conducted timely rectification and examination. The above-mentioned violations did not result in serious environmental pollution, major casualties or social impact, and were not major violations of the environmental protection laws and regulations, and the relevant administrative penalties did not have a material adverse impact on the normal operation of the Company.

The Company and its subsidiaries are not the key pollutant discharging units announced by the environmental protection department. The Company and its subsidiaries earnestly implement the Environmental Protection Law of the People's Republic of China, the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and other environmental protection laws and regulations in their daily production and operation. The production and operation activities are in compliance with the relevant national environmental protection requirements.







The Company takes proactive environmental



3.

(2) Relevant information on protecting the ecology, preventing and controlling pollution, and fulfilling environmental responsibilities

- 1. The Company actively promotes and advocates water conservation by posting reminders regarding water conservation near water facilities and appliances. The Company continuously strengthens the management on water usage, carries out sewage discharge management, promotes the recycled use of water for production, actively uses reclaimed water as an alternative to tap water while the requirements on use of water are met, popularises the use of water-saving appliances and performs regular checks and repairs on each part of the water supply system to prevent occurrences of water leakage and water wastage.
- 2. The Company enhances the recycling, disposal and utilisation of waste and used materials in order to conserve resources as much as possible and reduce environmental pollution. The Company strictly follows the Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes of the People's Republic of China and other laws and regulations regarding waste disposal and utilisation and carries out waste disposal in accordance with regulatory requirements.

- protection measures regarding issues in telecommunications engineering construction in response to concerns of the government and the public, such as farmland protection, equipment pollution, construction impact and electromagnetic radiation to ensure compliance with the government's regulatory requirements, and to actively communicate with the public.
- 4. The Company, from the perspectives of technology and systems, actively encourages paper saving and reduces paper use. The Company continuously promotes electronic accounting files management, VAT electronic invoice, e-reimbursement and filing of e-invoice and paperless operation, and promotes automatic process of tax declaration in order to reduce the use of paper.







(3) Measures taken to reduce carbon emissions during the Reporting Period and their effects

The Company applies energy conservation and emission reduction requirements to link through various operational activities such as network planning, procurement, construction, operation and office administration. The Company establishes and improves the energy consumption statistic testing system, organises training and exchanges on energy conservation and emission reduction, constantly improves the professional level of grassroots personnel, and continues to promote innovation in energy conservation and emission reduction management. The Company persists in prioritising the use of energy-saving and environmental-friendly technology and equipment, actively carries out research and application of new technologies for energy conservation and emission reduction and applies energy-saving technologies in the facilities of machine rooms, base stations and datacentres, extends the coverage of the energy-saving technological application and promotes the upgrading and the retirement from the network of old and high energy-consuming equipments. The Company endeavours to reduce all kinds of energy consumptions as well as greenhouse gas emission. Through the cobuilding of 4/5G base stations with China Unicom, the Company reduced carbon dioxide emissions by 6 million tons per year.

2. SOCIAL RESPONSIBILITIES

For details, please refer to the 2021 Corporate Social Responsibility Report of the Company published by the Company on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.chinatelecom-h.com).



3. CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND PROSPERITY OF RURAL VILLAGES

After the comprehensive poverty alleviation, China Telecom maintained resource input, assistance efforts and work initiatives, introducing the free assistance funds of RMB17.26 million and providing training of 16,000 cadres and talents in 4 targeted poverty alleviation counties and 2 targeted support counties (hereinafter referred to as "4 + 2" poverty alleviation counties) to actively carry out poverty alleviation through consumption, helping the "4 + 2" poverty alleviation counties and more than 1,400 poverty alleviation sites of enterprises at all levels consolidate and expand the achievements of poverty alleviation, and achieving effective connection

with rural revitalisation. The Company fully leveraged its advantages and vigorously promoted the construction of digital villages as an important measure for deepening the industry support and targeted support, and realised the coverage of digital village products and services over 1,600 districts and counties across the country. A total of 10,000 model digital towns and 100,000 model digital villages were built, with 10 group-level digital rural showcase sites built in the "4+2" poverty alleviation counties, creating a telecommunications model for digital empowerment to facilitate "five revitalisations" in rural areas. China Telecom was awarded the highest level for the third consecutive year in the 2020 evaluation of the effectiveness of targeted poverty alleviation, and won national honours such as the National Advanced Group for Summary and Commendation of Poverty Alleviation.



1. PERFORMANCE OF UNDERTAKINGS

(1) The ultimate controller, shareholders, related parties, acquirers of the Company, the Company, and other relevant parties of the undertakings during or subsisting to the Reporting Period

Background of undertakings	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
Undertakings related to the initial public offering	Restricted tradable shares	Controlling shareholder	Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares	36 months from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Restricted tradable shares	Guangdong Rising, Zhejiang Financial Development, Fujian Investment Group, Jiangsu Guoxin	Restrictions on the circulation of the shares and the shareholders' commitment to voluntary lock-up their shares	12 months from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
Undertakings related	Restricted tradable shares	Controlling shareholder, Guangdong Rising	Undertakings on intention to hold shares and intention to sell shares	Long-term	Yes	Yes	N/A	N/A
to the initial public offering	Resolving peer competition	Controlling shareholder	Non-competition undertaking	Long-term	Yes	Yes	N/A	N/A

Background of undertakings	Type of undertakings	Undertaking party	Content of undertakings	Term for undertakings	Whether there is a term for performance	Whether performed timely and strictly	Specific reasons for the failure to timely honor the undertaking	Further plans in the event of failing to timely honor the undertakings
	Resolving related party transactions	Controlling shareholder, Guangdong Rising	Undertakings to regulate and reduce related party transactions	Long-term	Yes	Yes	N/A	N/A
	Resolution of defects in property rights of land	Controlling shareholder	Loss-bearing commitment for defects in property rights of land	Long-term	Yes	Yes	N/A	N/A
	Others	Controlling shareholder	Commitment to long-term use of trademark license	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	Controlling shareholder, the Company, directors and senior management other than independent directors and directors who do not receive remuneration from the Company	Undertakings to stabilise the share price	Within three years from the date of A Share listing of the Company	Yes	Yes	N/A	N/A
	Others	The Company, controlling shareholder, directors and senior management	Undertaking to adopt remedial measures for dilution of the immediate returns by the issuance of share	Long-term	Yes	Yes	N/A	N/A
	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking that there is no false record, misleading statement, or material omission in the Prospectus	Long-term	Yes	Yes	N/A	N/A
Undertakings related to the initial public offering	Others	The Company, controlling shareholder, directors, supervisors and senior management	Undertaking on binding measures for the failure to perform the commitment	Long-term	Yes	Yes	N/A	N/A
	Others	The Company	Undertaking on disclosure of shareholders' information	Long-term	Yes	Yes	N/A	N/A
Other undertakings	Dividend	The Company	Undertaking on the profit distribution policy and the arrangement in relation to the accumulated profits	Long-term	Yes	Yes	N/A	N/A

2. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: 0'000 Currency: RMB

Appointed

Name of the domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of the domestic and overseas accounting firms	6,080
Duration of audit of the domestic accounting firm	1 year
Name of overseas accounting firm	PricewaterhouseCoopers
Duration of audit of the overseas accounting firm	1 year

	Name	Remuneration
Accounting firm for internal control auditing	PricewaterhouseCoopers Zhong Tian LLP	1,430
Sponsors	China International Capital Corporation Limited CSC Financial Co., Ltd.	28,962.26

Note: The remuneration for internal control auditing is included in the remuneration of domestic and overseas accounting firms.

3. MATERIAL CONNECTED TRANSACTIONS

(1) CONNECTED TRANSACTIONS

Disposals of E-surfing Pay and China Telecom Leasing

The Company has entered into agreements with China Telecommunications on 26 March 2021, pursuant to which the Company has agreed to sell, and China Telecommunications has agreed to purchase all the share capital in E-surfing Pay with an investment amount of RMB500,000,000 held by the Company for a consideration in the amount of RMB3,897 million (equivalent to approximately HK\$4,695 million).

The Company and its wholly owned subsidiary, China Telecom Global Limited ("China Telecom Global"), have entered into agreements with China Telecommunications and its subsidiary, Guang Hua Properties Limited ("Guang Hua Properties"), on 26 March 2021, pursuant to which, the Company and China Telecom Global have respectively agreed to sell, and China Telecommunications and Guang Hua Properties have agreed to purchase, 75% of the share capital in China Telecom Leasing from the Company and 25% of the share capital in China Telecom Leasing from China Telecom Global for a consideration in the amount of RMB131 million (equivalent to approximately HK\$158 million) and RMB44 million (equivalent to approximately HK\$53 million), respectively.

Pursuant to Chapter 14A of the Listing Rules, as China Telecommunications is the Company's controlling shareholder, China Telecommunications is a connected person of the Company and the disposals under the equity transfer agreements entered into between the Company and China Telecommunications constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. In addition, as Guang Hua Properties is a wholly-owned subsidiary of China Telecommunications and therefore a connected person of the Company, the disposal under the equity transfer agreement entered into between China Telecom Global and Guang Hua Properties constitutes a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the disposals in aggregate is more than 0.1% but less than 5%, the Company is only subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The above disposals were completed in April 2021 in accordance with the terms of the agreements. The one-off after-tax gain from the disposals of E-surfing Pay and China Telecom Leasing was approximately RMB1.416 billion.

(2) CONTINUING CONNECTED TRANSACTIONS

The following table sets out the amounts of the Group's continuing connected transactions for the year ended 31 December 2021:

TRAI	NSACTIONS CONTINUING CONNECTED TRANSACTIONS	Transaction amounts (RMB million)	Annual monetary cap for continuing connected transactions (RMB million)
(-,	ENTERED INTO BETWEEN THE GROUP AND CHINA		
	TELECOMMUNICATIONS¹ AND/OR ITS ASSOCIATES (EXCLUDING THE GROUP)		
	Net transaction amount of centralised services	962	1,500
	Net expenses for interconnection settlement	79	400
	Mutual leasing of properties	943	1,500
	Provision of IT services by China Telecommunications and/or its		
	associates	3,548	5,000
	Provision of IT services by the Group	1,186	2,100
	Provision of community services by China Telecommunications		
	and/or its associates	3,899	4,800

			Annual monetary cap for continuing
		Transaction amounts	connected transactions
TRA	NSACTIONS	(RMB million)	(RMB million)
	Provision of supplies procurement services by China Telecommunications and/or its associates	4,105	6,400
	Provision of supplies procurement services by the Group	3,901	7,200
	Provision of engineering services by China Telecommunications and/or its associates	15,869	32,000
	Provision of ancillary telecommunications services by China Telecommunications and/or its associates	22,613	26,500
	Provision of Internet applications channel services by the Group	60	3,000
(2)	CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN CHINA TELECOM FINANCE AND THE GROUP, THE PARENT GROUP ² AND THE CCS GROUP ³ RESPECTIVELY		
	Provision of deposit services by China Telecom Finance to the Group (maximum daily balance of deposits, including accrued interest)	25,544	60,000
	Provision of loan services by China Telecom Finance to the Parent Group (maximum daily loan balance, including accrued interest)	2,002	10,000
	Provision of loan services by China Telecom Finance to the CCS Group (maximum daily loan balance, including accrued interest)	-	1,000
(3)	CONTINUING CONNECTED TRANSACTIONS ENTERED INTO BETWEEN THE GROUP AND E-SURFING PAY AND ITS		
	SUBSIDIARIES		
	Payment and digital finance related services	802	1,400

Notes:

^{1.} China Telecommunications refers to China Telecommunications Corporation, the Company's controlling shareholder which held approximately 63.20% of the issued share capital of the Company as at 31 December 2021.

^{2.} The Parent Group refers to China Telecommunications Corporation, its associates and its commonly held entity held with the Group, excluding the Group or the CCS Group.

^{3.} The CCS Group refers to China Communications Services Corporation Limited and its subsidiaries.

Continuing Connected Transactions entered into among the Group and China Telecommunications and/or its associates (excluding the Group)

On 20 August 2018, the Company and China Telecommunications entered into supplemental agreements and renewed the Engineering Framework Agreement, the Ancillary Telecommunications Services Framework Agreement, the Interconnection Settlement Agreement, the Community Services Framework Agreement, the Centralised Services Agreement, the Property Leasing Framework Agreement, the IT Services Framework Agreement, the Supplies Procurement Services Framework Agreement and the Internet Applications Channel Services Framework Agreement for a further term of 3 years expiring on 31 December 2021. China Telecommunications is the controlling shareholder of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, China Telecommunications is a connected person of the Company and the transactions contemplated under each of the agreements constitute continuing connected transactions of the Company.

As certain applicable percentage ratios (excluding the profits ratio) of the renewed annual caps for the transactions contemplated under the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 exceeds 5%, such continuing connected transactions are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The independent shareholders of the Company considered and approved the renewal of the Engineering Framework Agreement and the Ancillary Telecommunications Services Framework Agreement and the renewed annual caps applicable thereto at the extraordinary general meeting of the Company held on 26 October 2018. As each of the applicable percentage ratios (excluding the profits ratio) of the renewed annual

caps for the transactions contemplated under other continuing connected transactions agreements for each of the years ended 31 December 2019, 2020 and 2021 exceeds 0.1% but is 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 Listing Rules. Details of the respective agreements are shown below:

Centralised Services Agreement

Pursuant to the centralised services agreement signed between the Company and China Telecommunications on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Centralised Services Agreement"), centralised services include centralised business management and operational services provided by the Group to China Telecommunications in relation to key corporate customers, its network management centre and business support centre. Centralised services also include the provision of certain premises by China Telecommunications to the Group and the common use of international telecommunications facilities by both parties. The aggregate costs incurred by the Group and China Telecommunications for the provision of management and operational services will be apportioned between the Group and China Telecommunications on a pro rata basis according to the revenues generated by each party. Where the Group uses the premises provided by China Telecommunications, the Group will pay premises usage fees to China Telecommunications on a pro rata basis according to the apportioned actual area allocated to the Group. The premises usage fees shall be determined through negotiation between the two parties based on comparable market rates. When both parties use international telecommunications facilities provided by third parties and accept services by such third parties (for example, restoration maintenance costs, the annual utilisation fee and related service costs) and when both parties use the international telecommunications facilities



of China Telecommunications, the associated costs 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 telecommunications facilities provided by a third party and accept services from third parties, the restoration maintenance fees shall be determined according to the actual utilisation fee each year. The utilisation fee associated with the shared use of the international telecommunications facilities provided by China Telecommunications 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 under normal commercial terms. When determining whether the transaction price for any transaction under the 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

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Centralised Services Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Centralised Services Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Centralised Services Agreement, and the parties shall consult and decide on matters relating to such renewal.

Interconnection Settlement Agreement

Pursuant to the interconnection settlement agreement signed between the Company and China Telecommunications on 10 September 2002 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Interconnection Settlement Agreement"), the telephone operator connecting a telephone call made to its local access network shall be entitled to receive from the operator from which the telephone call originated a fee prescribed by the Ministry of Industry and Information Technology of the PRC (the "Ministry of Industry and Information Technology") from time to time. Interconnection charges are currently RMB0.06 per minute for local calls originated from the Group to China Telecommunications. 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. The Ministry of Industry and Information Technology 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. If the Ministry of Industry and Information Technology 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 Beijing Municipality, Tianjin Municipality, Hebei Province, Heilongjiang Province, Jilin Province, Liaoning Province, Shanxi Province, Henan Province, Shandong Province, Inner Mongolia Autonomous Region and Xizang Autonomous Region.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Interconnection Settlement Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Interconnection Settlement Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Interconnection Settlement Agreement, and the parties shall consult and decide on matters relating to such renewal.

Property Leasing Framework Agreement

Pursuant to the property leasing framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreement subsequently entered into between the two parties (collectively, the "Property Leasing Framework Agreement"), the Group and China Telecommunications and/or its associates can lease properties from the other party for use as business premises, offices, equipment storage facilities and sites for network equipment installation. The rental charges under the Property Leasing Framework Agreement shall be determined according to comparable market rates. Market rates shall mean the rental charges at which the same or similar type of properties or adjacent 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 property under the agreement represents market rates, to the extent practicable, management of the Company shall take into account the rental charges 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. The rental charges are subject to review every 3 years.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Property Leasing Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Property Leasing Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Property Leasing Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

IT Services Framework Agreement

Pursuant to the IT services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "IT Services Framework Agreement"), the Group and China Telecommunications and/or its associates can provide the other party with information technology services, including office automation and software testing. Each of the Group and China Telecommunications and/or its associates is entitled to participate in bidding for the right to provide information technology services to the other party in accordance with the IT Services Framework Agreement. The charges payable for such services shall be determined by reference to the 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 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.



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. The Group shall solicit at least three tenderers for the tender process. If the terms offered by the Group or China Telecommunications and/or its associates are no less favourable than those offered by an independent third party provider, the Group or China Telecommunications and/or its associates may award the tender to the other party.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the IT Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the IT Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the IT Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Community Services Framework Agreement

Pursuant to the community services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Community Services Framework Agreement"), China Telecommunications and/or its associates provide the Group with community services such as culture, education, property management, vehicle service,

health and medical care, hotel and conference service, community and sanitary service. The community services under the Community Services Framework Agreement are provided in accordance with the following pricing terms:

- (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 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 negotiated price. "Negotiated price" shall mean 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.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Community Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Community Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Community Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Supplies Procurement Services Framework Agreement

Pursuant to the supplies procurement services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Supplies Procurement Services Framework Agreement"), China Telecommunications and/or its associates and the Group can provide each other with supplies procurement services, including comprehensive procurement services, the sale of proprietary telecommunications equipment, resale of third-party equipment, management of tenders, verification of technical specifications, storage, transportation and installation services.

Where the procurement services are provided on an agency basis, the maximum commission for such procurement services shall be calculated at:

- not more than 1% of the contract value for 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 pricing basis of the services for supplies procurement other than on an agency basis under the Supplies Procurement Services Framework Agreement is the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Supplies Procurement Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Supplies Procurement Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Supplies Procurement Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Engineering Framework Agreement

Pursuant to the engineering framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Engineering Framework Agreement"), China Telecommunications and/or its associates through bids provides to the Group services such as construction, design, equipment installation and testing and/or engineering project 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 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. The charges payable for the design or supervision of engineering projects with a value of over RMB1 million or engineering construction projects with a value of over RMB4 million shall be determined by 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 Group shall solicit at least three tenderers for the tender process. In the circumstances there are amended rules or regulations in respect of tender scope and scale of the engineering construction projects promulgated by PRC laws and regulations during the term of the agreement, both parties agreed to apply such amended rules and regulations and no amendment to the supplemental agreement is required.

The Group does not accord any priority to China Telecommunications 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 and/or its associates are at least as favourable as those offered by other tenderers, the Group may award the tender to China Telecommunications and/or its associates.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Engineering Framework Agreement on the same terms (except the pricing terms) for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Engineering Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Engineering Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Ancillary Telecommunications Services Framework Agreement

Pursuant to the ancillary telecommunications services framework agreement signed between the Company and China Telecommunications on 30 August 2006 and the related supplemental agreements subsequently entered into between the two parties (collectively, the "Ancillary Telecommunications Services Framework Agreement"), China Telecommunications and/or its associates provide the Group with certain repair and maintenance services, including repair of telecommunications equipment, maintenance of fire equipment and telephone booths, as well as other customer services. The pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Ancillary Telecommunications Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Ancillary Telecommunications Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Ancillary Telecommunications Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Internet Applications Channel Services Framework Agreement

Pursuant to the Internet applications channel services framework agreement signed between the Company and China Telecommunications on 16 December 2013 and the related supplemental agreement subsequently entered into between the two parties (collectively, the "Internet Applications Channel Services Framework Agreement"), the Company provides Internet applications channel services to China Telecommunications 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 pricing terms for such services are the same as those set out in the Community Services Framework Agreement.

The Company and China Telecommunications have entered into a supplemental agreement on 20 August 2018 and renewed the Internet Applications Channel Services Framework Agreement in accordance with its provisions for a further term of 3 years expiring on 31 December 2021. No later than 30 days prior to the expiry of the Internet Applications Channel Services Framework Agreement, the Company is entitled to serve a written notice to China Telecommunications to renew the Internet Applications Channel Services Framework Agreement, and the parties shall consult and decide on matters relating to such renewal.

Continuing Connected Transactions entered into between China Telecom Finance and the Group, the Parent Group and the CCS Group respectively

On 1 February 2019, China Telecom Finance entered into the financial services framework agreement with each of the Company, China Telecommunications (together with its associates and its commonly held entity held with the Group, excluding the Group and the CCS Group, the "Parent Group") and CCS (together with its subsidiaries, "CCS Group"). As CCS is a subsidiary of China Telecommunications, the Company's controlling shareholder, pursuant to Chapter 14A of the Listing Rules, China Telecommunications and CCS and their associates are connected persons of the Company. As the Company holds 70% of the issued share capital of China Telecom Finance, China Telecom Finance is a subsidiary of the Company. Meanwhile, China Telecommunications and CCS each respectively holds 15% of the issued share capital of China Telecom Finance. Pursuant

to Chapter 14A of the Listing Rules, China Telecom Finance is a connected subsidiary of the Company and an associate of China Telecommunications and CCS, which is also a connected person of the Company. Accordingly, the transactions under the China Telecom Financial Services Framework Agreement entered into between the Company and China Telecom Finance, the China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecom Finance and China Telecommunications and the CCS Financial Services Framework Agreement entered into between China Telecom Finance and CCS constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

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

Pursuant to the financial services framework agreement entered into between the Company and China Telecom Finance on 1 February 2019 ("China Telecom Financial Services Framework Agreement"), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the Group. As each of the applicable percentage ratios of the annual caps for the deposit services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 exceeds 5% but is less than 25%, such continuing connected transaction is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapters 14A of the Listing Rules. The independent shareholders of the Company considered and approved the deposit services and the applicable annual caps under the China Telecom Financial Services Framework Agreement at the extraordinary general meeting of the Company held on 18 April 2019.



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

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Group under the China Telecom Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 is 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 Listing Rules.

Pricing Policy:

(1) Deposit Services

The deposit interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the deposit benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the deposit interest rates 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 China Telecom Finance 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 China Telecom Finance to other member units.

(2) Loan Services

The loan interest rates offered by China Telecom Finance to the Group shall comply with the relevant requirements of the People's Bank of China and be with reference to the loan benchmark interest rates promulgated by the People's Bank of China from time to time (if any) and the loan interest rates of the same type of loan 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 loan interest rates offered shall be equivalent to or lower than those offered by the major cooperative commercial banks of the Group. Under the same conditions, the interest rates and terms for the loan services offered by China Telecom Finance to the Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units. The above loan services provided by China Telecom Finance to the Group do not require the Group to pledge any security over its assets or make other arrangements for the loan services as guarantee.

(3) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Group under the China Telecom Financial Services Framework Agreement. The fees charged for other financial services provided by China Telecom Finance to the Group mentioned above shall comply with the fees standard promulgated by regulatory departments including the People's Bank of China or China Banking and Insurance Regulatory Commission (including its designated institution) ("CBIRC") (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 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 Group. Under the same conditions, the fees standard charged to the Group by China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecom Financial Services Framework Agreement, under the same conditions, the Group should, in principle, choose the services provided by China Telecom Finance. If the Group considers it 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.

