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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 728)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

– During the year, the Company successfully issued A Shares on the Shanghai Stock Exchange, achieving dual listings in Shanghai and Hong Kong while further promoting the closer integration between the capital market and user market

– Operating revenues of the Company amounted to RMB439.6 billion, representing an increase of 11.7% over last year. 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-on-year growth rate reached 8.1%, remaining above the industry's average growth rate for five consecutive years. EBITDA amounted to RMB123.9 billion, representing an increase of 4.2% over last year. Net profit amounted to RMB25,948 million, representing an increase of 24.5% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries, the year-on-year growth rate reached 17.7%. The basic earnings per share were RMB0.31

– In 2021, mobile communications service revenues amounted to RMB184.2 billion, representing an increase of 4.9% over the last year. The total number of 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%

– With dual increase in scale and value of Smart Family subscribers, wireline and Smart Family service revenues amounted to RMB113.5 billion, representing an increase of 4.1% year-on-year. The total number of wireline broadband subscribers reached close to 170 million

– With rapid growth of Industrial Digitalisation, revenue from it 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 doubled, reaching 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 Board of Directors has decided to recommend at the shareholders' 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

I. CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, the new generation information and communications technologies saw accelerated innovation and have 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 Shanghai Stock Exchange, 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 revenues[1] amounted to RMB402.8 billion, representing an increase of 7.8% over last year. Excluding the revenue impact from the disposals of its subsidiaries[2], the year-on-year growth rate reached 8.1%, remaining above the industry's average growth rate for five consecutive years[3]. EBITDA[4] amounted to RMB123.9 billion, representing an increase of 4.2% over last year. Net profit[5] amounted to RMB25,948 million, representing an increase of 24.5% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries[6], the year-on-year growth rate reached 17.7%. The basic earnings per share were RMB0.31[7]. Capital expenditure was RMB86.7 billion and free cash flow[8] 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. At the same time, 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 wider shareholders and continue to create more value.

1 Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment and other non-service 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.

2 The Company completed the disposals of E-surfing Pay Co., Ltd and China Telecom Leasing Corporation Limited in April 2021.

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

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

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

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

7 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.

8 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.

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

On 20 August 2021, the Company's A shares were officially listed on the Shanghai Stock Exchange, with the Company making great strides in entering a new development stage. Taking A-share IPO as an opportunity, the Company will leverage its wider 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 sci-tech 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 ecology in the fields of 5G, cloud computing, network and information security, artificial intelligence (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.

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 sci-tech 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 while subscriber value continuing to rise

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 ARPU[9] 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.

Dual increase in scale and value of Smart Family subscribers, while digital life services continuing 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 consumption. The Company sped up the expansion from Smart Family scenes to smart communities and digital villages. Utilising technologies such as the Internet of Things (IoT), Big Data, and AI, the Company rolled out products and applications such as Community Security and Protection, Community Management and Resident Service to advance the construction of smart communities. The Company also launched products and applications such as Village Governance, Agricultural Production and Rural Live 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 close to 170 million. The penetration rate of subscribers of Smart Family services such as Whole-home WiFi and e-Surfing Webcam increased rapidly. Revenue from Smart Family increased 25.1% year-on-year, while the broadband blended ARPU[10] reached RMB45.9, representing an increase of 3.4% year-on-year.

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

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

Accelerated development of Industrial Digitalisation, with its revenue size reaching close to RMB100 billion

The Company deeply integrated the key elements of digital economy with the real economy. With the "integration of cloud, security, 5G, data, and intelligence" as a starting point, the Company developed 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 by the e-Surfing distributed cloud. The cloudification of IT has achieved significant results in quality enhancement, cost reduction and efficiency improvement. All of which propelled "the cloud migration, the use of data and intelligence injection" for its 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 basis[11], with its growth rate being significantly higher than that of 2020.

The commercial projects of the Company's 5G customised networks have covered all 15 key industries that fall under the "Raising the Sail" Action Plan[12], with over 1,200 projects being implemented throughout 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 wide-area connectivity, high speed, low latency and data security to empower a variety of industries, including Industrial Internet, convergent media, smart city, smart mining, Internet of Vehicles (IoV), smart healthcare, and smart ports, among others. 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 which include complicate network construction, harsh operating environments and high security risks, supporting the digitalisation as well as intelligent transformation and upgrades of vertical industries. At the same time, 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.

11 