The China Telecom Financial Services Framework Agreement became effective from 1 February 2019 and expired on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

China Telecommunications Corporation Financial Services Framework Agreement entered into between China Telecom Finance and China Telecommunications

Pursuant to the financial services framework agreement entered into between China Telecom Finance and China Telecommunications on 1 February 2019 ("China Telecommunications Corporation Financial Services Framework Agreement"), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the Parent Group. As the deposit services provided by China Telecom Finance 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 Listing Rules.

As each of the applicable percentage ratios of the annual caps for the loan services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 exceeds 0.1% but is less than 5%, such loan 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 Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 is 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 Listing Rules.

Pricing Policy:

(1) Deposit Services

The deposit interest rates offered by China Telecom Finance 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 China Telecom



Finance 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 China Telecom Finance to other member units.

(2) Loan Services

The loan interest rates offered by China Telecom Finance 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 loan interest rates of the same type of loan 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 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 services offered by China Telecom Finance to the Parent Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units.

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

(3) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the Parent Group under the China Telecommunications Corporation Financial Services Framework Agreement.

The fees charged for other financial services provided by China Telecom Finance 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 CBIRC (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 China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the China Telecommunications Corporation Financial Services Framework Agreement, under the same conditions, the Parent Group should, in principle, choose the services provided by China Telecom Finance. If the Parent Group considers it 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.

The China Telecommunications Corporation Financial Services Framework Agreement became effective from 1 February 2019 and expired on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

CCS Financial Services Framework Agreement entered into between China Telecom Finance and CCS

Pursuant to the financial services framework agreement entered into between China Telecom Finance and CCS

on 1 February 2019 ("CCS Financial Services Framework Agreement"), China Telecom Finance agreed to provide financial services, including deposit services, loan services and other financial services to the CCS Group. As the deposit services provided by China Telecom Finance 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 Listing Rules.

As each of the applicable percentage ratios of the annual caps for loan services provided by China Telecom Finance to CCS Group under the CCS Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 exceeds 0.1% but is less than 5%, such loan 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 Listing Rules.

As each of the applicable percentage ratios of the annual caps for the service fees of other financial services provided by China Telecom Finance to the CCS Group under the CCS Financial Services Framework Agreement for each of the years ended 31 December 2019, 2020 and 2021 is 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 Listing Rules.

Pricing Policy:

(1) Deposit Services

The deposit interest rates offered by China Telecom Finance 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 China Telecom Finance 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 China Telecom Finance to other member units.

(2) Loan Services

The loan interest rates offered by China Telecom Finance 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 loan interest rates of the same type of loan 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 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 services offered by China Telecom Finance to the CCS Group shall be the same as those interest rates and terms of the same type of loan services for the same period offered by China Telecom Finance to other member units. The above loan services provided by China Telecom Finance to the CCS Group do not require the CCS Group to pledge any security over its assets or make other arrangements for the loan services as guarantee.



(3) Other Financial Services

China Telecom Finance provides other financial services (other than deposit and loan services) including financial and financing advice, credit authentication, guarantees, acceptance of bills and discounted bills, internal fund transfer and settlement and designs of relevant settlement and clearance arrangement proposals to the CCS Group under the CCS Financial Services Framework Agreement. The fees charged for other financial services provided by China Telecom Finance 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 CBIRC (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 China Telecom Finance shall be the same as those fees standard for the same type of other financial services charged by China Telecom Finance to other member units.

For the respective specific transactions under the CCS Financial Services Framework Agreement, provided that it is in compliance with the terms and conditions of the CCS Financial Services Framework Agreement, China Telecom Finance was appointed as one of the financial institutions providing financial services to the CCS Group. Prior to the signing of any specific agreement with China Telecom Finance 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 China Telecom Finance with those interest rates and terms of the same type of deposit or loan

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 China Telecom Finance 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 China Telecom Finance. Under the circumstances which the CCS Group considers appropriate, the CCS Group may engage additional or other financial institutions other than China Telecom Finance to provide financial services.

The CCS Financial Services Framework Agreement became effective from 1 February 2019 and expired on 31 December 2021. Subject to the compliance of relevant laws and regulations and relevant regulatory requirements, both parties would negotiate and agree on the renewal arrangement.

Payment and Digital Finance Related Services Framework Agreement

On 29 April 2021, the Company and E-surfing Pay have entered into the Payment and Digital Finance Related Services Framework Agreement for a term ended on 31 December 2021, pursuant to which E-surfing Pay and its subsidiaries provides payment and digital finance related services to the Group, including providing the Group's subscribers with 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.

Pursuant to Chapter 14A of the Listing Rules, as China Telecommunications is the Company's controlling shareholder, holding approximately 64.53% of the issued share capital of E-surfing Pay as of the date on which the Payment and Digital Finance Related Services Framework Agreement was entered into, China Telecommunications and E-surfing Pay are connected persons of the Company and the transactions contemplated under the Payment and Digital Finance Related Services Framework Agreement constitute continuing connected transactions of the Company.

As each of the applicable percentage ratios (except for the profit ratio) of the annual cap for the year ended 31 December 2021 for the transactions contemplated under the Payment and Digital Finance Related Services Framework Agreement is expected to exceed 0.1% but is less than 5%, the continuing connected transactions of the payment and digital finance related 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 Listing Rules.

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

(1) market price, which shall mean the prices to be determined on normal commercial terms and by the following mechanism: 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 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;

- where there is no or it is not possible to determine (2)the market prices, the prices are to be agreed between the parties based on negotiated price. "Negotiated price" shall mean 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:
- (3) where there are government-prescribed prices, the prices and/or pricing standards shall be determined in accordance with the governmentprescribed prices; where there are governmentguided prices, the prices and/or pricing standards shall be determined with reference to the government-guided prices.



(3) ARRANGEMENTS IN CONNECTION WITH CONTINUING CONNECTED TRANSACTIONS

On 22 October 2021, the Company and China Telecommunications Corporation have entered into 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 Lease Financing Framework Agreement, the Telecommunications Resources Leasing Agreement, the New Trademark License Agreement and the Intellectual Property License Framework Agreement with a term from 1 January 2022 to 31 December 2024.

On 22 October 2021, 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 2022 to 31 December 2024.

On 22 October 2021, financial services framework agreements were entered into between the Company and China Telecom Finance, China Telecom Finance and China Telecom Finance, China Telecom Finance and CCS, China Telecom Finance and New Guomai Digital Culture Co., Ltd, China Telecom Finance and Beijing Global Safety Technology Co., Ltd, respectively. The respective terms of all these financial services framework agreements are effective from 1 January 2022 until 31 December 2024.

At the second extraordinary general meeting of the Company in 2021 held on 30 November 2021, the resolution in relation to the continuing connected/related transactions of the Company, including the applicable annual caps for the connected/related transactions

under each of the above framework agreements for the period from 1 January 2022 to 31 December 2024, was considered and approved. For details of each agreement, please refer to the announcements published by the Company on the website of the Hong Kong Stock Exchange on 22 October 2021 and the circular dated 9 November 2021.

(4) REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions the Company conducted in the year 2021.

The Company's external auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2021 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

(5) CONFIRMATION FROM THE AUDITORS

The auditors of the Group have reviewed the continuing connected transactions of the Group for the year ended 31 December 2021 and have confirmed to the Board that nothing has come to their attention that causes them to believe that the relevant continuing connected transactions:

- (1) have not been approved by the Board;
- (2) (for transactions involving the provision of goods or services by the Group) were not entered into, in all material respects, in accordance with the pricing policies of the Group;

- (3) were not entered into, in all material respects, in accordance with the terms of the agreements governing such transactions; and
- (4) have exceeded the annual caps as set by the Company.

A copy of the auditors' letter in relation to the continuing connected transactions has been provided by the Company to the Hong Kong Stock Exchange.

(6) CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Independent Non-Executive Directors of the Company have confirmed that all continuing connected transactions for the year ended 31 December 2021 to which the Group was a party:

(1) had been entered into, and the agreements governing those transactions were entered into, by the Group in the ordinary and usual course of business:

- (2) had been entered into either:
 - (i) on normal commercial terms or better: or
 - (ii) if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or (if applicable) from independent third parties; and
- (3) had been entered into in accordance with the relevant agreements governing those transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Independent Non-Executive Directors have further confirmed that: the continuing connected transactions for the year ended 31 December 2021 entered into between the Group and its connected persons which are subject to annual caps have not exceeded their respective annual caps.

4. MATERIAL CONTRACTS AND PERFORMANCE

(1) Guarantees

Unit: yuan Currency: Renminbi

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)

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

Guarantees provided by the Con	pany and its subsidiaries to its subsidiaries
Total amount of guarantees provided to subsidiaries	39,504,864.24
incurred during the Reporting Period	
Total balance of guarantees provided to subsidiaries	15,231,391.58
as at the end of the Reporting Period (B)	
Aggregate guarantees of the Company (in	cluding those guarantees provided to its subsidiaries)
Aggregate amount of guarantees (A + B)	15,231,391.58
Percentage of total aggregate amount of guarantee to net assets of the Company (%)	0.0035
Representing:	
Amount of guarantees provided for shareholders, ultimate controller and their related parties (C)	0
Amount of debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	12,361,841.58
Amount of total guarantee exceeding 50% of net assets (E)	0
Aggregate amount of the above three guarantees (C + D + E)	12,361,841.58
Explanation on the potential joint and several liability for outstanding guarantees	Nil
Clarification of guarantee	During the Reporting Period, there was no additional guarantee provided by the Company. The external guarantees provided by the Company were non-financing guarantees provided by China Telecom Finance, China Telecom Global and China Telecom (Europe) Limited, all being subsidiaries of the Company, to wholly-owned subsidiaries of the Company. If the amount of the above-mentioned external guarantees involves foreign currency, it would be converted at the median rate for the exchange rate of RMB announced by the People's Bank of China on 31 December 2021.

5. OTHER SIGNIFICANT EVENTS THAT HAVE A SIGNIFICANT IMPACT ON INVESTORS IN MAKING VALUE JUDGMENTS AND INVESTMENT DECISIONS

- On 21 September 2021, the Company published the "Announcement on the Plan to Increase Shareholding by the Controlling Shareholder", pursuant to which, China Telecommunications proposed to increase its shareholding in the Company by an amount of not less than RMB4 billion, as and when appropriate, during the twelve-month period from 22 September 2021. There is no price range for the increase in shareholding. In view of the fair judgement on the Company's share price, China Telecommunications would gradually implement the plan on shareholding increase taking into account of the fluctuations in the Company's share price and the overall trend of the capital market. The shareholding increase plan is a voluntary shareholding increase plan of China Telecommunications and is implemented separately from the plan for share price stabilisation within three years after the A Share listing of the Company. On 7 March 2022, the Company published the "Announcement on the Progress of Shareholding Increase by the Controlling Shareholder of China Telecom Corporation Limited". From 22 September 2021 to 7 March 2022, China Telecommunications increased its shareholding in the Company by 466,948,944 A Shares in aggregate through the trading system of the SSE, representing 0.51% of the total issued shares of the Company.
- The cumulative amount of the shareholding increase was RMB2,009,939,616.73, which has exceeded 50% of the lower limit of the amount of the shareholding increase plan. After the implementation of the above-mentioned shareholding increase, China Telecommunications holds 57,844,002,261 A Shares of the Company, representing 63.21% of the total issued shares of the Company.
- On 27 January 2022, the Company published 2. the "Announcement on Measures of the Share Price Stabilisation of China Telecom Corporation Limited". According to the "Proposal regarding the Price Stabilisation Plan of A Shares within Three Years Following the Initial Public Offering and Listing of RMB ordinary shares (A Shares) of China Telecom Corporation Limited", China Telecommunications, the controlling shareholder of the Company, intended to take measures to stabilise share price by increasing its A Shares holding of the Company. China Telecommunications proposed to increase its holding in A Shares of the Company by the amount of not less than RMB500 million, as and when appropriate, during the twelve-month period from 28 January 2022. There is no price range for the shareholding increase. The source of funding for the increase will be self-owned capital fund. In view of the fair judgement on the Company's share price, China Telecommunications would gradually implement the plan on shareholding increase taking into account of the fluctuations in the Company's share price and the overall trend of the capital market.







SECTION VII CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS



1. CHANGES IN SHARE CAPITAL

(1) Table of changes in shares

1. Table of changes in shares

Unit: shares

	Before the	e change	Changes (+, -)			After the o		change	
					Transferred				
			Issue of	Bonus	from				
	Quantity	Percentage	new shares	issue	reserves	Others	Subtotal	Quantity	Percentage
		(%)							(%)
(1) Shares with lock-up restrictions	67,054,958,321	82.85	6,169,442,087				6,169,442,087	73,224,400,408	80.02
1. State-owned shares									
2. Shares held by state-owned	67,054,958,321	82.85						67,054,958,321	73.28
legal persons									
3. Shares held by other domestic			6,169,442,087				6,169,442,087	6,169,442,087	6.74
shareholders									
(2) Shares without lock-up	13,877,410,000	17.15	4,405,328,291				4,405,328,291	18,282,738,291	19.98
restrictions									
1. RMB ordinary shares			4,405,328,291				4,405,328,291	4,405,328,291	4.81
2. Domestic-Listed Foreign-Invested									
Shares									
3. Overseas-Listed Foreign-Invested	13,877,410,000	17.15						13,877,410,000	15.17
Shares									
4. Others									
(3) Total number of shares	80,932,368,321	100.00	10,574,770,378		<u> </u>		10,574,770,378	91,507,138,699	100.00



2. Explanation on changes in shares

As approved by the Approval Regarding the Initial Public Offering of Shares by China Telecom Corporation Limited (Zheng Jian Xu Ke No. (2021) 2541) issued by the CSRC and as approved by the SSE, the Company issued 10,396,135,267 RMB ordinary shares (A Shares) to the public for the initial public offering (before the exercise of the Over-allotment Option), which were listed on the SSE on 20 August 2021. On 22 September 2021, the exercise period of the Over-allotment Option expired. On the basis of the initial issuance of 10,396,135,267 shares, the Company issued an additional 178,635,111 shares, representing approximately 1.7% of the initial number of shares issued. After the initial public offering and partial exercise of the Over-allotment Option, the final number of shares issued was 10,574,770,378 shares, and the total share capital of the Company was 91,507,138,699 shares.

3. Impact of changes in shares on financial indicators including earnings per share and net assets per share for the year and the latest period (if any)

During the Reporting Period, the total number of shares of the Company before the public offering of A Shares was 80,932,368,321 shares, and the total number of shares after the offering was 91,507,138,699 shares.

		2021
Item	2021	year-on-year
Basic earnings per share (RMB/share)	0.31	0.32
Diluted earnings per share (RMB/share)	0.31	0.32
Net assets per share attributable to shareholders of the Company (RMB/share)	5.08	5.30

Note: The basic earnings per share, diluted earnings per share and net assets per share attributable to shareholders of the Company for 2021 year-on-year are calculated on the basis that no shares would be issued in 2021.



(2) Changes in shares with lock-up restrictions

Unit: shares

	Number of			Number of		
	lock-up shares	Number of	Increase in	lock-up shares		
	at the beginning	shares released	lock-up shares	at the end	Reason for	Date of
Name of shareholder	of the year	during the year	during the year	of the year	lock-up restrictions	unlocking
China Telecommunications	57,377,053,317	0	0	57,377,053,317	Initial public offering	2024-08-20
Corporation						
Guangdong Rising Holdings	5,614,082,653	0	0	5,614,082,653	Initial public offering	2022-08-22
Group Co., Ltd.						
Zhejiang Provincial Financial	2,137,473,626	0	0	2,137,473,626	Initial public offering	2022-08-22
Development Co., Ltd.						
Fujian Investment & Development	969,317,182	0	0	969,317,182	Initial public offering	2022-08-22
Group Co., Ltd.						
Jiangsu Guoxin Group Limited	957,031,543	0	0	957,031,543	Initial public offering	2022-08-22
Strategic allotment	0	0	662,250,000	662,250,000	Lock-up for strategic	2024-08-20
					allotment of the	
					initial public offering	
Strategic allotment	0	0	4,520,964,000	4,520,964,000	Lock-up for strategic	2022-08-22
					allotment of the	
					initial public offering	
Offline allotment with restrictions	0	0	986,228,087	986,228,087	Lock-up for offline	2022-02-21
					allotment of the	
					initial public offering	
Total	67,054,958,321	0	6,169,442,087	73,224,400,408	/	/



2. ISSUANCE AND LISTING OF SECURITIES

(1) Issuance of securities during the Reporting Period

Unit: shares Currency: RMB

					Number of	
		Issue price			shares approved	
Type of shares and		(or interest	Number of		for listing and	Date of
derivative securities	Date of issue	rate)	shares issued	Date of listing	trading	termination
Ordinary shares						
A Shares	2021-08-09	RMB4.53	10,574,770,378	2021-08-20	10,574,770,378	N/A
		per share				
Debentures (including corporate bonds, comp	pany bonds and non-fina	ncial corporate d	lebt financing instru	iments)		
2021 super short-term commercial papers	2021-01-19	2.30%	3,000,000,000	2021-01-21	3,000,000,000	2021-03-22
(first tranche) publicly issued by						
China Telecom Corporation Limited						
2021 super short-term commercial papers	2021-01-22	2.30%	2,000,000,000	2021-01-26	2,000,000,000	2021-02-25
(second tranche) publicly issued by						
China Telecom Corporation Limited						
2021 super short-term commercial papers	2021-02-24	2.30%	3,000,000,000	2021-02-26	3,000,000,000	2021-04-08
(third tranche) publicly issued by						
China Telecom Corporation Limited						

Notes:

- 1. The date of the A Share Offering as disclosed is the subscription date of the Offering;
- 2. The A Share Offering and Listing carried the Over-allotment Option mechanism. The Company issued an additional 178,635,111 shares on the basis of the initial issuance of 10,396,135,267 shares. The exercise period of the Over-allotment Option for the issuance expired on 22 September 2021. The total number of shares issued was 10,574,770,378 shares.

For details of the Company's issuance of company bonds during the Reporting Period, please refer to "Relevant Information on Bonds" in this report.

(2) Changes in total number of shares and shareholding structure of the Company and changes in assets and liabilities structure of the Company

For changes in the total number of ordinary shares and shareholding structure of the Company, please refer to the relevant information in this section of this report. For details of changes in the structure of assets and liabilities of the Company, please refer to "Management's Discussion and Analysis (Report of the Directors)" of this report.



3. INFORMATION ON SHAREHOLDERS AND ULTIMATE CONTROLLER

(1) Total number of shareholders

Total number of ordinary shareholders as at the end of the Reporting Period	827,118
Total number of ordinary shareholders as at the end of February 2022	782,898

(2) Shareholdings of the top ten shareholders and the top ten shareholders of tradable shares (or shareholders of unrestricted shares) as at the end of the Reporting Period

Unit: shares

Shareholdings of the top ten shareholders

		Number of	Number of		Pledge, marki		
		shares held		shares held	freezing condi	tions	
	Changes during the	at the end	Percentage	with lock-up	Status of		Nature of
Name of shareholder (Full name)	Reporting Period	of the period	(%)	restrictions	shares	Quantity	shareholder
China Telecommunications Corporation	459,642,444	57,836,695,761	63.20	57,377,053,317	Nil	-	State-owned
							legal person
HKSCC Nominees Limited	(953,351)	13,848,136,623	15.13	0	Nil	-	Foreign legal
							person
Guangdong Rising Holdings Group Co., Ltd.	0	5,614,082,653	6.14	5,614,082,653	Nil	-	State-owned
							legal person
Zhejiang Provincial Financial Development Co., Ltd.	0	2,137,473,626	2.34	2,137,473,626	Nil	-	State-owned
							legal person
Fujian Investment & Development Group Co., Ltd.	0	969,317,182	1.06	969,317,182	Nil	-	State-owned
							legal person
Jiangsu Guoxin Group Limited	0	957,031,543	1.05	957,031,543	Nil	-	Unknown
Suzhou High Speed Rail New Town	662,251,000	662,251,000	0.72	662,251,000	Nil	-	Unknown
Economic Development Co., Ltd							
Chengdu Vanguard Capital Management Limited –	662,251,000	662,251,000	0.72	662,251,000	Nil	-	Unknown
Chengdu Major Industrialisation Project Phase I							
Equity Investment Fund Limited							
China State-owned Enterprises Structural	551,876,000	551,876,000	0.60	551,876,000	Nil	-	Unknown
Adjustment Fund Co., Ltd							
State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	441,501,000	0.48	441,501,000	Nil	_	Unknown



Shareholdings of the top ten shareholders without lock-up restriction

	Number of tradable shares held without	Class and number of shares		
Name of shareholder	lock-up restriction	Class	Quantity	
HKSCC Nominees Limited	13,848,136,623	Overseas-listed	13,848,136,623	
		foreign-invested shares		
China Telecommunications Corporation	459,642,444	RMB ordinary shares	459,642,444	
Industrial and Commercial Bank of China – SSE 50	39,220,089	RMB ordinary shares	39,220,089	
Trading Open-ended ETF				
National Social Security Fund 006 Portfolio	22,745,700	RMB ordinary shares	22,745,700	
Kong Fanxing	17,000,000	RMB ordinary shares	17,000,000	
Gu Liming	15,224,700	RMB ordinary shares	15,224,700	
Gu Jiawei	13,340,000	RMB ordinary shares	13,340,000	
Wang Xiaoke	12,000,000	RMB ordinary shares	12,000,000	
Industrial and Commercial Bank of China Limited	11,641,200	RMB ordinary shares	11,641,200	
- Huatai-PineBridge CSI 300 Trading Open-ended ETF				
Zheng Shenggui	11,096,825	RMB ordinary shares	11,096,825	
Explanation on the securities account designated for share re	purchase	N/A		
of the top ten shareholders				
Explanation on the voting rights entrusted by or waived by the	e above shareholders	N/A		
Description of connected relationship or acting in concert	The Company is not aware of any connected relationship			
among the aforementioned shareholders		among the aforementioned s	shareholders or whether	
		they act in concert.		
Description of the holders of preference shares with restored		N/A		
voting rights and their shareholding				



Shareholdings of the top ten shareholders with lock-up restrictions

Unit: shares

Listing and trading of shares with lock-up restrictions

No.	Name of shareholders with lock-up restrictions	Number of shares held with lock-up restrictions	Date of listing and trading	Number of new shares available for listing and trading	Lock-up
1.	China Telecommunications Corporation	57,377,053,317	2024-08-20	0	Lock-up for 36 months
1.	Offina Telecontinuincations Corporation	31,011,000,011	2024-00-20	U	from the date of listing
2.	Guangdong Rising Holdings Group Co., Ltd.	5,614,082,653	2022-08-22	0	Lock-up for 12 months from the date of listing
3.	Zhejiang Provincial Financial Development Co., Ltd.	2,137,473,626	2022-08-22	0	Lock-up for 12 months from the date of listing
4.	Fujian Investment & Development Group Co., Ltd.	969,317,182	2022-08-22	0	Lock-up for 12 months from the date of listing
5.	Jiangsu Guoxin Group Limited	957,031,543	2022-08-22	0	Lock-up for 12 months from the date of listing
6.	Suzhou High Speed Rail New Town Economic Development Co., Ltd	662,251,000	2022-08-22	0	Lock-up for 12 months from the date of listing
7.	Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	662,251,000	2022-08-22	0	Lock-up for 12 months from the date of listing
8.	China State-owned Enterprises Structural Adjustment Fund Co., Ltd	551,876,000	2022-08-22	0	Lock-up for 12 months from the date of listing
9.	State Grid Yingda International Holdings Group Co., Ltd.	441,501,000	2022-08-22	0	Lock-up for 12 months from the date of listing
10.	China Publishing Group Corp.	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing



Listing and trading of shares with lock-up restrictions

				Number of new shares		
		Number of		available		
		shares held with	Date of listing	for listing	Lock-up	
No.	Name of shareholders with lock-up restrictions	lock-up restrictions	and trading	and trading	restrictions	
11.	Zhongdianke Investment Holding Co., Ltd.	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
12.	State Development & Investment Corporation	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
13.	China Energy Capital Holdings Co., Ltd	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
14.	China-Africa Development Fund	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
15.	Guoxin Investment Co., Ltd	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
16.	Huawei Technologies Co., Ltd	220,750,000	2024-08-20	0	Lock-up for 36 months from the date of listing	
17.	FAW Share Capital Investment (Tianjin) Co., Ltd	220,750,000	2022-08-22	0	Lock-up for 12 months from the date of listing	
Descrip	otion of connected relationship or acting in concert among		The Company is not aware of any connected relationship among			
the a	aforementioned shareholders		the aforemention	ed shareholders or	whether they act in concert.	

(3) Strategic investors or general legal persons becoming top ten shareholders due to placing of new shares

Name of strategic investors	Start date of the	End date of the		
or general legal persons	agreed shareholding	agreed shareholding		
Suzhou High Speed Rail New Town Economic Development Co., Ltd	20 August 2021	-		
Chengdu Vanguard Capital Management Limited – Chengdu Major	20 August 2021	_		
Industrialisation Project Phase I Equity Investment Fund Limited				
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	20 August 2021	_		
State Grid Yingda International Holdings Group Co., Ltd.	20 August 2021	_		
Description of agreed term of shareholding in respect of strategic investors	Lock-up for 12 months			
and general legal persons' participation in placing of new shares	from the date of listing	l		



4. INFORMATION ON CONTROLLING SHAREHOLDER AND ULTIMATE CONTROLLER

(1) Information on controlling shareholder

1. Legal person

Name	China Telecommunications Corporation					
Person in charge	Ke Ruiwen					
or legal representative						
Date of incorporation	27 April 1995					
Principal business	Basic telecommunications services (see license for specific business scope);					
	value-added telecommunications services (see license for specific business					
	scope); chain operation of national internet service premises; operating its					
	group companies and all state-owned assets and state-owned equity interests					
	formed by state investment in the invested enterprises; contracting overseas					
	telecommunications projects and domestic international bidding projects;					
	operation of system integration, technology development, technical services					
	design and construction, equipment production and sales, advertising and					
	information consultation related to communication and information business;					
	import and export business; hosting exhibitions. (Market entities shall					
	independently select business projects and carry out business activities in					
	accordance with the law; for projects subject to approval in accordance with					
	the law, business activities shall be carried out in accordance with the approved					
	scope after approval by relevant authorities; business activities prohibited and					
	restricted by the industrial policies of the State and the city shall not be carried					
	out.)					
Shareholdings in other domestic	China Telecommunications holds 69.39% equity interest in New Guomai Digital					
and overseas listed companies	Culture Co., Ltd., 48.99% equity interest in CCS, 22.50% equity interest in					
controlled or invested during the	China Broadcasting and Television Guangzhou Network Co., Ltd., and holds					
Reporting Period	shares in Postal Savings Bank of China Co., Ltd., Western Securities Co., Ltd.,					
	Southwest Securities Co., Ltd., People.cn Co., Ltd., Xinhuanet Co., Ltd. and					
	China Publishing & Media Corporation Limited.					
Other information	N/A					



2. Ownership and controlling relationship between the Company and the controlling shareholder



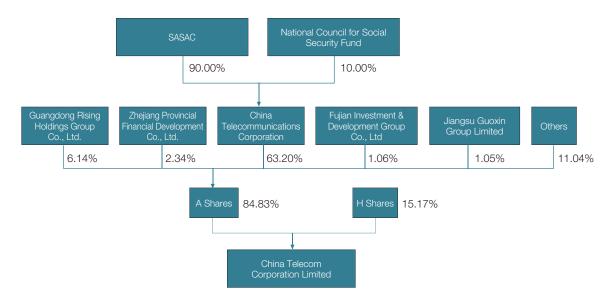
Note: Data as at 31 December 2021.

(2) Ultimate controller

1. Legal person

Name State-owned Assets Supervision and Administration Commission of the State Council ("SASAC")

2. Ownership and controlling relationship between the Company and the ultimate controller



Note: Data as at 31 December 2021.



5. MATTERS REGARDING THE RESTRICTION OF REDUCING SHARES

(1) Restrictions on the circulation of shares and undertakings by shareholders to voluntarily lock-up their shares

The Company's controlling shareholder, China Telecommunications, undertakes that:

Within 36 months from the date on which the A Shares of the Company are listed and traded on the SSE, it shall not transfer or entrust others to manage the shares held by China Telecommunications prior to the initial public offering of A Shares of the Company, nor shall the Company repurchase such shares. China Telecommunications undertakes to strictly comply with the Company Law, the Securities Law, the SSE Listing Rules and other laws and regulations, policy requirements and the relevant requirements of the CSRC for prudent supervision, and to determine the lock-up period by adopting a longer applicable period; In the event of future changes in the above laws and regulations and policies. China Telecommunications undertakes to determine the lock-up period in strict accordance with the requirements after the changes. If the shares held by China Telecommunications are reduced within two years after the expiration of the above-mentioned shareholding period, the price of such reduction shall not be lower than the issue price of the Company's initial public offering of A Shares; if the closing price of the Company's shares is lower than the issue price for 20 consecutive trading

days within 6 months after the listing of the Company, or the closing price at the end of 6 months after the listing of the Company (if such date is not a trading day, the first trading day thereafter) is lower than the issue price, the shareholding period of China Telecommunications shall be automatically extended for at least 6 months.

Each of Guangdong Rising, Zhejiang Financial Development, Fujian Investment Group and Jiangsu Guoxin, being the shareholders of the Company, undertakes that:

Within 12 months from the date on which the A Shares of the Company are listed and traded on a stock exchange, it shall not transfer or entrust others to manage the shares it held before the initial public offering of A Shares of the Company, nor shall the Company repurchase such shares; The lock-up period will be determined in strict compliance with the Company Law, the Securities Law, the SSE Listing Rules and other laws, regulations and policies as well as the relevant requirements of the CSRC for prudent supervision, and to determine the lock-up period by adopting a longer applicable period; In the event of future changes in the above laws and regulations and policies, the lock-up period will be determined in strict accordance with the requirements after the changes; In the event of failure to perform the above undertakings, it shall take the relevant liabilities in accordance with the relevant laws and regulations, regulatory documents and the provisions of the stock exchange's business rules and the requirements of the regulatory authorities.



(2) Undertaking on the intention of shareholding and the intention of shareholding reduction by shareholders holding more than 5% of the shares before the Offering

Each of China Telecommunications, being the controlling shareholder of the Company, and Guangdong Rising, the shareholder holding more than 5% of the shares of the Company, undertakes that:

- 1. After the initial public offering and listing of A Shares of the Company, it will strictly comply with its undertakings on the lock-up period of its shares. After the expiration of the committed lock-up period, in compliance with the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, it will determine whether to reduce its shareholding in the Company based on factors such as the overall conditions of the securities market, the Company's operating results and stock trends, and its business development needs.
- 2. After the initial public offering and listing of A Shares of the Company and the expiration of the committed lock-up period, if it decides to reduce its shareholding in the Company, it will be processed through the block trading system of the stock exchange, the centralised bidding trading system or by agreement as permitted by laws and regulations.

- If it intends to reduce its shareholding, it shall notify the Company in writing in advance on the information such as the number of shares to be reduced and the reasons for such reduction, and the Company shall perform the information disclosure obligations in accordance with the relevant laws and regulations and regulatory rules. It may implement the reduction after three trading days from the date on which the Company discloses its intention to reduce its shareholding.
- 4. Reduction of shareholding in the Company will be implemented in accordance with the requirements of laws, administrative regulations, the Several Provisions on Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies and the Implementation Rules for Reduction of Shareholding by Shareholders, Directors, Supervisors and Senior Management of Listed Companies of the Shanghai Stock Exchange. If there are changes in the relevant laws and regulations, regulatory documents and the business rules of the stock exchange, the then effective provisions shall prevail.
- Reduction of shares of the Company acquired through the secondary market after the initial public offering and listing of A Shares of the Company shall not be subject to the above undertakings.

In the event of failure to perform the above undertakings, it shall take the relevant liabilities in accordance with the relevant laws and regulations, regulatory documents, business rules of stock exchanges and requirements of regulatory authorities.

SECTION VIII RELEVANT INFORMATION ON BONDS



1. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

(1) Company bonds

1. Basic information of company bonds

Unit: Yuan Currency: RMB

Name of bond	Abbreviation Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Repayment method	Trading venues	Suitability arrangement for investors (if any)	Trading mechanism	Whether there is risk of termination of listing and trading
2020 company bonds (first tranche) publicly issued by China Telecom Corporation Limited	20 Telecom 01 163253	2020-03-09 (first issue da	2020-03-10 otte)	2023-03-10	2,000,000,000	2.90	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	SSE	Debt securities traded to qualified investors	Bidding trading system and comprehensive electronic trading platform for fixed income securities	

Interest payment of bonds during the Reporting Period

Name of bond	Description of interest payment
2020 company bonds (first tranche) publicly issued by	Interest has been paid on time
China Telecom Corporation Limited	and in full.

2. Intermediaries providing services for bond issuance and duration business

		Name of signing		
Name of intermediary	Office Address	accountants	Contact person	Telephone
CITIC Securities Company Limited	CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing, PR	Nil C	Zhu Ge, Dong Yuanpeng, Yang Quan	010-60833504
China Securities Depository and Clearing Corporation Limited Shanghai Branch	No.188 South Yanggao Road, Pudong New Area, Shanghai, PRC	Nil	Xu Ying	021-38874880

3. Use of proceeds at the end of the Reporting Period

Unit: Yuan Currency: RMB

Name of bond	Total amount of proceeds	Amount utilised	Unutilised amount	Operation of special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	Whether it is consistent with the intended use, use plan and other agreements in the bond prospectus
2020 company bonds (first tranche) publicly issued by China Telecom Corporation Limited	2,000,000,000	2,000,000,000	0	Since the issuance of the company bonds, the special account for the use of proceeds has been set up by the regulator authorities and has been in normal operation. The Company has arranged the use of proceeds in strict accordance with the investment direction and investment amount committed in the bond prospectus, and the proceeds have been used for specific purposes. The custodian bank is responsible for supervising the Company's use of proceeds strictly in accordance with the use of proceeds.	Nil V	Yes



(2) Debt financing instruments of non-financial enterprises in the inter-bank bond market

1. Basic information of debt financing instruments of non-financial enterprises

Unit: Yuan Currency: RMB

Name of bond	Abbreviation	Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Repayment method	Trading venues	Suitability arrangement for investors (if any)	Trading mechanism	Whether there is risk of termination of listing and trading
2019 medium-term note (first tranche) publicly issued by China Telecom Corporation Limited	19 China Telecom MTN001	101900121	22 January 2019	23 January 2019	23 January 2022	3,000,000,000	3.42	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	Inter-bank bond market	Institutional investors in the national inter-bank bond market except where a purchaser is prohibited by national laws and regulations	Inquiry	No
2019 medium-term note (second tranche) publicly issued by China Telecom Corporation Limited	19 China Telecom MTN002	101900376	19 March 2019	20 March 2019	20 March 2022	2,000,000,000	3.41	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	Inter-bank bond market	Institutional investors in the national inter-bank bond market except where a purchaser is prohibited by national laws and regulations	Inquiry	No
2021 super short- term commercial papers (first tranche) publicly issued by China Telecom Corporation Limited	21 China Telecom SCP001	012100280	19 January 2021	20 January 2021	23 March 2021	3,000,000,000	2.30	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	Inter-bank bond market	Institutional investors in the national inter-bank bond market except where a purchaser is prohibited by national laws and regulations	Inquiry	No

Name of bond	Abbreviation	Code	Issue date	Value date	Maturity date	Balance of bonds	Interest rate (%)	Repayment method	Trading venues	Suitability arrangement for investors (if any)	Trading mechanism	Whether there is risk of termination of listing and trading
2021 super short- term commercial papers (second tranche) publicly issued by China Telecom Corporation Limited	21 China Telecom SCP002	012100359	22 January 2021	25 January 2021	26 February 2021	2,000,000,000	2.30	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	Inter-bank bond market	Institutional investors in the national inter-bank bond market except where a purchaser is prohibited by national laws and regulations	Inquiry	No
2021 super short- term commercial papers (third tranche) publicly issued by China Telecom Corporation Limited	21 China Telecom SCP003	012100693	24 February 2021	25 February 2021	9 April 2021	3,000,000,000	2.30	The interest of the bond is calculated annually without compound interest. Interest shall be paid once a year, and the principal shall be repaid in a lump sum upon maturity, and the last interest shall be paid together with the principal.	Inter-bank bond market	Institutional investors in the national inter-bank bond market except where a purchaser is prohibited by national laws and regulations	Inquiry	No

Interest payment of bonds during the Reporting Period

Name of bond	Description of interest payment
2019 medium-term note (first tranche) publicly issued	Interest has been paid on time and in full.
by China Telecom Corporation Limited	
2019 medium-term note (second tranche) publicly issued	Interest has been paid on time and in full.
by China Telecom Corporation Limited	
2021 super short-term commercial papers (first tranche) publicly issued	Interest has been paid on time and in full.
by China Telecom Corporation Limited	
2021 super short-term commercial papers (second tranche) publicly	Interest has been paid on time and in full.
issued by China Telecom Corporation Limited	
2021 super short-term commercial papers (third tranche) publicly issued	Interest has been paid on time and in full.
by China Telecom Corporation Limited	

2. Intermediaries providing services for bond issuance and duration business

		Name of signing		
Name of intermediary	Office Address	accountants	Contact person	Telephone
China Minsheng Banking Corp., Ltd.	No. 2 FuXingMenNei Street, Xicheng District, Beijing	Nil	Shi Dai	8610-58560088-9169
China CITIC Bank Corporation Limited	Building 1, 10 Guanghua Lu, Chaoyang District, Beijing	Li Fuchun	Liu Zhengye	010-66635919
Industrial and Commercial Bank of China Limited	No.55 FuXingMenNei Street, Xicheng District, Beijing	Li Fuchun	Qu Jialu	010-66107361
Shanghai Pudong Development Bank Co., Ltd.	No. 12 Zhongshan East No. 1 Road, Shanghai	Li Fuchun	Zhang Ying	010-57395455
China Everbright Bank Company Limited	China Everbright Center, No. 25 Taipingqiao Avenue, Xicheng District, Beijing	Li Fuchun	Deng Ruobing	010-63639770
Interbank Market Clearing House Co., Ltd.	No. 2, Beijing East Road, Huangpu District, Shanghai	Li Fuchun	Issuing position	021-23198888

3. Use of Proceeds at the End of the Reporting Period

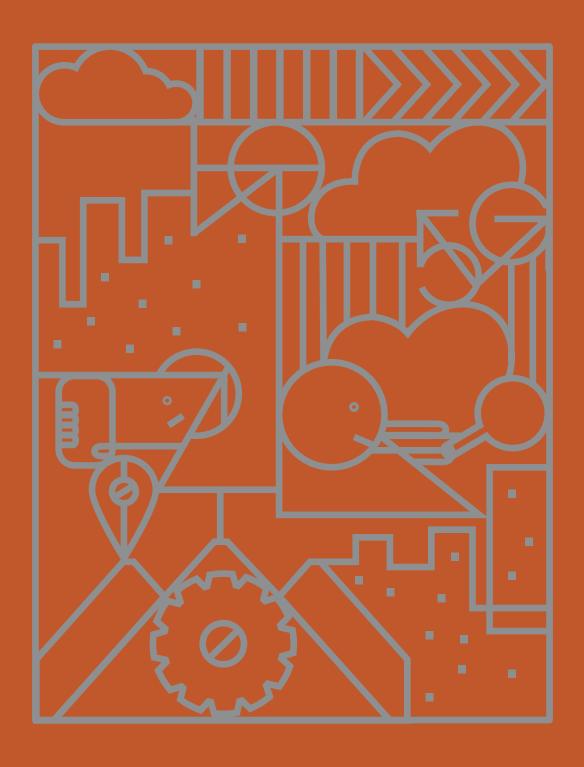
Unit: Yuan Currency: RMB

Whether it is

Name of bond	Total amount of proceeds	Amount utilised	Unutilised amount	Operation of special account for proceeds (if any)	Rectification of non-compliant use of proceeds (if any)	consistent with the intended use, use plan and other agreements in the debenture prospectus
2019 medium-term note (first tranche) publicly issued by China Telecom Corporation Limited	3,000,000,000	3,000,000,000	0	Nil	Nil	Yes
2019 medium-term note (second tranche) publicly issued by China Telecom Corporation Limited	2,000,000,000	2,000,000,000	0	Nil	Nil	Yes
2021 super short- term commercial papers (first tranche) publicly issued by China Telecom Corporation Limited	3,000,000,000	3,000,000,000	0	Nil	Nil	Yes
2021 super short- term commercial papers (second tranche) publicly issued by China Telecom Corporation Limited	2,000,000,000	2,000,000,000	0	Nil	Nil	Yes
2021 super short- term commercial papers (third tranche) publicly issued by China Telecom Corporation Limited	3,000,000,000	3,000,000,000	0	Nil	Nil	Yes







SECTION IX FINANCIAL REPORTS



INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of China Telecom Corporation Limited

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Telecom Corporation Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 186 to 286, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com



KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Impairment assessment of goodwill

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to Note 3 – Significant accounting policies (m) and Note 27 – Operating revenues to the consolidated financial statements.

The Group's operating revenues are mainly generated from the provision of mobile communications, wireline and Smart Family, Industrial Digitalisation services and from sales of goods.

We focused on this area as significant efforts were spent on auditing revenue recognition due to the significant volume of the transactions, the complexity of the related information technology systems, the variety of tariff and package structures relating to the services and the complexity of multiple-element arrangements. This also involved a number of judgements and estimates on the identification of distinct performance obligations and the determination of the stand-alone selling price for each single performance obligation in the allocation of transaction prices among various performance obligations.

In response to this key audit matter, we performed the following procedures:

- Obtained an understanding of, evaluated and tested the design and operating effectiveness of internal controls over the capture and measurement of revenue transactions, including the key internal controls over in-scope IT systems such as billing system;
- Evaluated the appropriateness of management's identification and evaluation of the terms and conditions by examining contracts with customers and evaluating management's determination of the impact of those terms and conditions on revenue recognition;
- Evaluated the appropriateness of management's identification of distinct performance obligations and the determination of the stand-alone selling price for each performance obligation; and
- Performed substantive testing on revenue by examining supporting documents such as enduser contracts, customer bills and billing reports using sampling techniques and by examining the reconciliation between the billing system and financial records by using computer assisted audit techniques.

Based on our work, we found that the revenue recognized was supported by the evidence we obtained.



KEY AUDIT MATTERS (continued)

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment assessment of goodwill

Refer to Note 3 – Significant accounting policies (h), Note 7 – Goodwill and Note 47 – Accounting estimates and judgments to the consolidated financial statements.

The Group had recorded goodwill arising from acquisition of its mobile communications business. In accordance with International Accounting Standards ("IAS") 36 "Impairment of Assets", the Group is required to perform goodwill impairment assessment both annually and whenever there is an indication that a cash-generating unit ("CGU") to which goodwill has been allocated may be impaired. When performing the impairment assessment, management has determined the recoverable amounts of the CGU based on value in use calculations using discounted cash flow model.

We focused on auditing the impairment assessment of goodwill due to the magnitude of the carrying amount of goodwill and the estimation of recoverable amount was subject to a high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the impairment model deployed, subjectivity of significant assumptions used, and significant judgements involved in selecting the underlying data, such as revenue growth rate, terminal growth rate and pre-tax discount rate.

In response to this key audit matter, we performed the following procedures:

- Obtained an understanding of the management's internal controls and assessment process of the recoverable amounts of goodwill; and assessed the inherent risks of material misstatements by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- Evaluated and tested the key internal controls over the impairment assessment of goodwill including controls over the development of the model and significant assumptions used in the impairment test;
- Assessed the reasonableness of management's allocation of goodwill to CGUs or groups of CGUs based on our understanding of the Group's business;
- Involved our valuation specialists to evaluate the appropriateness of the model and certain significant assumptions such as the pre-tax discount rate and terminal growth rate;
- Evaluated the reasonableness of other key assumptions adopted in the model such as revenue growth rate with consideration paid to external evidence and the degree of historical accuracy of the management's assumptions and projections in achieving the forecasts; and
- Tested the completeness, accuracy and relevancy of the underlying data used and the mathematical accuracy of the calculations in the models.

Based on our work, we found that the result of management's impairment assessment of goodwill was supported by the evidence we obtained.



OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
 appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including
 the disclosures, and whether the consolidated financial statements represent the underlying transactions and
 events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business
 activities within the Group to express an opinion on the consolidated financial statements. We are responsible
 for the direction, supervision and performance of the group audit. We remain solely responsible for our audit
 opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wilson W.Y. Chow.

PricewaterhouseCoopers

Certified Public Accountants Hong Kong, 17 March 2022



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021 (Amounts in million)

		31 December	31 December
		2021	2020
	Notes	RMB	RMB
ASSETS			
Non-current assets			
Property, plant and equipment, net	4	415,981	418,605
Construction in progress	5	51,456	48,425
Right-of-use assets	6	61,186	59,457
Goodwill	7	29,919	29,920
Intangible assets	8	19,753	18,508
Interests in associates and joint ventures	10	41,166	40,303
Financial assets at fair value through profit or loss		248	73
Equity instruments at fair value through			
other comprehensive income	11	1,216	1,073
Deferred tax assets	12	6,688	8,164
Other assets	13	7,261	6,552
Total non-current assets		634,874	631,080
Current assets			
Inventories	15	3,827	3,317
Income tax recoverable		437	334
Accounts receivable, net	16	22,389	21,502
Contract assets	17	912	604
Prepayments and other current assets	18	24,585	25,167
Short-term bank deposits and restricted cash		1,929	9,408
Cash and cash equivalents	19	73,281	23,684
Total current assets		127,360	84,016
Total assets		762,234	715,096



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021 (Amounts in million)

		31 December	31 December	
		2021		
	Notes	RMB	RMB	
LIABILITIES AND EQUITY				
Current liabilities				
Short-term debts	20	2,821	27,994	
Current portion of long-term debts	20	6,280	1,126	
Accounts payable	21	114,895	107,578	
Accrued expenses and other payables	22	55,765	57,053	
Contract liabilities	23	70,914	63,849	
Income tax payable		588	350	
Current portion of lease liabilities	24	13,809	13,192	
Total current liabilities		265,072	271,142	
Net current liabilities		(137,712)	(187,126)	
Total assets less current liabilities		497,162	443,954	
Non-current liabilities				
Long-term debts	20	7,395	24,222	
Lease liabilities	24	28,593	27,455	
Deferred tax liabilities	12	26,677	24,208	
Other non-current liabilities		3,329	1,894	
Total non-current liabilities		65,994	77,779	
Total liabilities		331,066	348,921	
Equity				
Share capital	25	91,507	80,932	
Reserves	26	337,167	282,524	
Total equity attributable to equity				
holders of the Company		428,674	363,456	
Non-controlling interests		2,494	2,719	
Total equity		431,168	366,175	
Total liabilities and equity		762,234	715,096	

Approved and authorised for issue by the Board of Directors on 17 March 2022 and are signed on its behalf by:

Ke Ruiwen

Executive Director, Chairman and Chief Executive Officer Li Zhengmao

Executive Director,
President and Chief Operating Officer



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021 (Amounts in million except for per share data)

		2021	2020
	Notes	RMB	RMB
Operating revenues	27	439,552	393,561
Operating expenses			
Depreciation and amortisation		(92,965)	(90,240)
Network operations and support	28	(133,342)	(119,517)
Selling, general and administrative		(61,155)	(55,059)
Personnel expenses	29	(76,055)	(65,989)
Other operating expenses	30	(45,088)	(29,074)
Impairment loss on property, plant and equipment	4	-	(5,042)
Total operating expenses	31	(408,605)	(364,921)
Operating profit		30,947	28,640
Net finance costs	32	(1,293)	(3,014)
Investment income and others		2,244	60
Share of profits of associates and joint ventures		1,966	1,701
Profit before taxation		33,864	27,387
Income tax	33	(7,716)	(6,307)
Profit for the year		26,148	21,080
Other comprehensive income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments in equity instruments			
at fair value through other comprehensive income		20	(385)
Deferred tax on change in fair value of investments			
in equity instruments at fair value through other			
comprehensive income		(15)	97
		5	(288)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of financial			
statements of subsidiaries outside mainland China		(233)	(312)
Share of other comprehensive income of associates			
and joint ventures		-	(4)
		(233)	(316)
Other comprehensive income for the year, net of tax		(228)	(604)
Total comprehensive income for the year		25,920	20,476



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021 (Amounts in million except for per share data)

		2021	2020
	Notes	RMB	RMB
Profit attributable to			
Equity holders of the Company		25,948	20,850
Non-controlling interests		200	230
Profit for the year		26,148	21,080
Total comprehensive income attributable to			
Equity holders of the Company		25,720	20,244
Non-controlling interests		200	232
Total comprehensive income for the year		25,920	20,476
Basic earnings per share (RMB)	38	0.31	0.26
Diluted earnings per share (RMB)	38	0.31	0.26
Number of shares (in million)	25	91,507	80,932



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021 (Amounts in million)

Attributable to equity	holders of	the Company
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		Additional to equity horacle of the company										
	Notes	Share capital RMB	Capital reserve	Share premium RMB	Surplus reserves RMB	General risk reserve RMB	Other reserves RMB	Exchange reserve RMB	Retained earnings RMB	Total RMB	Non- controlling interests RMB	Total equity RMB
Balance as at 1 January 2020		80,932	17,504	10,746	78,043	23	615	(625)	165,272	352,510	2,530	355,040
Profit for the year		-	-	-	-	-	-	-	20,850	20,850	230	21,080
Other comprehensive income for the year		-	-	-	-	-	(294)	(312)	-	(606)	2	(604)
Total comprehensive income for the year		-	-	-	-	-	(294)	(312)	20,850	20,244	232	20,476
Acquisition of non-controlling interests		-	-	-	-	-	-	-	-	-	(1)	(1)
Distribution to non-controlling interests		-	-	-	-	-	-	-	-	-	(42)	(42)
Share of associates and joint ventures' other changes in reserves		-	(36)	-	-	-	-	-	-	(36)	-	(36)
Dividends	37	-	-	-	-	-	-	-	(9,262)	(9,262)	-	(9,262)
Appropriations to statutory surplus reserve	26	-	-	-	1,811	-	-	-	(1,811)	-	-	-
Appropriations to general risk reserve	26	-	-	-	-	33	-	-	(33)	-	-	-
Balance as at 31 December 2020		80,932	17,468	10,746	79,854	56	321	(937)	175,016	363,456	2,719	366,175
Profit for the year		-	-	-	-	-	-	-	25,948	25,948	200	26,148
Other comprehensive income for the year		-	-	-	-	-	5	(233)	-	(228)	-	(228)
Total comprehensive income for the year		-	-	-	-	-	5	(233)	25,948	25,720	200	25,920
Issuance of shares upon A Shares Offering, net of issuing expenses	25	10,575	-	36,941	-	-	-	-	-	47,516	-	47,516
Contribution from non-controlling interests		-	463	-	-	-	-	-	-	463	613	1,076
Distribution to non-controlling interests		-	-	-	-	-	-	-	-	-	(116)	(116)
Disposal of subsidiaries	1	-	-	-	-	(3)	(28)	-	31	-	(922)	(922)
Share of associates and joint ventures' other changes in reserves		-	(42)	-	-	-	-	-	-	(42)	-	(42)
Dividends	37	-	-	-	-	-	-	-	(8,439)	(8,439)	-	(8,439)
Appropriations to statutory surplus reserve	26	-	-	-	2,423	-	-	-	(2,423)	-	-	-
Appropriations to general risk reserve	26	-	-	-	-	44	-	-	(44)	-	-	-
Balance as at 31 December 2021		91,507	17,889	47,687	82,277	97	298	(1,170)	190,089	428,674	2,494	431,168



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021 (Amounts in million)

	Notes	2021 RMB	2020 RMB
Net cash from operating activities	(a)	137,533	132,260
Cash flows used in investing activities			
Capital expenditure		(84,847)	(88,748)
Purchase of investments		(206)	(74)
Payments for right-of-use assets		(327)	(220)
Proceeds from disposal of property, plant and equipment		1,637	863
Proceeds from disposal of right-of-use assets		82	24
Proceeds from disposal of investments		52	47
Net cash inflow from disposal of subsidiaries		3,764	_
Payments for equity instruments at fair value through other comprehensive income		(211)	-
Purchase of short-term bank deposits		(9,251)	(4,664)
Maturity of short-term bank deposits		11,020	5,695
Short-term loans granted to China Telecommunications Corporation by Finance Company	(b)	(2,000)	-
Net cash used in investing activities		(80,287)	(87,077)
Cash flows used in financing activities			
Proceeds from A Shares Offering, net of issuing expenses		47,516	_
Repayments of principal of lease liabilities		(14,035)	(12,738)
Proceeds from bank and other loans		38,922	81,049
Repayments of bank and other loans		(74,486)	(106,982)
Payment of dividends		(8,439)	(9,262)
Distribution to non-controlling interests		(112)	(42)
Payment for the acquisition of non-controlling interests		-	(1)
Contribution from non-controlling interests		99	_
Advanced payment received in respect of contribution from non-controlling interest		_	978
Net deposits with Finance Company	(b)	3,190	5,728
Increase in statutory deposit reserves placed by Finance Company	(b)	(177)	(837)
Net cash used in financing activities		(7,522)	(42,107)
Net increase in cash and cash equivalents		49,724	3,076
Cash and cash equivalents as at 1 January		23,684	20,791
Effect of changes in foreign exchange rate		(127)	(183)
Cash and cash equivalents as at 31 December		73,281	23,684



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021 (Amounts in million)

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

	2021	2020
	RMB	RMB
Profit before taxation	33,864	27,387
Adjustment for:		
Depreciation and amortisation	92,965	90,240
Impairment loss on property, plant and equipment	_	5,042
Impairment losses for financial assets and other items, net of reversal	1,985	1,512
Write down of inventories, net of reversal	69	35
Investment income and others	(2,244)	(60)
Share of profits of associates and joint ventures	(1,966)	(1,701)
Interest income	(1,104)	(582)
Interest expense	2,404	3,433
Net foreign exchange (gain)/loss	(7)	163
Net loss on retirement and disposal of long-lived assets	5,929	3,827
	131,895	129,296
Increase in accounts receivable	(3,327)	(1,771)
Increase in contract assets	(318)	(132)
Increase in inventories	(595)	(474)
Increase in prepayments and other current assets	(2,031)	(116)
Increase in restricted cash	(85)	(6,097)
Increase in other assets	(2,047)	(2,971)
Increase in accounts payable	4,227	5,689
Increase in accrued expenses and other payables	7,009	1,879
Increase in contract liabilities	7,140	9,516
Cash generated from operations	141,868	134,819
Interest received	1,045	594
Interest paid	(2,522)	(3,524)
Investment income received	860	603
Income tax paid	(3,718)	(232)
Net cash from operating activities	137,533	132,260

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021 (Amounts in million)

(b) "Finance Company" refers to China Telecom Group Finance Co., Ltd., a subsidiary of the Company established on 8 January 2019, which provides capital and financial management services to the member units of China Telecommunications Corporation.

(c) SIGNIFICANT NON-CASH TRANSACTIONS

For the year ended 31 December 2021 and 2020, the Group did not have significant non-cash investing and financing activities, except the additions of right-of-use assets and lease liabilities.



for the year ended 31 December 2021

1. PRINCIPAL ACTIVITIES, ORGANISATION AND BASIS OF PRESENTATION

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

In March 2021, the Company entered into agreements with China Telecommunications Corporation, the ultimate holding company of the Company, pursuant to which the Company agreed to sell, and China Telecommunications Corporation agreed to purchase all the share capital in E-surfing Pay held by the Company for a consideration in the amount of RMB3,897 million (equivalent to approximately HK\$4,695 million). The Company and its wholly owned subsidiary, China Telecom Global Limited, entered into agreements with China Telecommunications Corporation and its subsidiary, Guang Hua Properties Limited, in March 2021, pursuant to which, the Company and China Telecom Global Limited respectively agreed to sell, and China Telecommunications Corporation and Guang Hua Properties Limited agreed to purchase, 75% of the share capital in China Telecom Leasing Corporation Limited from the Company and 25% of the share capital in China Telecom Leasing Corporation Limited from China Telecom Global Limited for a consideration in the amount of RMB131 million (equivalent to approximately HK\$158 million) and RMB44 million (equivalent to approximately HK\$53 million), respectively. The disposals of the two subsidiaries were completed in April 2021, upon which E-surfing Pay and China Telecom Leasing Corporation Limited ceased to be the subsidiaries of the Company. The Group recorded gains from disposal of these two subsidiaries of RMB2,218 million in investment income and others in the consolidated statement of comprehensive income.

In August 2021, the Company made an initial public offering of 10,396,135,267 A shares (excluding overallotment) on the Shanghai Stock Exchange, and an over-allotment of 178,635,111 shares in September 2021. After the completion of the A-share offering, the total share capital of the Company comprises of 91,507,138,699 shares, of which 13,877,410,000 shares are H shares. On 20 August 2021, the Company became listed on the Shanghai Stock Exchange. On the same day, all 67,054,958,321 domestic shares of the Company, which were held by the domestic shareholders including China Telecommunications Corporation, were also converted into the same number of A shares.



for the year ended 31 December 2021

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") that are mandatorily effective for the current year:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform - Phase 2"

In addition, the Group has early applied the Amendment to IFRS 16, "Covid-19-Related Rent Concessions beyond 30 June 2021".

The application of the above amendments to IFRSs in the current year has had no material effect on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the IASB. For the purpose of the preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

As at 31 December 2021, the total current liabilities of the Group had exceeded the total current assets by RMB137,712 million (31 December 2020: RMB187,126 million). Management of the Company have assessed the Group's available sources of funds as follows: 1) the Group's continuous net cash inflow to be generated from its operating activities; 2) the unutilised credit facilities amounting to RMB276,483 million (31 December 2020: RMB244,326 million); and 3) the Group's other available sources of financing from domestic banks in mainland China and other financial institutions in view of the Group's good credit history. Based on the above considerations, the Board of Directors is of the opinion that the Group has sufficient funds to meet its working capital commitments, expected capital expenditure and debt obligations. As a result, the consolidated financial statements of the Group for the year ended 31 December 2021 has been prepared on a going concern basis.

The consolidated financial statements are prepared on the historical cost basis as modified by the revaluation of certain financial instruments measured at fair value (Note 3(k)).



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that management believes are reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 47.

(b) Basis of consolidation and equity accounting

The consolidated financial statements comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

A subsidiary is an entity controlled by the Company. When fulfilling the following conditions, the Company has control over an entity: (a) has power over the investee, (b) has exposure, or rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power over the investee to affect the amount of the investor's returns.

When assessing whether the Company has power over that entity, only substantive rights (held by the Company and other parties) are considered.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation and equity accounting (continued)

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases, and the profit attributable to non-controlling interests is separately presented on the face of the consolidated statement of comprehensive income as an allocation of the profit or loss for the year between the non-controlling interests and the equity holders of the Company. Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company. For each business combination, other than business combination under common control, the Group measures the non-controlling interests at the proportionate share, of the acquisition date, of fair value of the subsidiary's net identifiable assets. Non-controlling interests at the end of the reporting period are presented in the consolidated statement of financial position within equity and consolidated statement of changes in equity, separately from the equity of the Company's equity holders. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised. When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

An associate is an entity, not being a subsidiary, in which the Group exercises significant influence, but not control, over its management. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's net identifiable assets over the cost of the investment (if any) after reassessment. Thereafter, the investment is adjusted for the Group's equity share of the post-acquisition changes in the associate's net assets and any impairment loss relating to the investment. When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation and equity accounting (continued)

All significant intercompany balances and transactions and unrealised gains arising from intercompany transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currencies translation

The accompanying consolidated financial statements are presented in Renminbi ("RMB"). The functional currency of the Company and its subsidiaries in mainland China is RMB. The functional currency of the Group's foreign operations is the currency of the primary economic environment in which the foreign operations operate. Transactions denominated in currencies other than the functional currency during the year are translated into the functional currency at the applicable rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into the functional currency using the applicable exchange rates at the end of the reporting period. The resulting exchange differences, other than those capitalised as construction in progress (Note 3(e)), are recognised as income or expense in profit or loss. For the years presented, no exchange differences were capitalised.

When preparing the Group's consolidated financial statements, the results of operations of the Group's foreign operations are translated into RMB at average rate prevailing during the year. Assets and liabilities of the Group's foreign operations are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are initially recorded at cost, less subsequent accumulated depreciation and impairment losses (Note 3(h)). The cost of an asset comprises its purchase price, any costs directly attributable to bringing the asset to working condition and location for its intended use and the cost of borrowed funds used during the periods of construction. Expenditure incurred after the asset has been put into operation, including cost of replacing part of such an item, is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and the cost can be measured reliably. All other expenditure is expensed as it is incurred.

Gains or losses arising from retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the respective asset and are recognised as income or expense in the profit or loss on the date of retirement or disposal.

Depreciation is provided to write off the cost of each asset over its estimated useful life on a straight-line basis, after taking into account its estimated residual value, as follows:

	Depreciable	
	lives primarily	Residual
	range from	rate
Buildings and improvements	8 to 30 years	3%
Communications network plant and equipment	5 to 10 years	0%-3%
Furniture, fixture, motor vehicles and other equipment	5 to 10 years	0%-3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value are reviewed annually.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Construction in progress

Construction in progress represents buildings, communications network plant and equipment and other equipment and intangible assets under construction and pending installation, and is stated at cost less impairment losses (Note 3(h)). The cost of an item comprises direct costs of construction, capitalisation of interest charge, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment and intangible assets when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(f) Goodwill

Goodwill represents the excess of the investment cost over the Group's interest in the fair value of the net assets acquired in the mobile communications business (as defined in Note 7) acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (Note 3(h)). On disposal of a cash generating unit during the year, any attributable amount of the goodwill is included in the calculation of the profit or loss on disposal.

(g) Intangible assets

The Group's intangible assets are primarily software.

Software that is not an integral part of any tangible assets, is recorded at cost less subsequent accumulated amortisation and impairment losses (Note 3(h)). Amortisation of software is mainly calculated on a straight-line basis over the estimated useful lives, which mainly range from 3 to 5 years.

(h) Impairment of goodwill and long-lived assets

The carrying amounts of the Group's long-lived assets, including property, plant and equipment, right-of-use assets, intangible assets with finite useful lives, construction in progress and contract costs included in other assets are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at each year end, or more frequently if events or changes in circumstances indicate that they might be impaired.

for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of goodwill and long-lived assets (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs of disposal and value in use. The recoverable amount of a tangible and an intangible asset is estimated individually. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The goodwill arising from a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised as an expense in profit or loss. Impairment loss recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A subsequent increase in the recoverable amount of an asset, when the circumstances and events that led to the write-down cease to exist, is recognised as an income in profit or loss. The reversal is reduced by the amount that would have been recognised as depreciation and amortisation had the write-down not occurred. An impairment loss in respect of goodwill is not reversed. For the years presented, no reversal of impairment loss was recognised in profit or loss.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have the rights to the assets, and obligation for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(j) Inventories

Inventories consist of materials and supplies used in maintaining the telecommunications network and goods for resale. Inventories are valued at cost using the specific identification method or the weighted average cost method, less a provision for obsolescence.

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs to make the sale and the related tax expenses.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular-way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

- (i) Financial assets measured subsequently at amortised cost Financial assets that meet the following conditions are subsequently measured at amortised cost:
 - the financial asset is held within a business model whose objective is to collect contractual cash flows; and
 - the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

At initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income, and accumulate in other reserves, if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3, "Business Combinations" applies. These equity instruments are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividend from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "investment income and others" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "investment income and others" line item.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, financial assets included in prepayments and other current assets, short-term bank deposits and restricted cash, cash and cash equivalents) and other item (contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable and contract assets. The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired debtors, and collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics, nature of services provided as well as type of customers, such as receivable from telephone and Internet subscribers and from enterprise customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on the historical data and forward-looking information. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for accounts receivable (excluding long-term receivables arising from instalment sale) and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments measured at amortised cost by adjusting their carrying amount, with the exception of accounts receivable and other receivables where the corresponding adjustment is recognised through a loss allowance account.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including short-term and long-term debts, accounts payable and financial liabilities included in accrued expenses and other payables are subsequently measured at amortised cost, using the effective interest method.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(I) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and time deposits with original maturities of three months or less when purchased. Cash equivalents are stated at cost, which approximates fair value.

(m) Revenue from contract with customers

The Group recognises revenue when (or as) a performance obligation is satisfied. i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Groups performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

As such, revenues from contracts with customers of telecommunications services are generally recognised over time during which the services are provided to customers.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service. As such, revenues from sales of equipment are recognised at a point in time when the equipment is delivered to the customers and when the control over the equipment have been transferred to the customers.

for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contract with customers (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer but the right is conditioned on the Group's future performance. A contract asset is transferred to accounts receivable when the right becomes unconditional. A contract asset is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. When the Group receives an advance payment before the performance obligation is satisfied, this will give rise to a contract liability, until the operating revenues recognised on the relevant contract exceed the amount of the advance payment.

The Group provides subscriber points reward program, which rewards customers based on their consumption amounts and loyalty. Under the reward program, the Group allocates part of the transaction price to subscriber points according to the stand-alone selling prices of subscriber points and relevant goods or services. The standalone selling price of each point in the customer point rewards is based on its fair value. The allocated portion of transaction price for the subscriber points reward is recorded as contract liability when the rewards are granted and recognised as revenue when the points are redeemed or expired.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contract with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is generally measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Consideration payable to a customer

Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer, and also includes credit or other items that can be applied against amounts owed to the Group. The Group accounted for such consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group and the fair value of the good or service received from the customer can be reasonably estimated. Accordingly, if consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs: (i) the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

Certain subsidies payable to third party agent incurred by the Group in respect of customer contracts, which will be ultimately enjoyed by end customers, and other subsidies incurred by the Group directly payable to its customers, are qualified as consideration payable to a customer and accounted for as a reduction of operating revenues.

for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue from contract with customers (continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Certain commissions incurred by the Group paid or payable to third party agents, whose selling activities resulted in customers entering into telecommunications service agreements with the Group, are qualified as incremental costs. The Group recognises such costs as an asset, included in other assets, if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Costs to fulfil a contract

When the Group incurs costs to fulfil a contract, it first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of assessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

Since 2020, in relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group had elected to early apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021, which has been extended to lease payments due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

Covid-19-related rent concessions (continued)

As a result of applying the practical expedient, the Group accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases (continued)

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modifications

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(o) Net finance costs

Net finance costs comprise interest income on bank deposits, interest costs on borrowings, interest expense on lease liabilities and foreign exchange gains and losses. Interest income from bank deposits is recognised as it accrues using the effective interest method.

Interest costs incurred in connection with borrowings are calculated using the effective interest method and are expensed as incurred, except to the extent that they are capitalised as being directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Research and development expense

Research and development expenditure is expensed as incurred if the criteria of recognition as intangible assets were not met. For the year ended 31 December 2021, research and development expense, other than those related personnel expenses and depreciation was RMB3,379 million (2020: RMB2,215 million). Research and development related personnel expenses and depreciation for the year ended 31 December 2021 amounted to RMB3,432 million (2020: RMB2,392 million) and RMB122 million (2020: RMB130 million), respectively.

(q) Employee benefits

The Group's contributions to defined contribution retirement plans administered by the PRC government and defined contribution retirement plans administered by independent external parties are recognised in profit or loss as incurred. Further information is set out in Note 45.

Compensation expense in respect of the share appreciation rights granted is accrued as a charge to the profit or loss over the applicable vesting period based on the fair value of the share appreciation rights. The liability of the accrued compensation expense is re-measured to fair value at the end of each reporting period with the effect of changes in the fair value of the liability charged or credited to profit or loss. Further details of the Group's share appreciation rights scheme are set out in Note 46.

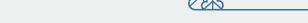
(r) Government grants

Government grants shall only be recognised until there is reasonable assurance that:

- the Group will comply with all the conditions attaching to them; and
- the grants will be received.

Government grants that compensate expenses incurred are recognised in the consolidated statement of comprehensive income in the same periods in which the expenses are incurred.

Government grants relating to assets are recognised in accrued expenses and other payables and other non-current liabilities and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions and contingent liabilities

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Value-added tax ("VAT")

Output VAT rate for basic telecommunications services (including voice communication, lease or sale of network resources) is 9% since 1 April 2019, while the output VAT rate for value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%, and the output VAT for sales of telecommunications terminals and equipment is 13% since 1 April 2019. Input VAT rate depends on the type of services received and the assets purchased as well as the VAT rate applicable to a specific industry, and ranges from 3% to 13% since 1 April 2019.

Output VAT is excluded from operating revenues while input VAT is excluded from operating expenses or the original cost of equipment purchased and can be netted against the output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by branches and subsidiaries of the Company, input and output VAT are set off at branches and subsidiaries levels which are not offset at the consolidation level. Such net amount of VAT recoverable or payable is recorded in the financial statement line items of prepayments and other current assets and accrued expenses and other payables, respectively, in the consolidated statement of financial position.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Income tax

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. The amount of deferred tax is calculated on the basis of the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged or credited to profit or loss, except for the effect of a change in tax rate on the carrying amount of deferred tax assets and liabilities which were previously recognised in other comprehensive income, in such case the effect of a change in tax rate is also recognised in other comprehensive income.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group considers that assets and liabilities relating to leasing arise from a single transaction. The Group applies IAS 12, "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

(v) Dividends

Dividends are recognised as a liability in the period in which they are declared.



for the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) The entity is an associate or joint venture of the Group (or an associate or joint venture of a member of a group of which the Group is a member); or the Group is an associate or joint venture of the entity (or an associate or joint venture of a member of a group of which the entity is a member);
 - (iii) The entity and the Group are joint ventures of the same third party;
 - (iv) The entity is a joint venture of a third entity and the Group is an associate of the third entity; or the Group is a joint venture of a third entity and the entity is an associate of the third entity;
 - (v) The entity is controlled or jointly controlled by a person identified in (a);
 - (vi) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) Segment reporting

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



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4. PROPERTY, PLANT AND EQUIPMENT, NET

		Communications	Furniture, fixture,	
	Buildings and	network plant	motor vehicles and	
	improvements	and equipment	other equipment	Total
	RMB million	RMB million	RMB million	RMB million
Cost/Deemed cost:				
Balance as at 1 January 2020	104,365	865,717	31,635	1,001,717
Additions	425	139	253	817
Transferred from construction in progress	2,249	84,567	1,791	88,607
Retirement and disposal	(1,435)	(53,500)	(3,039)	(57,974)
Reclassification	(10)	(512)	522	-
Balance as at 31 December 2020	105,594	896,411	31,162	1,033,167
Additions	284	175	325	784
Transferred from construction in progress	2,466	72,260	1,625	76,351
Retirement and disposal	(1,146)	(74,532)	(2,960)	(78,638)
Balance as at 31 December 2021	107,198	894,314	30,152	1,031,664
Accumulated depreciation and impairment:				
Balance as at 1 January 2020	(61,785)	(506,357)	(23,567)	(591,709)
Depreciation charge for the year	(4,196)	(64,208)	(2,038)	(70,442)
Provision for impairment loss	-	(5,027)	(15)	(5,042)
Written back on retirement and disposal	1,324	48,451	2,856	52,631
Reclassification	8	401	(409)	_
Balance as at 31 December 2020	(64,649)	(526,740)	(23,173)	(614,562)
Depreciation charge for the year	(3,997)	(65,113)	(2,396)	(71,506)
Provision for impairment loss	-	(119)	(2)	(121)
Written back on retirement and disposal	1,022	66,735	2,749	70,506
Balance as at 31 December 2021	(67,624)	(525,237)	(22,822)	(615,683)
Net book value as at 31 December 2021	39,574	369,077	7,330	415,981
Net book value as at 31 December 2020	40,945	369,671	7,989	418,605



for the year ended 31 December 2021

4. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

As a result of the continuing optimisation of the Group's 4G mobile network coverage and the scale deployment of the Group's 5G mobile network, the utilisation of the Group's 3G mobile network have been decreasing rapidly. For the year ended 31 December 2020, 3G handset data traffic only accounted for a low proportion of the Group's total handset data traffic. As a result, the Group has identified an impairment indicator on the 3G specific mobile network assets (the "3G Assets"). Given the Group has made a commitment in the year to gradually terminate its use of 3G Assets in the near future, the Group performed an impairment test on the 3G Assets on the basis of each individual asset as at 31 December 2020. The recoverable amount of the 3G Assets was determined based on their fair value less costs of disposal, which was nominal. As a result, for the year ended 31 December 2020, an impairment loss on property, plant and equipment of RMB5,042 million was recognised. No additional impairment was provided for the year ended 31 December 2021.

5. CONSTRUCTION IN PROGRESS

	RMB million
Balance as at 1 January 2020	59,206
Additions	84,145
Transferred to property, plant and equipment	(88,607)
Transferred to intangible assets	(6,319)
Balance as at 31 December 2020	48,425
Additions	85,582
Transferred to property, plant and equipment	(76,351)
Transferred to intangible assets	(6,200)
Balance as at 31 December 2021	51,456



for the year ended 31 December 2021

6. RIGHT-OF-USE ASSETS

			Communications			
	Leasehold		towers and			
	land	Buildings	related assets	Equipment	Others	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
As at 31 December 2021						
Carrying amount	20,207	16,677	13,034	10,927	341	61,186
As at 31 December 2020						
Carrying amount	20,441	8,672	18,866	11,230	248	59,457
For the year ended 31 December 2021						
Depreciation charge	762	3,644	8,078	2,513	99	15,096
For the year ended 31 December 2020						
Depreciation charge	745	3,626	7,642	2,151	78	14,242

The Group leases telecommunications towers and related assets, land and buildings, equipment and other assets for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for buildings and other assets. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in this note.

For the year ended 31 December 2021, expenses relating to short-term leases amounting to RMB1,006 million (2020: RMB1,077 million), expenses relating to leases of low value assets (excluding short-term leases of low value assets) amounting to RMB34 million (2020: RMB46 million) and variable lease payments not included in the measurement of lease liabilities amounting to RMB5,151 million (2020: RMB5,151 million), are recognised in profit or loss.

For the year ended 31 December 2021, total cash outflow for leases was RMB21,952 million (2020: RMB20,798 million), and additions to right-of-use assets were RMB18,081 million (2020: RMB13,561 million).

for the year ended 31 December 2021

7. GOODWILL

	31 December	
	2021	2020
	RMB million	RMB million
Cost:		
Goodwill arising from acquisition of mobile		
communications business	29,919	29,920

On 1 October 2008, the Group acquired the mobile communications business and related assets and liabilities, which also included the entire equity interests of China Unicom (Macau) Company Limited (currently known as China Telecom (Macau) Company Limited) and 99.5% equity interests of Unicom Huasheng Telecommunications Technology Company Limited (currently known as Tianyi Telecom Terminals Company Limited) from China Unicom Limited and China Unicom Corporation Limited (collectively "Unicom Group"). The purchase price of the business combination was RMB43,800 million, which was fully settled as at 31 December 2010. In addition, pursuant to the acquisition agreement, the Group acquired the customer-related assets and assumed the customer-related liabilities of mobile communications business for a net settlement amount of RMB3,471 million due from Unicom Group. This amount was subsequently settled by Unicom Group in 2009. The business combination was accounted for using the purchase method.

The goodwill recognised in the business combination is attributable to the skills and technical talent of the acquired business's workforce, and the synergies expected to be achieved from integrating and combining the mobile communications business into the Group's telecommunications business.

For the purpose of goodwill impairment testing, the goodwill arising from the acquisition of mobile communications business was allocated to the appropriate cash-generating unit of the Group, which is the Group's integrated telecommunications business. The recoverable amount of the Group's integrated telecommunications business is estimated based on the value in use model, which considers the Group's financial budgets covering a five-year period, revenue growth rate between 3.7% to 4.6% (2020: 3.6% to 4.3%) and a pre-tax discount rate of 9.8% (2020: 9.6%). Cash flows beyond the five-year period are extrapolated using a steady 1.5% growth rate (2020: 1.5%). The Group performed impairment tests for the goodwill at the end of the reporting period and determined that goodwill was not impaired. The Group believes any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its recoverable amount to be less than carrying amount.



for the year ended 31 December 2021

8. INTANGIBLE ASSETS

Software RMB million

Cost: Balance as at 1 January 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020 Amortisation charge for the year	
Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	
Transferred from construction in progress Retirement and disposal Balance as at 31 December 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	43,794
Retirement and disposal Balance as at 31 December 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	1,489
Balance as at 31 December 2020 Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	6,319
Additions Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	(748)
Transferred from construction in progress Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	50,854
Retirement and disposal Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	2,038
Balance as at 31 December 2021 Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	6,200
Accumulated amortisation and impairment: Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	(3,352)
Balance as at 1 January 2020 Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	55,740
Amortisation charge for the year Written back on retirement and disposal Balance as at 31 December 2020	
Written back on retirement and disposal Balance as at 31 December 2020	(27,445)
Balance as at 31 December 2020	(5,556)
	655
Amortisation charge for the year	(32,346)
	(6,363)
Written back on retirement and disposal	2,722
Balance as at 31 December 2021	(35,987)
Net book value as at 31 December 2021	19,753
Net book value as at 31 December 2020	18,508



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9. INVESTMENTS IN SUBSIDIARIES

Details of the Company's subsidiaries which principally affected the operating results, assets and liabilities of the Group as at 31 December 2021 are as follows:

Name of company	Type of legal entity	Date of incorporation	Place of incorporation and operation	Registered/issued capital (in RMB million unless otherwise stated)	Principal activity
China Telecom System Integration Co., Limited	Limited Company	13 September 2001	PRC	542	Provision of system integration and consulting services
China Telecom Global Limited	Limited Company	25 February 2000	Hong Kong Special Administrative Region of the PRC	HK\$168 million	Provision of telecommunications services
China Telecom Best Tone Information Service Co., Limited	Limited Company	15 August 2007	PRC	350	Provision of Best Tone information services
China Telecom (Macau) Company Limited	Limited Company	15 October 2004	Macau Special Administrative Region of the PRC	MOP60 million	Provision of telecommunications services
Tianyi Telecom Terminals Company Limited	Limited Company	1 July 2005	PRC	500	Sales of telecommunications terminals
China Telecom (Singapore) Pte. Limited	Limited Company	5 October 2006	Singapore	S\$1,000,001	Provision of international value-added network services
Shenzhen Shekou Telecommunications Company Limited	Limited Company	5 May 1984	PRC	91	Provision of telecommunications services
China Telecom (Australia) Pty Limited	Limited Company	10 January 2011	Australia	AUD1 million	Provision of international value-added network services
China Telecom Korea Co., Ltd.	Limited Company	16 May 2012	South Korea	KRW500 million	Provision of international value-added network services
China Telecom (Malaysia) SDN BHD	Limited Company	26 June 2012	Malaysia	MYR3,723,500	Provision of international value-added network services



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9. INVESTMENTS IN SUBSIDIARIES (continued)

				Registered/issued	
			Place of	capital (in RMB	
	Type of	Date of	incorporation and	million unless	Principal
Name of company	legal entity	incorporation	operation	otherwise stated)	activity
China Telecom Information Technology (Vietnam) Co., Ltd.	Limited Company	9 July 2012	Vietnam	VND10,500 million	Provision of international value-added network services
iMUSIC Culture & Technology Co., Ltd.	Limited Company	9 June 2013	PRC	250	Provision of music production and related information services
China Telecom (Europe) Limited	Limited Company	2 March 2006	The United Kingdom of Great Britain and Northern Ireland	GBP16.15 million	Provision of telecommunications services
Zhejiang Yixin Technology Co., Ltd.	Limited Company	19 August 2013	PRC	11	Provision of instant messenger service
Tianyi Capital Holding Co., Ltd.	Limited Company	30 November 2017	PRC	5,000	Capital investment and provision of consulting services
China Telecom Group Finance Co., Ltd. ("Finance Company")	Limited Company	8 January 2019	PRC	5,000	Provision of capital and financial management services
China Telecom Cloud Technology Co., Ltd.	Limited Company	1 July 2021	PRC	4,000	Provision of cloud products and services
E-surfing Digital Life Technology Co., Ltd.	Limited Company	6 July 2021	PRC	900	Provision of comprehensive solutions related to the digital life

Except for Shenzhen Shekou Telecommunications Company Limited which is 51% owned by the Company, Zhejiang Yixin Technology Co., Ltd. which is 65% owned by the Company and Finance Company, which is 70% owned by the Company, all of the above subsidiaries are directly or indirectly wholly-owned by the Company. No subsidiaries of the Group have material non-controlling interests. None of the subsidiaries had issued any debt securities at the end of the year.



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10. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	31 December	
	2021	2020
	RMB million	RMB million
Cost of investment in associates and joint ventures	36,983	37,168
Share of post-acquisition changes in net assets	4,183	3,135
	41,166	40,303

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

	Attributable	
Name of company	equity interest	Principal activities
China Tower Corporation Limited	20.5%	Construction, maintenance and operation of
(Note (i))		communications towers as well as ancillary
		facilities
Shanghai Information Investment	24.0%	Provision of information technology consultancy
Incorporation (Note (ii))		services

Notes:

- (i) China Tower Corporation Limited ("China Tower") is established and operated in the PRC, and listed on the Main Board of The Stock Exchange of Hong Kong Limited on 8 August 2018.
- (ii) Shanghai Information Investment Incorporation ("Shanghai Info-investment") is established and operated in the PRC and is not traded on any stock exchange.



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10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Summarised financial information of the Group's principal associates and reconciled to the carrying amounts of interests in associates in the Group's consolidated financial statements are disclosed below:

China Tower

	31 Dece	ember
	2021	2020
	RMB million	RMB million
Current assets	48,344	43,204
Non-current assets	274,915	294,176
Current liabilities	76,182	106,635
Non-current liabilities	57,723	44,499
	2021	2020
	RMB million	RMB million
Operating revenues	86,585	81,099
Profit for the year	7,328	6,427
Other comprehensive income for the year	(1)	_
Total comprehensive income for the year	7,327	6,427
Dividend received from China Tower	807	525

Reconcile to the Group's interests in the associate:

	31 December	
	2021	2020
	RMB million	RMB million
Net assets of China Tower	189,354	186,246
Non-controlling interests of China Tower	-	(1)
The Group's effective interest in China Tower	20.5%	20.5%
The Group's share of net assets of China Tower	38,818	38,180
Adjustment for the remaining balance of the deferred gain		
from the Tower Assets Disposal	(568)	(717)
Carrying amount of the interest in China Tower in the consolidated		
financial statements of the Group	38,250	37,463
Fair value of China Tower calculated based on quoted price	25,374	34,625



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10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Shanghai Info-investment

	31 Dece	ember
	2021	2020
	RMB million	RMB million
Current assets	6,783	4,752
Non-current assets	4,272	5,878
Current liabilities	1,712	2,124
Non-current liabilities	1,814	1,803
	2021	2020
	RMB million	RMB million
Operating revenues	1,470	982
Profit for the year	663	641
Other comprehensive income for the year	-	(17)
Total comprehensive income for the year	663	624
Dividend received from Shanghai Info-investment	18	14

Reconcile to the Group's interests in the associate:

31 December 2021 2020 **RMB** million RMB million Net assets of the Shanghai Info-investment 7,529 6,703 Non-controlling interests of Shanghai Info-investment (258)(83)The Group's effective interest in Shanghai Info-investment 24.0% 24.0% The Group's share of net assets of Shanghai Info-investment 1,745 1,589 Carrying amount of the interest in Shanghai Info-investment in the consolidated financial statements of the Group 1,745 1,589



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10. INTERESTS IN ASSOCIATES AND JOINT VENTURES (continued)

Aggregate financial information of the Group's associates and joint ventures that are not individually material is disclosed below:

	2021	2020
	RMB million	RMB million
The Group's share of profit of these associates and joint ventures	122	86
The Group's share of total comprehensive income of these associates		
and joint ventures	122	86
	31 Dece	mber
	2021	2020
	RMB million	RMB million
Aggregate carrying amount of interests in these associates and joint		
ventures in the consolidated financial statements of the Group	1,171	1,251

11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

31 December

		2021	2020
	Notes	RMB million	RMB million
Equity securities listed in the mainland China	(i)	942	838
Unlisted equity securities	(ii)	274	235
		1,216	1,073

Notes:

- (i) The above listed equity instruments represent ordinary shares of entities listed in the mainland China. These investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.
- (ii) The above unlisted equity securities represent the Group's equity interests in various private entities established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that the Group will hold these investments for long-term strategic purposes.



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12. DEFERRED TAX ASSETS AND LIABILITIES

The components of deferred tax assets and deferred tax liabilities recognised in the consolidated statement of financial position before offsetting are as follows:

	Deferred tax assets		Deferred ta	x liabilities
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RMB million	RMB million	RMB million	RMB million
Accrued salaries, wages and other benefits	1,416	930	-	_
Depreciation, write-off and impairment of				
property, plant and equipment, etc.	5,905	5,679	(30,202)	(25,209)
Impairment losses of accounts receivable	1,140	1,039	-	_
Subscriber points reward program	1,058	863	-	_
Right-of-use assets and lease liabilities	845	791	-	_
Equity instruments at fair value through				
other comprehensive income	-	-	(151)	(137)
Deferred tax assets/(liabilities)	10,364	9,302	(30,353)	(25,346)

As at 31 December 2021, the offsetting amount of deferred tax assets and deferred tax liabilities was RMB3,676 million (31 December 2020: RMB1,138 million). As at 31 December 2021, net deferred tax assets and deferred tax liabilities after offsetting were RMB6,688 million (31 December 2020: RMB8,164 million) and RMB26,677 million (31 December 2020: RMB24,208 million), respectively.



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12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The movement of deferred tax assets and deferred tax liabilities are as follows:

		Recognised in		
		consolidated		
	Balance as at	statement of		Balance as at
	1 January	comprehensive	Disposal of	31 December
	2021	income	subsidiaries	2021
	RMB million	RMB million	RMB million	RMB million
Accrued salaries, wages and other benefits	930	487	(1)	1,416
Depreciation, write-off and impairment of property,				
plant and equipment, etc.	5,679	255	(29)	5,905
Impairment losses of accounts receivable	1,039	121	(20)	1,140
Subscriber points reward program	863	195	-	1,058
Right-of-use assets and lease liabilities	791	54	-	845
Deferred tax assets	9,302	1,112	(50)	10,364
Depreciation, write-off and impairment of property,				
plant and equipment, etc.	(25,209)	(5,007)	14	(30,202)
Equity instruments at fair value through other				
comprehensive income	(137)	(15)	1	(151)
Deferred tax liabilities	(25,346)	(5,022)	15	(30,353)



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12. DEFERRED TAX ASSETS AND LIABILITIES (continued)

		Recognised in	
		consolidated	
	Balance as at	statement of	Balance as at
	1 January	comprehensive	31 December
	2020	income	2020
	RMB million	RMB million	RMB million
Accrued salaries, wages and other benefits	802	128	930
Depreciation, write-off and impairment of property,			
plant and equipment, etc.	4,256	1,423	5,679
Impairment losses of accounts receivable	1,067	(28)	1,039
Subscriber points reward program	708	155	863
Right-of-use assets and lease liabilities	744	47	791
Deferred tax assets	7,577	1,725	9,302
Depreciation, write-off and impairment of property,			
plant and equipment, etc.	(18,844)	(6,365)	(25,209)
Equity instruments at fair value through other			
comprehensive income	(234)	97	(137)
Deferred tax liabilities	(19,078)	(6,268)	(25,346)

13. OTHER ASSETS

31 December

		2021	2020
	Note	RMB million	RMB million
Contract costs	(i)	1,436	1,151
Installation fees		_	16
Other long-term prepaid expenses and receivables		5,825	5,385
		7,261	6,552

Note:

⁽i) Contract costs capitalised as at 31 December 2021 and 2020 mainly relate to the cost of installing terminal equipment at subscribers' homes for the provision of Smart Family services of the Group. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2021 was RMB1,584 million (2020: RMB1,234 million). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.



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14. JOINT OPERATION

On 9 September 2019, the Group entered into a framework cooperation agreement (the "Cooperation Agreement") with China United Network Communications Corporation Limited ("China Unicom") to co-build and co-share certain 5G access network. Pursuant to the Cooperation Agreement, the Group and China Unicom delineate and designate the regions to jointly construct and operate one 5G access network nationwide. In certain regions, the 5G access network is constructed, operated and maintained by China Unicom, while the Group operates its 5G business relying on China Unicom's network; whereas in other regions where the 5G access network is constructed, operated and maintained by the Group, China Unicom operates its 5G business relying on the Group's network.

Pursuant to the Cooperation Agreement, the Group and China Unicom co-share 5G spectrum resources while the 5G core network is respectively constructed, operated and maintained by each party. Both parties jointly ensure an unified standard on network planning, construction, operation, maintenance and service quality in the 5G network co-build and co-share regions, and assure the same service level be delivered.

The 5G network co-build and co-share arrangement is agreed by the Group and China Unicom through coordination and promotion institution jointly established by both parties, in order to set up the relevant mechanism, system and rules with unanimous consensus reached by both parties. The main function of such joint coordination and promotion institution is to carry out joint network planning and investment decision, project initiation and acceptance and other related works, such as the determination of the location of 5G base stations and the types of equipment to be used, and coordinate the operation and maintenance of 5G cobuild and co-share network in order to ensure the effective implementation of the Cooperation Agreement. For example, the timing, scale and location of the 5G base station construction, selection of equipment and appointment of maintenance suppliers across all regions are all negotiated and agreed by both parties with unanimous consensus.

Under the joint operation, the business and branding of each party continue to operate independently, and the subscribers to the services are owned by each party, respectively. Revenues derived from each party's subscribers are recognised by each party independently; cost and expenses are assumed by each party respectively; while assets constructed by each party and the related liabilities are recognised and assumed by each respective party.



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15. INVENTORIES

	31 December	
	2021	2020
	RMB million	RMB million
Materials and supplies	410	484
Goods for resale	3,417	2,833
	3,827	3,317

16. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

		31 December	
		2021	2020
	Note	RMB million	RMB million
Third parties		25,067	23,688
China Telecom Group	(i)	1,889	1,784
China Tower		9	23
Other telecommunications operators in the PRC		475	441
		27,440	25,936
Less: Allowance for credit losses		(5,051)	(4,434)
		22,389	21,502

Note:

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



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16. ACCOUNTS RECEIVABLE, NET (continued)

As at 31 December 2021 and 2020, the gross carrying amounts of accounts receivable from contracts with customers amounted to RMB27,339 million, and RMB25,836 million.

Ageing analysis of accounts receivable from telephone and Internet subscribers based on the billing dates is as follows:

	31 December	
	2021	2020
	RMB million	RMB million
Current, within 1 month	7,164	7,068
1 to 3 months	1,683	1,601
4 to 12 months	1,620	1,481
More than 12 months	1,079	921
	11,546	11,071
Less: Allowance for credit losses	(2,690)	(2,438)
	8,856	8,633

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers based on dates of rendering of services is as follows:

	31 December	
	2021	2020
	RMB million	RMB million
Current, within 1 month	6,041	5,331
1 to 3 months	2,963	2,785
4 to 12 months	3,486	3,801
More than 12 months	3,404	2,948
	15,894	14,865
Less: Allowance for credit losses	(2,361)	(1,996)
	13,533	12,869

As at 31 December 2021 and 2020, included in the net balance of the Group's accounts receivable are debtors with an aggregate carrying amount of RMB1,790 million and RMB1,694 million, respectively, which are past due as at the reporting date.

Details of impairment assessment of accounts receivable for the year ended 31 December 2021 and 2020 are set out in Note 40.



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17. CONTRACT ASSETS

	31 Dece	ember
	2021	2020
	RMB million	RMB million
Gross carrying amount:		
Third parties	792	564
China Telecom Group	139	49
	931	613
Less: Provision for impairment loss	(19)	(9)
	912	604

Contract assets mainly arise from contracts for the provision of industrial digitalisation services. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle which is generally within a year.

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December		mber
		2021	2020
	Note	RMB million	RMB million
Amounts due from China Telecom Group	(i)	2,756	1,189
Amounts due from China Tower		63	138
Amounts due from other telecommunications			
operators in the PRC		207	204
Other receivables		4,404	6,569
Less: Provision for impairment loss		(508)	(508)
Prepayments in connection with terminal equipment			
purchases		4,843	6,080
Prepaid expenses and deposits		3,184	2,994
Value-added tax recoverable		9,636	8,501
		24,585	25,167

Note:

⁽i) As at 31 December 2021, amounts due from China Telecom Group included a short-term loan of RMB2,000 million granted to China Telecom Group by Finance Company, and an impairment allowance recognised at RMB40 million. The interest rate of the loan is 3.43% per annum.



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19. CASH AND CASH EQUIVALENTS

	31 December		
	2021	2020	
	RMB million	RMB million	
Cash at bank and in hand	71,757	23,193	
Time deposits with original maturity within three months	1,524	491	
	73,281	23,684	

20. SHORT-TERM AND LONG-TERM DEBTS

Short-term debts comprise:

	31 December		
	2021	2020	
	RMB million	RMB million	
Loans from banks – unsecured	2,821	4,831	
Super short-term commercial papers – unsecured	-	11,999	
Loans from China Telecom Group – unsecured	-	11,164	
Total short-term debts	2,821	27,994	

The weighted average interest rate of the Group's total short-term debts as at 31 December 2021 was 3.7% (31 December 2020: 2.8%) per annum. As at 31 December 2021, the Group's loans from banks and other loans bear interest at rates ranging from 3.3% to 4.4% (31 December 2020: 3.3% to 4.4%) per annum, and are repayable within one year; as at 31 December 2020, super short-term commercial papers bear interest at rates ranging from 1.6% to 2.5% per annum, which were fully repaid in 2021; the loans from China Telecom Group bear interest at rate of 3.1% (31 December 2020: 3.1%) per annum, and were fully repaid in 2021.



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20. SHORT-TERM AND LONG-TERM DEBTS (continued)

Long-term debts comprise:

		31 Dec	ember
	Interest rates and final maturity	2021	2020
		RMB million	RMB million
Bank loans – unsecured			
Renminbi denominated (Note (i))	Interest rates ranging from 1.08% to		
	1.20% per annum with maturities		
	through 2036	6,179	6,975
US Dollars denominated	Interest rates ranging from 1.25% to		
	2.00% per annum with maturities		
	through 2028	185	224
Euro denominated	Interest rate of 2.30% per annum		
	with maturities through 2032	114	152
		6,478	7,351
Other loans – unsecured			
Renminbi denominated		1	1
Medium-term notes – unsecured (No	te (ii))	5,150	4,996
Company bonds – unsecured (Note ((iii))	2,046	2,000
Loans from China Telecom Group) –		
unsecured			
Renminbi denominated (Note (iv))		-	11,000
Total long-term debts		13,675	25,348
Less: Current portion		(6,280)	(1,126)
Non-current portion		7,395	24,222



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20. SHORT-TERM AND LONG-TERM DEBTS (continued)

Long-term debts comprise: (continued)

Notes:

- (i) The Group obtained long-term RMB denominated government loans with below-market interest rates ranging from 1.08% to 1.20% per annum through banks (the "Low-interest Loans"). The Group recognised the Low-interest Loans at their fair value on initial recognition, and accreted the discount to profit or loss using the effective interest rate method. The difference between the fair value and face value of the Low-interest Loans was recognised as government grants in accrued expenses and other payables and other non-current liabilities.
- (ii) On 22 January 2019, the Group issued a three-year RMB denominated medium-term note, amounting to RMB3,000 million, with interest rate of 3.42% per annum, and incurred issuing costs of RMB3 million. The medium-term note is unsecured and is repayable on 21 January 2022.
 - On 19 March 2019, the Group issued a three-year RMB denominated medium-term note, amounting to RMB2,000 million, with interest rate of 3.41% per annum and incurred issuing costs of RMB3 million. The medium-term note is unsecured and is repayable on 18 March 2022.
- (iii) On 10 March 2020, the Group issued three-year RMB denominated company bonds, amounting to RMB2,000 million, to qualified investors on Shanghai Stock Exchange, with interest rate of 2.90% per annum. The company bonds are unsecured and are repayable on 9 March 2023.
- (iv) On 25 December 2017, the Group obtained long-term RMB denominated loans, amounting to RMB40,000 million, from China Telecommunications Corporation, with interest rate of 3.8% per annum, which are repayable within 3 to 5 years. The Group fully repaid these loans amounting to RMB3,000 million, RMB13,700 million, RMB12,300 million and RMB11,000 million in 2018, 2019, 2020 and 2021 respectively.

The aggregate maturities of the Group's long-term debts subsequent to 31 December 2021 are as follows:

	31 December		
	2021	2020	
	RMB million	RMB million	
Within 1 year	6,280	1,126	
Between 1 to 2 years	3,103	17,081	
Between 2 to 3 years	1,028	3,009	
Between 3 to 4 years	995	984	
Between 4 to 5 years	647	952	
Thereafter	1,622	2,196	
	13,675	25,348	

The Group's short-term and long-term debts do not contain any financial covenants. As at 31 December 2021, the Group had unutilised credit facilities amounting to RMB276,483 million (31 December 2020: RMB244,326 million).



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21. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	31 December		
	2021	2020	
	RMB million	RMB million	
Third parties	89,299	83,254	
China Telecom Group	21,015	19,272	
China Tower	3,914	4,344	
Other telecommunications operators in the PRC	667	708	
	114,895	107,578	

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

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

	31 December		
	2021	2020	
	RMB million	RMB million	
Due within 1 month or on demand	20,293	17,261	
Due after 1 month but within 3 months	23,965	24,451	
Due after 3 months but within 6 months	36,338	30,965	
Due after 6 months	34,299	34,901	
	114,895	107,578	



for the year ended 31 December 2021

22. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December		
		2021	2020
	Note	RMB million	RMB million
Amounts due to China Telecom Group		15,249	11,279
Amounts due to China Tower		1,596	1,192
Amounts due to other telecommunications			
operators in the PRC		22	34
Accrued expenses		24,041	31,356
Advanced payment received in respect of			
contribution from non-controlling interests	(i)	-	978
Value-added tax payable		1,029	600
Deposits and rental receipt in advance		5,777	5,807
Accrued salaries, wages and other benefits		8,051	5,807
		55,765	57,053

Note:

23. CONTRACT LIABILITIES

	31 December		
	2021	2020	
	RMB million	RMB million	
Third parties	70,713	63,629	
China Telecom Group	198	217	
China Tower	3	3	
	70,914	63,849	

Majority of contract liabilities as at 31 December 2020 was recognised as operating revenues for the year ended 31 December 2021.

⁽i) For the year ended 31 December 2020, E-surfing Pay, a then subsidiary of the Company, received RMB978 million advanced payment in respect of contribution from non-controlling interests.



for the year ended 31 December 2021

24. LEASE LIABILITIES

	31 December		
	2021	2020	
	RMB million	RMB million	
Within one year	13,809	13,192	
Within a period of more than one year but not more than two years	8,779	12,585	
Within a period of more than two years but not more than five years	14,447	11,138	
Within a period of more than five years	5,367	3,732	
	42,402	40,647	
Less: Current portion	(13,809)	(13,192)	
Non-current portion	28,593	27,455	

25. SHARE CAPITAL

	31 December		
	2021	2020	
	RMB million	RMB million	
Registered, issued and fully paid			
77,629,728,699 A shares (31 December 2020: 67,054,958,321			
ordinary domestic shares) of RMB1.00 each	77,630	67,055	
13,877,410,000 overseas listed H shares of RMB1.00 each	13,877	13,877	
	91,507	80,932	

For the year ended 31 December 2021, the Company completed the A Share Offering and the total number of the shares issued in the A Share Offering was 10,574,770,378 shares at an offering price of RMB4.53 per share. On 20 August 2021, all 67,054,958,321 domestic shares of the Company were converted into the same number of A shares.



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26. RESERVES

The Group

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	General risk reserve RMB million (Note (v))	Other reserves RMB million (Note (ii))	Exchange reserves RMB million	Retained earnings RMB million	Total RMB million
Balance as at 1 January 2020	17,504	10,746	78,043	23	615	(625)	165,272	271,578
Total comprehensive income for the year	-	-	-	-	(294)	(312)	20,850	20,244
Share of associates and joint ventures' other changes in reserves	(36)	-	-	-	-	-	-	(36)
Dividends (Note 37)	-	-	-	-	-	-	(9,262)	(9,262)
Appropriations to statutory surplus reserve (Note (iii))	-	-	1,811	-	-	-	(1,811)	-
Appropriations to general risk reserve (Note (v))	-	-	-	33	-	-	(33)	
Balance as at 31 December 2020	17,468	10,746	79,854	56	321	(937)	175,016	282,524
Total comprehensive income for the year	-	-	-	-	5	(233)	25,948	25,720
Issuance of shares upon A Shares Offering, net of issuing expenses	-	36,941	-	-	-	-	-	36,941
Contribution from non-controlling interests	463	-	-	-	-	-	-	463
Disposal of subsidiaries	-	-	-	(3)	(28)	-	31	-
Share of associates and joint ventures' other changes in reserves	(42)	-	-	-	-	-	-	(42)
Dividends (Note 37)	-	-	-	-	-	-	(8,439)	(8,439)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,423	-	-	-	(2,423)	-
Appropriations to general risk reserve (Note (v))	-	-	-	44	-	-	(44)	-
Balance as at 31 December 2021	17,889	47,687	82,277	97	298	(1,170)	190,089	337,167



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26. RESERVES (continued)

The Company

	Capital reserve RMB million (Note (i))	Share premium RMB million	Surplus reserves RMB million (Note (iii))	Other reserves RMB million (Note (ii))	Retained earnings RMB million (Note (iv))	Total RMB million
Balance as at 1 January 2020	28,839	10,746	78,043	429	138,312	256,369
Total comprehensive income for the year	-	_	_	(297)	18,112	17,815
Share of associates and joint ventures' other changes in reserves	(36)	-	-	-	-	(36)
Dividends (Note 37)	-	-	-	-	(9,262)	(9,262)
Appropriations to statutory surplus reserve (Note (iii))	-	-	1,811	-	(1,811)	_
Balance as at 31 December 2020	28,803	10,746	79,854	132	145,351	264,886
Total comprehensive income for the year	-	-	-	45	24,234	24,279
Issuance of shares upon A Shares Offering, net of issuing expenses	-	36,941	-	-	-	36,941
Share of associates and joint ventures' other changes in reserves	(42)	-	-	-	-	(42)
Dividends (Note 37)	-	-	-	-	(8,439)	(8,439)
Appropriations to statutory surplus reserve (Note (iii))	-	-	2,423	-	(2,423)	-
Balance as at 31 December 2021	28,761	47,687	82,277	177	158,723	317,625



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26. RESERVES (continued)

Notes:

(i) Capital reserve of the Group mainly represents the sum of (a) the difference between the carrying amount of the Company's net assets and the par value of the Company's shares issued upon its formation; (b) the difference between the consideration paid by the Group for the entities acquired, from China Telecommunications Corporation, which were accounted for as equity transactions, and the historical carrying amount of the net assets of these acquired entities; and (c) the difference between the consideration paid by the Group for the acquisition of non-controlling interests and the carrying amount of the non-controlling interests acquired.

Capital reserve of the Company's net assets and the par value of the Company's shares issued upon its formation.

- (ii) Other reserves of the Group and the Company represent primarily the change in the fair value of investment in equity instruments at FVTOCI and the deferred tax liabilities recognised due to the change in fair value of those investment in equity instruments.
- (iii) The surplus reserves consist of statutory surplus reserve and discretionary surplus reserve.

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined in accordance with the lower of the amount determined under the PRC Accounting Standards for Business Enterprises and the amount determined under IFRSs, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the years ended 31 December 2021 and 2020, the net profit of the Company determined in accordance with the PRC Accounting Standards for Business Enterprises and IFRSs are the same. For the year ended 31 December 2021, the Company transferred RMB2,423 million (2020: RMB1,811 million), being 10% of the year's net profit, to this reserve. As at 31 December 2021, the amount of statutory surplus reserve was RMB36,198 million (31 December 2020: RMB33,775 million).

The Company did not transfer any discretionary surplus reserve for the years ended 31 December 2021 and 2020. As at 31 December 2021 and 2020, the amount of discretionary surplus reserve was RMB46,079 million.

The statutory and discretionary surplus reserves are non-distributable other than in liquidation and can be used to make good of previous years' losses, if any, and may be utilised for business expansion or converted into share capital by issuing new shares to existing shareholders in proportion to their shareholdings or by increasing the par value of the shares currently held by them, provided that the remaining statutory surplus reserve balance after such issue is not less than 25% of the registered capital.

- (iv) According to the Company's Articles of Association, the amount of retained earnings available for distribution to shareholders of the Company is the lower of the amount of the Company's retained earnings determined in accordance with the PRC Accounting Standards for Business Enterprises and the amount determined in accordance with IFRSs. As at 31 December 2021, the amount of retained earnings available for distribution was RMB158,723 million (31 December 2020: RMB145,351 million), being the amount determined in accordance with IFRSs. Final dividend of approximately RMB15,569 million in respect of the financial year 2021 proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements at the end of the reporting period (Note 37).
- (v) Pursuant to "Requirements on Impairment Allowance for Financial Institutions" (Caijin [2012] No. 20) issued by the Ministry of Finance of the PRC effective on 1 July 2012 (the "Requirements"), the Group's subsidiaries, mainly Finance Company, establish a general risk reserve within equity, through appropriation of retained earnings, to address unidentified potential losses relating to risk assets. The general risk reserve balance should not be less than 1.5% of the ending balance of risk assets, as defined in the Requirements.



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27. OPERATING REVENUES

Previously, the Group presented operating revenues as revenues from contracts with customers and revenues from other sources. Revenues from contracts with customers include revenues derived from voice, internet, information and application services, telecommunications network resource and equipment services and sales of goods and others. As a result of the deepening of the Group's "Cloudification and Digital Transformation" strategy, the Group re-categorised the presentation of revenues in 2021. The new presentation categorises operating revenues into service revenues and sales of goods and others. Service revenues include revenues derived from mobile communications services, wireline and Smart Family services, Industrial Digitalisation services and other services. This change in presentation has no effect on reported operating revenues, operating expenses, net profits or net assets for any of the years presented. The comparative figures have been reclassified to conform to current year's presentation.

Disaggregation of revenue

		2021	2020
	Notes	RMB million	RMB million
Type of goods or services			
Service revenues		402,827	373,798
Mobile communications service revenues	(i)	184,157	175,564
Wireline and Smart Family service revenues	(ii)	113,522	109,018
Industrial Digitalisation service revenues	(iii)	98,945	83,968
Other service revenues	(iv)	6,203	5,248
Sales of goods and others	(v)	36,725	19,763
Total operating revenues		439,552	393,561
Revenue from customer contracts		431,910	387,991
Revenue from other sources and others		7,642	5,570
Total operating revenues		439,552	393,561
Timing of revenue recognition			
A point in time		31,332	16,141
Over time		408,220	377,420
Total operating revenues		439,552	393,561



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27. OPERATING REVENUES (continued)

Notes:

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access service fees, caller ID service fees, short messaging service fees, etc., charged to customers for the provision of mobile services.
- (ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees charged to customers for the provision of wireline services.
- (iii) Represent primarily the aggregate amount of fees charged to customers for the provision of Internet datacentre services, cloud services, digital platform services, dedicated Internet access services, etc.
- (iv) Represent primarily the aggregate amount of revenues from property rental and other revenues.
- (v) Represent primarily revenues from sales of mobile terminal equipment as well as wireline communications equipment and government grant.

As at 31 December 2021 and 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts represents revenue expected to be recognised in the future when service is provided over the contract terms over the next 1 to 3 years.

28. NETWORK OPERATIONS AND SUPPORT EXPENSES

		2021	2020
	Note	RMB million	RMB million
Operating and maintenance		79,380	70,943
Utility		16,209	14,637
Network resources usage and related fee	(i)	25,318	22,766
Others		12,435	11,171
		133,342	119,517

Note:

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



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29. PERSONNEL EXPENSES

Personnel expenses are attributable to the following functions:

	2021	2020
	RMB million	RMB million
Network operations and support	48,575	43,260
Selling, general and administrative	27,480	22,729
	76,055	65,989

30. OTHER OPERATING EXPENSES

		2021	2020
	Notes	RMB million	RMB million
Interconnection charges	(i)	12,858	12,050
Cost of goods sold	(ii)	30,415	15,440
Donations		12	13
Others	(iii)	1,803	1,571
		45,088	29,074

Notes:

31. TOTAL OPERATING EXPENSES

Total operating expenses for the year ended 31 December 2021 were RMB408,605 million (2020: RMB364,921 million) which include auditor's remuneration in relation to audit and non-audit services (excluding value-added tax) of RMB57 million and RMB7 million respectively (2020: RMB72 million and RMB3 million).

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

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

⁽iii) Others mainly include tax and surcharges other than value-added tax and income tax.



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32. NET FINANCE COSTS

	2021	2020
	RMB million	RMB million
Interest expense on short-term and long-term debts	1,110	1,981
Interest expense on lease liabilities	1,399	1,566
Less: Interest expense capitalised*	(105)	(114)
Net interest expense	2,404	3,433
Interest income	(1,104)	(582)
Foreign exchange losses	386	1,018
Foreign exchange gains	(393)	(855)
	1,293	3,014
*Interest expense was capitalised in construction in progress		
at the following rates per annum	3.0%-4.5%	3.0%-4.4%

33. INCOME TAX

Income tax in the profit or loss comprises:

	2021	2020
	RMB million	RMB million
Provision for PRC income tax	3,606	1,532
Provision for income tax in other tax jurisdictions	215	135
Deferred taxation	3,895	4,640
	7,716	6,307



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33. INCOME TAX (continued)

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

		2021	2020
	Notes	RMB million	RMB million
Profit before taxation		33,864	27,387
Expected income tax expense at statutory tax rate of 25%	(i)	8,466	6,847
Differential tax rate on mainland China subsidiaries'			
and branches' income	(i)	(495)	(306)
Differential tax rate on other subsidiaries' income	(ii)	(70)	(47)
Non-deductible expenses	(iii)	1,036	915
Non-taxable income	(iv)	(522)	(576)
Effect of change in tax rate	(v)	_	(29)
Others	(vi)	(699)	(497)
Income tax expense		7,716	6,307

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of the mainland China.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8% to 35%.
- (iii) Amounts represent miscellaneous expenses in excess of statutory deductible limits for tax purposes.
- (iv) Amounts represent share of profits of associates and joint ventures and miscellaneous income which are not subject to income tax.
- (v) Hainan branch of the Company obtained approval from tax authority to adopt the preferential income tax rate of 15% since 2020. Accordingly, deferred tax assets and deferred tax liabilities that were expected to be recovered or settled after 31 December 2019 were adjusted to reflect the change in tax rate. The overall effect of change in tax rate amounting to RMB29 million was credited to the consolidated statement of comprehensive income.
- (vi) Amounts primarily represent settlement of tax filing differences of prior year annual tax return and other tax benefits such as additional tax deduction from research and development expenses.



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34. DIRECTORS' AND SUPERVISORS' REMUNERATION

The following table sets out the remuneration of the Company's directors and supervisors:

	Directors'/	Salaries, allowances and benefits	Discretionary	Retirement scheme	Share-based	
2021	fees	in kind	bonuses ⁵	contributions	payments	Total
	RMB	RMB	RMB	RMB	RMB	RMB
	thousand	thousand	thousand	thousand	thousand	thousand
Executive directors						
Ke Ruiwen	-	234	352	119	-	705
Li Zhengmao	-	234	359	119	-	712
Shao Guanglu	-	211	317	114	-	642
Liu Guiqing	-	209	313	102	-	624
Zhu Min ¹	-	209	313	95	-	617
Chen Zhongyue ²	-	44	-	11	-	55
Non-executive director						
Chen Shengguang	-	-	-	-	-	-
Independent non-executive directors ³						
Tse Hau Yin, Aloysius	450	-	-	-	-	450
Xu Erming	250	-	-	-	-	250
Wang Hsuehming	245	-	-	-	-	245
Yeung Chi Wai, Jason	245	-	-	-	-	245
Supervisors						
Sui Yixun ⁴	-	235	688	100	-	1,023
Zhang Jianbin	-	222	747	100	-	1,069
Dai Bin	-	195	690	98	-	983
Xu Shiguang	-	112	338	80	-	530
You Minqiang ⁴	-	-	-	-	_	_
	1,190	1,905	4,117	938	_	8,150

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34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 Madam Zhu Min resigned as an executive director, executive vice president, chief financial officer, secretary of the board and authorised representative of the Company on 27 December 2021.
- 2 Mr Chen Zhongyue resigned as an executive director of the Company on 19 January 2021.
- 3 The independent non-executive directors' remunerations were for their services as directors of the Company.
- 4 Mr Sui Yixun ("Mr Sui") and Mr You Minqiang ("Mr You") resigned from position as supervisors of the Company on 17 December 2021.

 The resignation of Mr Sui and Mr You shall take effect on the date of election of the proposed supervisors at an extraordinary general meeting of the Company to be convened on 22 March 2022. Prior to that, Mr Sui and Mr You will continue to carry out their duties as supervisors.
- The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance. During the Reporting Period, the Company also settled the bonus for the year 2020, including RMB416 thousand for Ke Ruiwen, RMB381 thousand for Li Zhengmao, RMB343 thousand for Shaoguang Lu, RMB369 thousand for Chen Zhongyue and RMB364 thousand for each of Liu Guiqing and Zhu Min.
- The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year.

 None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.



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34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

2020	Directors'/ supervisors' fees RMB thousand	Salaries, allowances and benefits in kind RMB thousand	Discretionary bonuses ⁸ RMB thousand	Retirement scheme contributions RMB thousand	Share-based payments RMB thousand	Total RMB thousand
Executive directors						
Ke Ruiwen	_	221	527	73	-	821
Li Zhengmao ¹	-	129	434	48	-	611
Shao Guanglu ¹	_	116	436	46	_	598
Liu Guiqing	-	197	464	59	-	720
Zhu Min	-	197	464	52	-	713
Chen Zhongyue ²	-	199	468	71	_	738
Wang Guoquan ³	-	181	447	42	-	670
Gao Tongqing⁴	-	17	16	8	-	41
Non-executive director						
Chen Shengguang	-	-	-	-	-	-
Independent non-executive directors ⁷						
Tse Hau Yin, Aloysius	477	-	-	-	-	477
Xu Erming	250	-	-	-	-	250
Wang Hsuehming	261	-	-	-	-	261
Yeung Chi Wai, Jason	261	-	-	-	-	261
Supervisors						
Sui Yixun	-	227	494	49	-	770
Zhang Jianbin	-	214	494	49	-	757
Dai Bin ⁵	-	110	202	26	-	338
Xu Shiguang	-	118	335	33	-	486
You Minqiang⁵	-	-	-	-	-	-
Yang Jianqing ⁶	-	-	-	-	-	-
Ye Zhong ⁶	_	_	_	_	-	-
	1,249	1,926	4,781	556	_	8,512



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34. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

- 1 Mr Li Zhengmao and Mr Shao Guanglu was appointed as executive directors of the Company on 26 May 2020.
- 2 Mr Chen Zhongyue resigned as an executive director of the Company on 19 January 2021.
- 3 Mr Wang Guoquan resigned as an executive director of the Company on 4 December 2020.
- 4 Mr Gao Tongqing resigned as an executive director of the Company on 17 January 2020.
- 5 Mr Dai Bin and Mr You Mingiang was appointed as supervisors of the Company on 26 May 2020.
- 6 Mr Yang Jianging and Mr Ye Zhong retired as supervisors of the Company on 26 May 2020.
- The independent non-executive directors' remuneration were for their services as directors of the Company.
- 8 The discretionary bonuses of the executive directors and supervisors were determined based on the Group's performance.
- The remuneration of all directors and supervisors were calculated based on their respective actual terms of office within this year.

 None of the directors or supervisors received any inducements for joining the Company or compensation for loss of office, or waived or agreed to waive any emoluments during this year.

35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION

(a) Five highest paid individuals

None of the five highest paid individuals of the Group for the years ended 31 December 2021 and 2020 were directors of the Company.

The aggregate of the emoluments in respect of the five (2020: five) individuals (non-directors) are as follows:

	2021	2020
	RMB thousand	RMB thousand
Salaries, allowances and benefits in kind	5,321	8,248
Discretionary bonuses	4,977	2,423
Retirement scheme contributions	479	46
	10,777	10,717



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35. INDIVIDUALS WITH HIGHEST EMOLUMENTS AND SENIOR MANAGEMENT REMUNERATION (continued)

(a) Five highest paid individuals (continued)

The emoluments of the five (2020: five) individuals (non-directors) with the highest emoluments are within the following bands:

	2021	2020
	Number of	Number of
	individuals	individuals
RMB0 - RMB1,000,000	-	_
RMB1,000,001 - RMB1,500,000	-	_
RMB1,500,001 - RMB2,000,000	1	4
More than RMB2,000,001	4	1

None of these employees received any inducements for joining the Company or compensation for loss of office, or waived any emoluments during the years presented.

(b) Senior management remuneration

The emoluments of the Group's senior management are within the following bands:

	2021	2020
	Number of	Number of
	individuals	individuals
RMB0 - RMB1,000,000	18	21
RMB1,000,001 - RMB1,500,000	_	_
RMB1,500,001 - RMB2,000,000	_	_

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36. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

For the year ended 31 December 2021, the consolidated profit attributable to equity holders of the Company includes a profit of RMB24,234 million which has been dealt with in the stand-alone financial statements of the Company.

For the year ended 31 December 2020, the consolidated profit attributable to equity holders of the Company includes a profit of RMB18,112 million which has been dealt with in the stand-alone financial statements of the Company.

37. DIVIDENDS

Pursuant to a resolution passed at the Board of Directors' meeting on 17 March 2022, a final dividend of RMB0.170 per share (pre-tax) totalling approximately RMB15,569 million for the year ended 31 December 2021 was proposed for shareholders' approval at the Annual General Meeting. The dividend has not been provided for in the consolidated financial statements for the year ended 31 December 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 7 May 2021, a final dividend of RMB0.104269 (equivalent to HK\$0.125) per share (pre-tax) totalling RMB8,439 million in respect of the year ended 31 December 2020 was declared, and paid on 1 June 2021.

Pursuant to the shareholders' approval at the Annual General Meeting held on 26 May 2020, a final dividend of RMB0.114441 (equivalent to HK\$0.125) per share (pre-tax) totalling RMB9,262 million in respect of the year ended 31 December 2019 was declared, and paid on 31 July 2020.

38. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2021 and 2020 is based on the profit attributable to equity holders of the Company of RMB25,948 million and RMB20,850 million, respectively, divided by the weighted average number of 84,442,405,521 shares and 80,932,368,321 shares in issue.

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



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39. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2021 and 2020, the Group had capital commitments as follows:

	31 December		
	2021	2020	
	RMB million	RMB million	
Contracted for but not provided			
Property	1,831	1,202	
Telecommunications network plant and equipment	18,942	18,997	
	20,773	20,199	

Contingent liabilities

- (a) The Group assessed and concluded that no material contingent liabilities were assumed by the Group with assistance of the PRC lawyers.
- (b) As at 31 December 2021 and 2020, the Group did not have contingent liabilities in respect of guarantees given to banks in respect of banking facilities granted to other parties, or other forms of contingent liabilities.

Legal contingencies

The Group is a defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. Management has assessed the likelihood of an unfavourable outcome of such contingencies, lawsuits or other proceedings and based on such assessment, believes that any resulting liabilities will not have a material adverse effect on the financial position, operating results or cash flows of the Group.



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40. FINANCIAL INSTRUMENTS

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

(a) Fair Value Measurements

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

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

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

The listed equity securities investments included in the Group's equity instruments at fair value through other comprehensive income are categorised as level 1 financial instruments. As at 31 December 2021, the fair value of the Group's listed equity securities investments is RMB942 million (31 December 2020: RMB838 million) based on quoted market price on PRC stock exchanges. The Group's investments in unlisted equity securities, included in equity instruments at fair value through other comprehensive income, are classified as financial instruments categorised as level 3.



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40. FINANCIAL INSTRUMENTS (continued)

(a) Fair Value Measurements (continued)

The fair value of long-term debts is estimated by discounting future cash flows using current market interest rates offered to the Group for debts with substantially the same characteristics and maturities. The fair value measurement of long-term debts is categorised as level 2. The interest rates used by the Group in estimating the fair values of long-term debts, having considered the foreign currency denomination of the debts, ranged from 2.9% to 4.9% (31 December 2020: 2.9% to 4.9%). As at 31 December 2021 and 2020, the carrying amounts and fair values of the Group's long-term debts were as follows:

	31 December 2021		31 December 2020	
	Carrying	Carrying		
	amount	Fair value	amount	Fair value
	RMB million	RMB million	RMB million	RMB million
Long-term debts	13,675	13,444	25,348	25,294

During the year, there were no transfers among instruments in level 1, level 2 or level 3.

(b) Risks

The Group's financial instruments are exposed to three main types of risks, namely, credit risk, liquidity risk and market risk (which mainly comprises of interest rate risk and foreign currency exchange rate risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as liquidity risk, credit risk, and market risk. The Board regularly reviews these policies and authorises changes if necessary based on operating and market conditions and other relevant risks. The following summarises the qualitative and quantitative disclosures for each of the three main types of risks:

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. For the Group, this arises mainly from deposits it maintains at financial institutions and credit it provides to customers for the provision of telecommunications services.



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Cash and cash equivalents, short-term bank deposits and restricted cash

To limit exposure to credit risk relating to deposits, the Group primarily places cash deposits only with large state-owned financial institutions in the PRC with acceptable credit ratings. The credit risks on bank balances are limited because the counterparties are banks with high credit ratings.

Accounts receivable and contract assets arising from contracts with customers

For accounts receivable and contract assets, management performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable and contract assets. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Furthermore, the Group has a diversified base of customers with no single customer contributing more than 10% of revenues for the years presented.

The Group measures loss allowances for accounts receivable and contract assets at an amount equal to lifetime ECL, which is calculated using a provision matrix, or individually assessed for those debtors with significant balances or credit-impaired debtors. As different loss patterns were indicated during the analysis of the Group's historical credit loss experience between telephone and Internet subscribers and enterprise customers, the following tables provide information about the Group's exposure to credit risk and ECL for accounts receivable and contract assets from telephone and Internet subscribers and enterprise customers, respectively, as at 31 December 2021 and 2020:



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Accounts receivable from telephone and Internet subscribers:

	31 December 2021				
	Expected	Loss			
	loss rate	amount	allowance		
	%	RMB million	RMB million		
Current, within 1 month	2%	7,164	133		
1 to 3 months	20%	1,683	329		
4 to 6 months	60%	692	407		
7 to 12 months	80%	928	742		
Over 12 months	100%	1,079	1,079		
		11,546	2,690		

	31 December 2020				
	Expected	Gross carrying	Loss		
	loss rate	amount	allowance		
	%	RMB million	RMB million		
Current, within 1 month	2%	7,068	132		
1 to 3 months	20%	1,601	317		
4 to 6 months	60%	561	333		
7 to 12 months	80%	920	735		
Over 12 months	100%	921	921		
		11,071	2,438		



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Accounts receivable and contract assets from enterprise customers:

	31 December 2021				
	Expected	Expected Gross carrying			
	loss rate	amount	allowance		
	%	RMB million	RMB million		
1 to 6 months	3%	7,299	182		
7 to 12 months	21%	1,068	223		
1 to 2 years	65%	948	619		
2 to 3 years	97%	364	355		
Over 3 years	100%	467	467		
		10,146	1,846		

	31 December 2020			
	Expected	Gross carrying	Loss	
	loss rate	amount	allowance	
	%	RMB million	RMB million	
1 to 6 months	2%	6,031	124	
7 to 12 months	22%	1,120	232	
1 to 2 years	67%	685	445	
2 to 3 years	100%	347	333	
Over 3 years	100%	324	324	
		8,507	1,458	

As at 31 December 2021, the loss allowance for accounts receivable and contract assets was RMB5,051 million and RMB19 million (2020: RMB4,434 million and RMB9 million), respectively. Loss allowance of RMB517 million as at 31 December 2021 (2020: RMB547 million), which was not calculated collectively in the above tables, was made individually on debtors with significant balances or credit-impaired debtors.



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(i) Credit risk (continued)

Accounts receivable and contract assets arising from contracts with customers (continued)

Expected loss rates are based on actual loss experience over the past 1 to 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of accounts receivable is as follows:

	2021	2020
	RMB million	RMB million
At beginning of year	4,434	4,692
Impairment losses for ECL	1,689	1,382
Amounts written off	(1,072)	(1,640)
At end of year	5,051	4,434

(ii) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and adequate amount of committed banking facilities to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments, capital expenditures and new investments for a set minimum period of between 3 to 6 months.



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(ii) Liquidity risk (continued)

The following table sets out the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities and lease liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the end of the reporting period) and the earliest date the Group would be required to repay:

	31 December 2021					
		Total		More than	More than	
		contractual	Within	1 year but	2 years but	
	Carrying	undiscounted	1 year or	less than	less than	More than
	amount	cash flow	on demand	2 years	5 years	5 years
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Short-term debts	2,821	2,870	2,870	-	-	-
Long-term debts	13,675	15,038	6,415	3,218	3,201	2,204
Accounts payable	114,895	114,895	114,895	-	-	-
Accrued expenses and other payables	35,111	35,241	35,241	-	-	-
Lease liabilities	42,402	46,068	15,193	9,556	15,560	5,759
Other non-current liabilities	34	34	12	22	-	-
	208,938	214,146	174,626	12,796	18,761	7,963

	31 December 2020					
	Total			More than	More than	
		contractual	Within	1 year but	2 years but	
	Carrying	undiscounted	1 year or	less than	less than	More than
	amount	cash flow	on demand	2 years	5 years	5 years
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Short-term debts	27,994	28,417	28,417	-	-	-
Long-term debts	25,348	27,805	1,410	17,838	5,609	2,948
Accounts payable	107,578	107,578	107,578	-	-	-
Accrued expenses and other payables	56,775	56,775	56,775	-	-	-
Lease liabilities	40,647	43,896	14,449	13,363	12,110	3,974
	258,342	264,471	208,629	31,201	17,719	6,922

Management believes that the Group's current cash on hand, expected cash flows from operations and available credit facilities from banks (Note 20) will be sufficient to meet the Group's working capital requirements and repay its borrowings and obligations when they become due.



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iii) Interest rate risk

The Group's interest rate risk exposure arises primarily from its short-term debts and long-term debts. Debts carrying interest at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group manages its exposure to interest rate risk by closely monitoring the change in the market interest rate.

The following table sets out the interest rate profile of the Group's debts at the end of the reporting period:

	31 Decen	31 December 2021		31 December 2020		
	Effective		Effective			
	interest		interest			
	rate %	RMB million	rate %	RMB million		
Fixed rate debts						
Short-term debts	3.6	2,146	2.7	22,719		
Long-term debts	2.1	13,675	2.7	25,348		
		15,821		48,067		
Variable rate debts						
Short-term debts	3.7	675	3.3	5,275		
		675		5,275		
Total debts		16,496		53,342		
Fixed rate debts as a						
percentage of total debts		95.9%		90.1%		

Management does not expect the increase or decrease in interest rate will materially affect the Group's financial position and result of operations because the interest rates of 95.9% (31 December 2020: 90.1%) of the Group's short-term and long-term debts as at 31 December 2021 are fixed as set out above.



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40. FINANCIAL INSTRUMENTS (continued)

(b) Risks (continued)

(iv) Foreign currency exchange rate risk

Foreign currency exchange rate risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Group's foreign currency risk exposure mainly relates to bank deposits and borrowings denominated primarily in US dollars, Euros and Hong Kong dollars.

Management does not expect the appreciation or depreciation of the Renminbi against foreign currencies will materially affect the Group's financial position and result of operations because 89.6% (31 December 2020: 73.0%) of the Group's cash and cash equivalents and 98.2% (31 December 2020: 99.3%) of the Group's short-term and long-term debts as at 31 December 2021 are denominated in Renminbi. Details of bank loans denominated in other currencies are set out in Note 20.

41. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide investment returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

Management regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Management monitors its capital structure on the basis of total debts to total assets ratio. For this purpose the Group defines total debts as the sum of short-term debts and long-term debts. Total debts do not include balance of deposits received by Finance Company from China Telecom Group amounting to RMB13,016 million and lease liabilities amounting to RMB42,402 million as at 31 December 2021 (31 December 2020: RMB9,826 million and RMB40,647 million). As at 31 December 2021, the Group's total debt-to-total assets ratio was 2.2% (31 December 2020: 7.5%), which is within the range of management's expectation.

Except Finance Company is subject to certain capital requirements imposed by China Banking and Insurance Regulatory Commission, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.



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42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

Other

						Other	
					Donosito	payables	
					Deposits with	in respect of certain	
	Short-term	Long-term	Lease	Dividend	Finance	equity	
	debts	debts	liabilities	payable	Company	transactions	Total
	RMB million	RMB million	RMB million				
					(Note (i))		
Balance as at 1 January 2020	42,527	36,495	42,146	-	4,098	-	125,266
Financing cash flows	(14,533)	(11,400)	(12,738)	(9,304)	5,728	977	(41,270)
Foreign exchange loss	-	(13)	(16)	-	-	-	(29)
New leases	-	-	13,561	-	-	-	13,561
Acquisition of non-controlling interests	-	-	-	-	-	1	1
Distribution to non-controlling interests	-	-	-	42	_	-	42
Dividends declared	-	-	-	9,262	-	-	9,262
Others	-	266	(2,306)	-	-	-	(2,040)
Balance as at 31 December 2020	27,994	25,348	40,647	-	9,826	978	104,793
Financing cash flows	(23,473)	(12,091)	(14,035)	(8,551)	3,190	-	(54,960)
Foreign exchange loss	-	(18)	(8)	-	-	-	(26)
New leases	-	-	17,080	-	-	-	17,080
Disposal of subsidiaries	(1,700)	-	(42)	-	-	-	(1,742)
Acquisition of non-controlling interests	-	-	-	-	-	(978)	(978)
Distribution to non-controlling interests	-	-	-	116	-	-	116
Dividends declared	-	-	-	8,439	-	-	8,439
Others	-	436	(1,240)	-	-	-	(804)
Balance as at 31 December 2021	2,821	13,675	42,402	4	13,016	-	71,918

Notes:

- (i) As at 31 December 2021, the balance of deposits with Finance Company amounting to RMB13,016 million (31 December 2020: RMB9,826 million) were included in amounts due to China Telecom Group in accrued expenses and other payables (Note 22).
- (ii) For the year ended 31 December 2021, other than the net financing cash outflows totalling RMB54,960 million (2020: RMB41,270 million) as presented above, other primary financing activities include proceeds from A Shares Offering in 2021 (net of issuing expenses) of RMB47,516 million (2020: nill), and Finance Company, a subsidiary of the Company, placed statutory deposit reserves amounting to RMB177 million (2020: RMB837 million) at the People's Bank of China which was included in the balance of short-term bank deposits and restricted cash as at 31 December 2021.



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43. RELATED PARTY TRANSACTIONS

(a) Transactions with China Telecom Group

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

The principal transactions with China Telecom Group are as follows. These transactions constitute continuing connected transactions under the Listing Rules and the Company has complied with the relevant disclosure requirements under Chapter 14A of the Listing Rules. Further details of these continuing connected transactions are disclosed under the paragraph "Continuing Connected Transactions" in the "Significant Events".

		2021	2020
	Notes	RMB million	RMB million
Construction engineering and design services	(i)	15,869	15,046
Receiving ancillary services	(ii)	22,613	18,903
Interconnection revenues	(iii)	52	54
Interconnection charges	(iii)	131	123
Receiving community services	(iv)	3,899	3,682
Net transaction amount of centralised services	(v)	962	268
Property lease income	(vi)	50	45
Property lease related expenses	(vii)	636	581
Addition to right-of-use assets	(vii)	240	335
Interest expense on lease liabilities	(∨ii)	17	16
Provision of IT services	(viii)	1,186	556
Receiving IT services	(viii)	3,548	2,653
Purchases of telecommunications equipment and			
materials	(ix)	4,105	3,567
Sales of telecommunications equipment and materials	(ix)	3,901	2,070
Internet applications channel services	(x)	60	73
Interest expense on loans from China Telecom Group*	(xi)	356	975
Consideration received from disposal of subsidiaries	(xii)	4,072	_
Payment and digital finance related services	(xiii)	802	_
Others*	(xiv)	218	243
Net deposit by China Telecom Group with			
Finance Company*	(xv)	3,190	5,728
Interest expense on the deposit by China Telecom			
Group with Finance Company*	(xv)	182	82
Short-term loans granted by Finance Company to	(A	0.000	
China Telecom Group	(xv)	2,000	
Interest income from loans granted by Finance Company to China Telecom Group	(xv)	1	
Thiance Company to China relection aroup	(^V)		



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43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

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

Notes:

- (j) Represent construction and engineering as well as design and supervisory services provided by China Telecom Group.
- (ii) Represent amounts paid and payable to China Telecom Group in respect of ancillary services such as repairs and maintenance of telecommunications equipment and facilities and certain customer services.
- (iii) Represent amounts received and receivable from/paid and payable to China Telecom Group for interconnection of local and domestic long distance calls.
- (iv) Represent amounts paid and payable to China Telecom Group in respect of cultural, educational, health care and other community services.
- (v) Represent net amount shared between the Company and China Telecom Group for costs associated with centralised services. The amount represents amounts received or receivable for the net amount of centralised services.
- (vi) Represent amounts of property lease fee received and receivable from China Telecom Group for leasing of properties.
- (vii) Represent amounts in respect of the leasing of properties from China Telecom Group. Property lease related expenses include the fee for short-term leases, leases of low-value assets, variable lease payments not depending on an index or a rate and fee for non-lease components.
- (viii) Represent IT services provided to and received from China Telecom Group.
- (ix) Represent the amount of telecommunications equipment and materials purchased from/sold to China Telecom Group and commission paid and payable for procurement services provided by China Telecom Group.
- (x) Represent amounts received and receivable from China Telecom Group in respect of Internet applications channel services, including the provision of communications channel and applications support platform and billing and deduction services, etc.
- (xi) Represent interest paid and payable to China Telecom Group with respect to the loans from China Telecom Group (Note 20).
- (xii) Represent consideration received in respect of disposal of subsidiaries from China Telecom Group.
- (xiii) Represent amounts paid and payable to China Telecom Group in respect of payment and digital finance related services.
- (xiv) Represent amounts paid and payable to China Telecom Group primarily for usage of certain mobile communications network facilities located in Xizang Autonomous Region, certain inter-provincial transmission optic fibres within its service regions and certain land use rights.
- (xv) Represent amounts related to financial services provided by Finance Company to China Telecom Group, including lending service, deposit service and other financial services.



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43. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with China Telecom Group (continued)

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

	31 December		
	2021	2020	
	RMB million	RMB million	
Accounts receivable	1,889	1,784	
Contract assets	139	49	
Prepayments and other current assets	2,716	1,189	
Total amounts due from China Telecom Group	4,744	3,022	
Accounts payable	21,015	19,272	
Accrued expenses and other payables	15,249	11,279	
Contract liabilities	198	217	
Lease liabilities	501	489	
Short-term debts	_	11,164	
Long-term debts	_	11,000	
Total amounts due to China Telecom Group	36,963	53,421	

Amounts due from/to China Telecom Group, other than short-term debts, long-term debts and deposit with Finance Company included in accrued expenses and other payables (Note 42(i)), bear no interest, are unsecured and are repayable in accordance with contractual terms which are similar to those terms offered by third parties. The terms and conditions associated with short-term debts and long-term debts due to China Telecom Group are set out in Note 20.



for the vear ended 31 December 2021

43. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with China Tower

The principal transactions with China Tower are as follows. These transactions do not constitute connected transactions under the Listing Rules.

		2021	2020
	Notes	RMB million	RMB million
Tower assets lease related expenses	(i)	11,438	10,746
Addition to right-of-use assets	(i)	2,829	3,645
Interest expenses on lease liabilities	(i)	630	805
Provision of IT services	(ii)	31	31

Notes:

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

	31 December		
	2021	2020	
	RMB million	RMB million	
Accounts receivable	9	23	
Prepayments and other current assets	45	138	
Total amounts due from China Tower	54	161	
Accounts payable	3,914	4,344	
Accrued expenses and other payables	1,596	1,192	
Contract liabilities	3	3	
Lease liabilities	13,806	19,798	

Amounts due from/to China Tower bear no interest, are unsecured and are repayable in accordance with contractual terms which are similar to those terms offered by third parties.

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

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



for the year ended 31 December 2021

43. RELATED PARTY TRANSACTIONS (continued)

(c) Key management personnel compensation

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

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

	2021	2020
	RMB thousand	RMB thousand
Short-term employee benefits	10,289	8,727
Post-employment benefits	1,032	628
	11,321	9,355

The above remuneration is included in personnel expenses.



for the year ended 31 December 2021

43. RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with other government-related entities in the PRC

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

Apart from transactions with parent company and its fellow subsidiaries (Note 43(a)) and China Tower (Note 43(b)), the Group has transactions that are collectively but not individually significant with other government-related entities, which include but not limited to the following:

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

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

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



for the year ended 31 December 2021

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION **OF THE COMPANY**

24	December	

		31 Dece	mber
		2021	2020
	Note	RMB million	RMB million
ASSETS			
Non-current assets			
Property, plant and equipment, net		404,882	415,515
Construction in progress		44,018	47,319
Right-of-use assets		60,288	58,702
Goodwill		29,877	29,877
Intangible assets		18,093	16,810
Investments in subsidiaries	9	30,716	16,045
Interests in associates and joint ventures		40,901	39,873
Equity instruments at fair value through other			
comprehensive income		921	865
Deferred tax assets		6,196	7,802
Other assets		6,832	4,569
Total non-current assets		642,724	637,377
Current assets			
Inventories		1,391	1,431
Income tax recoverable		419	232
Accounts receivable, net		19,178	18,614
Contract assets		600	443
Prepayments and other current assets		16,598	17,546
Short-term bank deposits and restricted cash		14	1,617
Cash and cash equivalents		50,812	12,104
Total current assets		89,012	51,987
Total assets		731,736	689,364



for the year ended 31 December 2021

44. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

		31 Dece	mber
		2021	2020
	Note	RMB million	RMB million
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		28,421	56,403
Current portion of long-term debts		6,280	1,126
Accounts payable		105,447	102,528
Accrued expenses and other payables		41,921	36,292
Contract liabilities		63,439	57,506
Income tax payable		196	87
Current portion of lease liabilities		13,555	12,896
Total current liabilities		259,259	266,838
Net current liabilities		(170,247)	(214,851)
Total assets less current liabilities		472,477	422,526
Non-current liabilities			
Long-term debts		7,395	24,222
Lease liabilities		28,168	27,010
Deferred tax liabilities		26,400	23,915
Other non-current liabilities		1,382	1,561
Total non-current liabilities		63,345	76,708
Total liabilities		322,604	343,546
Equity			
Share capital		91,507	80,932
Reserves	26	317,625	264,886
Total equity		409,132	345,818
Total liabilities and equity		731,736	689,364



for the year ended 31 December 2021

45. POST-EMPLOYMENT BENEFITS PLANS

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal, autonomous regional and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 14% to 20% of the salaries, bonuses and certain allowances of the employees, while the PRC government resolved to waive certain proportion of such contributions during the specific period affected by Covid-19 in order to help enterprises withstand the pandemic and stabilise employment for the year ended 31 December 2020. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. Other than the above, the Group also participates in supplementary defined contribution retirement plans managed by independent external parties whereby the Group is required to make contributions to the retirement plans at fixed rates of the employees' salaries, bonuses and certain allowances. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. During the year ended 31 December 2021, no forfeited contributions may be used by the Group to reduce the existing level of contributions (2020: nil).

The Group's contributions for the above plans for the year ended 31 December 2021 were RMB9,042 million (31 December 2020: RMB6,599 million).

The amount payable for contributions to the above defined contribution retirement plans as at 31 December 2021 was RMB737 million (31 December 2020: RMB746 million).

46. SHARE APPRECIATION RIGHTS

The Company implemented a share appreciation rights plan for members of its management to provide incentives to these employees. Under this plan, share appreciation rights are granted in units with each unit representing one H share. No shares will be issued under the share appreciation rights plan. Upon exercise of the share appreciation rights, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollar amount equal to the product of the number of share appreciation rights exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollar at the date of the exercise. The Group recognises compensation expense of the share appreciation rights over the applicable period.

In November 2018, the Company approved the granting of 2,394 million share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$3.81 per unit. A recipient of share appreciation rights may exercise the rights in stages commencing November 2020. As at each of the third, fourth and fifth anniversary of the date of grant, the total number of share appreciation rights exercisable may not in aggregate exceed 33.3%, 66.7% and 100.0%, respectively, of the total share appreciation rights granted to such person.



for the year ended 31 December 2021

46. SHARE APPRECIATION RIGHTS (continued)

In March 2021, the Company approved the adoption of the Phase II Incentive Scheme for Share Appreciation Rights and the granting of approximately 2.4 billion share appreciation right units to eligible employees. Under the terms of this grant, all share appreciation rights had a contractual life of five years from date of grant and an exercise price of HK\$2.686 per unit.

At the balance sheet date, the Company used the Binomial Model to determine the fair value of the share appreciation rights. The model inputs to determine the fair value of share appreciation rights granted included the closing price at the grant date, exercise price, years to maturity, expected volatility, risk-free interest rate, dividend payout ratio, the lower price limit on expected exercise date and expected turnover rate.

Movements in the number of share appreciation rights for the years presented are as follows:

	2021	2020
As at 1 January	2,317,800,000	2,326,135,000
Granted	2,401,745,000	_
Forfeited	(2,985,000)	(8,335,000)
Exercised	-	_
Expired	-	_
As at 31 December	4,716,560,000	2,317,800,000

During the year ended 31 December 2021 and 2020, no share appreciation right units were exercised. For the year ended 31 December 2021, compensation expense of RMB505 million was recognised by the Group in respect of share appreciation rights. For the year ended 31 December 2020, compensation expense of RMB101 million was reversed by the Group in respect of share appreciation rights.

As at 31 December 2021, the carrying amount of the liability arising from share appreciation rights was RMB571 million (31 December 2020: RMB65 million).



for the year ended 31 December 2021

47. ACCOUNTING ESTIMATES AND JUDGMENTS

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. Management bases the judgments and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in Note 3. Management believes the following significant accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial statements.

Provision of ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on customer's past history of making payments when due and current ability to pay by groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical credit loss experience taking into consideration reasonable and supportable forward-looking information that is available without undue cost or effort. The historical loss rates are reassessed annually, and changes in the forward-looking information are considered. The Group has taken into account various macroeconomic scenarios in consideration of forward-looking information of enterprise customers, and applied weightings of the following three economic scenarios as well as related forward-looking factors. For the years presented, the weighting of "Neutral", "Positive", and "Negative" scenarios is 60%, 20% and 20%, respectively. The Group regularly monitors and reviews the related assumptions used in calculation of ECL, which include the risk of economic slowdown, changes of external market environment and technological environment and customers' conditions, Retail Price Index ("RPI"), Producer Price Index ("PPI") and Gross Domestic Product ("GDP"), etc. In addition, accounts receivable with significant balances or credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in Notes 40 and 16.



for the year ended 31 December 2021

47. ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Impairment of goodwill and long-lived assets

If circumstances indicate that the carrying amount of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss would be recognised in accordance with accounting policy for impairment of long-lived assets as described in Note 3(h). The carrying amounts of the Group's longlived assets, including property, plant and equipment, intangible assets with finite useful lives, construction in progress, right-of-use assets and contract costs are reviewed periodically to determine whether there is any indication of impairment. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. For goodwill, the impairment testing is performed annually at the end of each reporting period. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and fair value less costs of disposal. When an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). In determining the value in use, expected future cash flows generated by the assets are discounted to their present value. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. It is difficult to precisely estimate fair value of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue, amount of operating costs and applicable discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount.

For the year ended 31 December 2021, no significant provision for impairment loss was made against the carrying value of long-lived assets. For the year ended 31 December 2020, provision for impairment loss of RMB5,042 million was made against the carrying value of property, plant and equipment (Note 4), mainly based on the impairment test on the 3G Assets on the basis of each individual asset.

In determining the recoverable amount of the assets within the cash-generating unit, significant judgments were required in estimating future cash flows, level of revenue, amount of operating costs and applicable discount rate. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods. Furthermore, the financial budgets, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets.

Depreciation and amortisation

Property, plant and equipment and intangible assets with finite useful lives are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account their estimated residual value. Management reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.



for the year ended 31 December 2021

48. POSSIBLE IMPACT OF NEW AND AMENDMENTS TO STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2021

Up to the date of issue of the consolidated financial statements, the IASB has issued the following new and amendments to standards which are not yet effective and not early adopted by the Group for the annual accounting period ended 31 December 2021:

Effective for
accounting periods
beginning on or after

	beginning on or after
IFRS 17 "Insurance Contracts"	1 January 2023
Amendments to IAS 16 "Property, Plant and Equipment" - Property, Plant and	
Equipment: Proceeds before intended use	1 January 2022
Amendments to IFRS 3 "Business Combinations" – Reference to	
the Conceptual Framework	1 January 2022
Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"	
 Onerous Contracts – Cost of Fulfilling a Contract 	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 1 "Presentation of Financial Statement" - Classification of	
Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 "Presentation of Financial Statement" and IFRS Practice	
Statement 2 "Making Materiality Judgements" - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and	
Errors" - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 "Income Taxes" – Deferred Tax related to Assets and	
Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 "Consolidated Financial Statements" and	
IAS 28 "Investments in associates and joint ventures"	
- Sale or contribution of assets between an investor and its associate or joint	
venture	To be determined

The Group is in the process of making an assessment of the impact that will result from adopting the new and amendments to standards issued by the IASB which are not yet effective for the accounting period ended on 31 December 2021. So far the Group believes that the adoption of these new and amendments to standards is unlikely to have a significant impact on its financial position and the results of operations.



for the year ended 31 December 2021

49. EVENTS AFTER THE REPORTING PERIOD

On 7 May 2021, The New York Stock Exchange LLC (the "NYSE") filed the Form 25 with the US Securities and Exchange Commission (the "SEC") and the delisting of the Company's American Depositary Shares (the "ADSs") became effective on 18 May 2021. On 9 September 2021, the board of directors of the Company resolved to terminate the ADS Program which became effective on 8 December 2021 (U.S. Eastern time). In light of the delisting of the ADSs and the termination of the ADS Program, the Company has filed a Form 15F with the SEC on 25 February 2022 to deregister the ADSs and terminate its reporting obligations under the U.S. Securities Exchange Act of 1934, as amended (the "U.S. Exchange Act"). The Company's reporting obligation under the U.S. Exchange Act has been suspended immediately upon such filing. The deregistration and termination of reporting obligation is expected to become effective 90 days after the filing, unless withdrawn by the Company or objected to by the SEC.

50. PARENT AND ULTIMATE HOLDING COMPANY

The parent and ultimate holding company of the Company as at 31 December 2021 is China Telecommunications Corporation, a state-owned enterprise established in the PRC.



DIFFERENCES BETWEEN CHINESE ACCOUNTING STANDARD AND IFRSs

		Profit
	Net Assets	for the year
	as at	ended
	31 December	31 December
	2021	2021
	RMB million	RMB million
Amount attributable to the shareholders of the parent company stated		
in the financial statements prepared in accordance with		
Chinese Accounting Standard	428,681	25,952
Adjustments as required by IFRSs	(7)	(4)
Amount attributable to equity holders of the Company stated		
in the financial statements prepared in accordance with IFRSs	428,674	25,948



FINANCIAL SUMMARY

(Amounts in million except for per share data)

	Decem	

	2021	2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
Results of operation					
Operating revenues	439,552	393,561	375,734	377,124	366,229
Depreciation and amortisation	(92,965)	(90,240)	(88,145)	(75,493)	(74,951)
Network operations and support	(133,342)	(119,517)	(109,799)	(116,062)	(103,969)
Selling, general and administrative	(61,155)	(55,059)	(57,361)	(59,422)	(58,434)
Personnel expenses	(76,055)	(65,989)	(63,567)	(59,736)	(56,043)
Other operating expenses	(45,088)	(29,074)	(27,792)	(37,697)	(45,612)
Impairment loss on property,					
plant and equipment	-	(5,042)	-	-	
Operating expenses	(408,605)	(364,921)	(346,664)	(348,410)	(339,009)
Operating profit	30,947	28,640	29,070	28,714	27,220
Net finance costs	(1,293)	(3,014)	(3,639)	(2,708)	(3,291)
Investment income and others	2,244	60	30	38	147
Share of profits of associates and joint ventures	1,966	1,701	1,573	2,104	877
Profit before taxation	33,864	27,387	27,034	28,148	24,953
Income tax	(7,716)	(6,307)	(6,322)	(6,810)	(6,192)
Profit for the year	26,148	21,080	20,712	21,338	18,761



FINANCIAL SUMMARY

(Amounts in million except for per share data)

Deferred tax on change in fair value of available-for-sale equity securities - - - - 100 Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920<			Year en	ded 31 Decer	mber	
Other comprehensive income for the year Items that will not be reclassified subsequently to profit or loss: Change in fair value of investments in equity instruments at fair value through other comprehensive income 20 (385) 604 (324) — Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income (15) 97 (147) 82 — Items that may be reclassified subsequently to profit or loss: Change in fair value of available-for-sale equity securities — — — — — — — (400) Deferred tax on change in fair value of available-for-sale equity securities — — — — — — — 100 Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures — — (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Total comprehensive income attributable to Equity holders of the Company 25,920 20,244 21,074 21,115 18,065 Total comprehensive income for the year 26,148 21,000 20,271 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,220 20,244 21,074 21,115 18,0		2021	2020	2019	2018	2017
Items that will not be reclassified subsequently to profit or loss: Change in fair value of investments in equity instruments at fair value through other comprehensive income		RMB	RMB	RMB	RMB	RMB
to profit or loss: Change in fair value of investments in equity instruments at fair value through other comprehensive income 20 (385) 604 (324) — Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income (15) 97 (147) 82 — Items that may be reclassified subsequently to profit or loss: Change in fair value of available-for-sale equity securities — — — — — (400) Deferred tax on change in fair value of available-for-sale equity securities — — — — — 100 Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures — — (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,748 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Other comprehensive income for the year					
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Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	instruments at fair value through other					
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Items that may be reclassified subsequently to profit or loss: Change in fair value of available-for-sale equity securities	investments in equity instruments at fair					
Change in fair value of available-for-sale equity securities	value through other comprehensive income	(15)	97	(147)	82	
Change in fair value of available-for-sale equity securities - - - - - (400) Deferred tax on change in fair value of available-for-sale equity securities - - - - 100 Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,	Items that may be reclassified subsequently to					
Deferred tax on change in fair value of available-for-sale equity securities	profit or loss:					
Deferred tax on change in fair value of available-for-sale equity securities - - - - 100 Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920<	Change in fair value of available-for-sale					
available-for-sale equity securities	equity securities	_	_		_	(400)
Exchange difference on translation of financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures – (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Deferred tax on change in fair value of					
financial statements of subsidiaries outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	available-for-sale equity securities	-	_	_	_	100
outside mainland China (233) (312) 102 154 (259) Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Exchange difference on translation of					
Share of other comprehensive income of associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	financial statements of subsidiaries					
associates and joint ventures - (4) (2) (7) 7 Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	outside mainland China	(233)	(312)	102	154	(259)
Other comprehensive income for the year, net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Share of other comprehensive income of					
net of tax (228) (604) 557 (95) (552) Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	associates and joint ventures	_	(4)	(2)	(7)	7
Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209 Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Other comprehensive income for the year,					
Profit attributable to Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	net of tax	(228)	(604)	557	(95)	(552)
Equity holders of the Company 25,948 20,850 20,517 21,210 18,617 Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Total comprehensive income for the year	25,920	20,476	21,269	21,243	18,209
Non-controlling interests 200 230 195 128 144 Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Profit attributable to					
Profit for the year 26,148 21,080 20,712 21,338 18,761 Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Equity holders of the Company	25,948	20,850	20,517	21,210	18,617
Total comprehensive income attributable to Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Non-controlling interests	200	230	195	128	144
Equity holders of the Company 25,720 20,244 21,074 21,115 18,065 Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Profit for the year	26,148	21,080	20,712	21,338	18,761
Non-controlling interests 200 232 195 128 144 Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Total comprehensive income attributable to					
Total comprehensive income for the year 25,920 20,476 21,269 21,243 18,209	Equity holders of the Company	25,720	20,244	21,074	21,115	18,065
	Non-controlling interests	200	232	195	128	144
Basic earnings per share (RMB) 0.31 0.26 0.25 0.26 0.23	Total comprehensive income for the year	25,920	20,476	21,269	21,243	18,209
	Basic earnings per share (RMB)	0.31	0.26	0.25	0.26	0.23
Diluted earnings per share (RMB) 0.31 0.26 0.25 0.26 0.23	Diluted earnings per share (RMB)	0.31	0.26	0.25	0.26	0.23



FINANCIAL SUMMARY

(Amounts in million except for per share data)

As at 31 December of the year

	2021	2020	2019	2018	2017
	RMB	RMB	RMB	RMB	RMB
Financial condition					
Property, plant and equipment, net	415,981	418,605	410,008	407,795	406,257
Construction in progress	51,456	48,425	59,206	66,644	73,106
Other non-current assets	167,437	164,050	160,735	115,938	110,281
Cash and bank deposits	75,210	33,092	24,419	23,480	22,510
Other current assets	52,150	50,924	48,763	49,525	49,040
Total assets	762,234	715,096	703,131	663,382	661,194
Current liabilities	265,072	271,142	264,661	258,920	275,408
Non-current liabilities	65,994	77,779	83,430	60,363	59,089
Total liabilities	331,066	348,921	348,091	319,283	334,497
Total equity attributable to equity					
holders of the Company	428,674	363,456	352,510	343,069	325,867
Non-controlling interests	2,494	2,719	2,530	1,030	830
Total equity	431,168	366,175	355,040	344,099	326,697
Total liabilities and equity	762,234	715,096	703,131	663,382	661,194

SHARE INFORMATION

Share Listing

China Telecom Corporation Limited's H shares were listed on The Stock Exchange of Hong Kong Limited on 15 November 2002 while its A shares were listed on the Shanghai Stock Exchange on 20 August 2021.

Stock Code

The Stock Exchange of Hong Kong Limited 728
Shanghai Stock Exchange 601728

Share Price Performance

2021 Share Price	HK\$	HK\$ per H Share		RMB per A Share		
	High	Low	Close	High	Low	Close
	3.24	1.82	2.60	6.52	4.13	4.33
Number of issued shares: (a	s at 31 December 20	021)	91,507,138	,699		
Market capitalisation: (as at 3	31 December 2021)		HK\$448.4 b	oillion		



Share price performance of China Telecom on The Stock Exchange of Hong Kong Limited versus Hang Seng Index (HSI) and MSCI World Telecom Service Sector Index (MSCI) from IPO on 15 November 2002 to 31 December 2021.



Percentage of

Distribution of Shares and Shareholdings

The share capital of the Company as at 31 December 2021 was RMB91,507,138,699, divided into 91,507,138,699 shares of RMB1.00 each. As at 31 December 2021, the share capital of the Company comprised:

the Total Number of Shares in Issue **Number of Shares** (%) **Total Number of A Shares:** 77,629,728,699 84.83 held by: China Telecommunications Corporation 57,836,695,761 63.20 Guangdong Rising Holdings Group Co., Ltd. 5,614,082,653 6.14 Zhejiang Provincial Financial Development Co., Ltd. 2,137,473,626 2.34 Fujian Investment & Development Group Co., Ltd. 969,317,182 1.06 1.05 Jiangsu Guoxin Group Limited 957,031,543 Others 11.04 10,115,127,934 **Total Number of H Shares:** 13,877,410,000 15.17 Total 91,507,138,699 100.00

Major Shareholders of H Shares

The following table shows the major shareholders that exercised or controlled the exercise of 5% or above of H shares as at 31 December 2021:

		Percentage of
		the Total Number
		of H Shares
		in Issue
Name of Shareholder	Number of Shares	(%)
GIC Private Limited	1,945,047,702	14.02



Dividend History

		Shareholder		Dividend per
Financial Year	Ex-Dividend Date	Approval Date	Payment Date	Share
2002 Final	16 May 2003	20 June 2003	10 July 2003	HKD0.00837*
2003 Final	1 April 2004	3 May 2004	20 May 2004	HKD0.065
2004 Final	21 April 2005	25 May 2005	23 June 2005	HKD0.065
2005 Final	20 April 2006	23 May 2006	15 June 2006	HKD0.075
2006 Final	26 April 2007	29 May 2007	15 June 2007	HKD0.085
2007 Final	28 April 2008	30 May 2008	16 June 2008	HKD0.085
2008 Final	23 April 2009	26 May 2009	30 June 2009	HKD0.085
2009 Final	22 April 2010	25 May 2010	30 June 2010	HKD0.085
2010 Final	18 April 2011	20 May 2011	30 June 2011	HKD0.085
2011 Final	5 June 2012	30 May 2012	20 July 2012	HKD0.085
2012 Final	4 June 2013	29 May 2013	19 July 2013	HKD0.085
2013 Final	4 June 2014	29 May 2014	18 July 2014	HKD0.095
2014 Final	1 June 2015	27 May 2015	17 July 2015	HKD0.095
2015 Final	30 May 2016	25 May 2016	15 July 2016	HKD0.095
2016 Final	26 May 2017	23 May 2017	21 July 2017	HKD0.105
2017 Final	31 May 2018	28 May 2018	27 July 2018	HKD0.115
2018 Final	3 June 2019	29 May 2019	26 July 2019	HKD0.125
2019 Final	1 June 2020	26 May 2020	31 July 2020	HKD0.125
2020 Final	11 May 2021	7 May 2021	1 June 2021	HKD0.125
2021 Final	31 May 2022	19 May 2022	18 July 2022	RMB0.170**

^{*} On the basis of HK\$0.065 per share, pro-rated based on the number of days the Company's shares have been listed during the year of 2002.

ANNUAL REPORTS

Our annual reports in both English and Chinese are now available through the Internet at https://www.chinatelecom-h.com.

^{**} The dividend proposal is subject to shareholders' approval at the Annual General Meeting to be held on 19 May 2022.

2021 Annual Report Survey

Annual Report is a key communication channel between shareholders and the Company. Last year, we received around 100 questionnaires of "Your Views on Annual Report 2020". Each of these responses benefited us in enhancing and further improving our annual reports. We are deeply indebted to the respondents for their constructive responses. In accordance with our commitment, we have to contribute HK\$50 to a charitable organisation for each questionnaire received. In this regard, we have given a sum of HK\$10,000 to the charitable organisation, WWF, in 2021. In addition, we have already implemented the suggestion of allowing shareholders to choose means of receipt and language of corporate communication to enhance environmental protection and cost savings.

We value and are eager to keep hearing your comments on our annual report for our further improvement in the future. It is highly appreciated if you could spare your precious time to complete the questionnaire of "Your Views on Annual Report 2021", as attached in this annual report, and return it by post or fax to us at +852 2877 0988. You can also fill in the electronic form at our website, www.chinatelecom-h.com.

Annual General Meeting

To be held at 10 a.m. on 19 May 2022 in China Telecom Museum, Haidian District, Beijing, PRC and Island Shangri-La, Central, Hong Kong.

Registered office

Address: 31 Jinrong Street

Xicheng District

Beijing PRC 100033

Tel: (8610) 5850 1800 Fax: (8610) 6601 0728

Any enquiries relating to the strategic development or operations of China Telecom Corporation Limited, please contact the Investor Relations Department:

Investor Relations Department

Tel: (852) 2877 9777/(8610) 5850 1508

IR Enquiry: (852) 2582 0388

Fax: (852) 2877 0988/(8610) 5850 1531

Email: ir@chinatelecom-h.com



Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, loss of share certificates, please contact the share registrars:

H share registrar

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17th Floor

Hopewell Centre

183 Queen's Road East Wanchai

Hong Kong

Tel: (852) 2862 8555 Fax: (852) 2865 0990

Website: www.computershare.com/hk/contact

A share registrar

China Securities Depository and Clearing Corporation Limited Shanghai Branch

Address: No.188 South Yanggao Road

Pudong New Area

Shanghai

Tel: (86) 4008-058-058

Website: http://www.chinaclear.cn/zdjs/shfgs/branch_BSH.shtml



CORPORATE CULTURE

Corporate Mission

Let the customers fully enjoy a new information life

Strategic Goal

Be a world-class integrated information services provider

Core Value

Comprehensive innovation, pursuing truth and pragmatism, respecting people and creating value all together

Operation Philosophy

Pursue mutual growth of corporate value and customer value

Service Philosophy

Customer First Service Foremost

Code of Corporate Practice

Keep promise and provide excellent service for customers

Cooperate honestly and seek win-win result in joint innovation

Operate prudently and enhance corporate value continuously

Manage precisely and allocate resources scientifically

Care the staff and tap their potential to the full

Reward the society and be a responsible corporate citizen

Corporate Slogan

Connecting the World

China Telecom Corporation Limited
31 Jinrong Street, Xicheng District, Beijing, PRC, 100033

www.chinatelecom-h.com



Concept, design and printing: iOne Financial Press Limited. Website: www.ione.com.hk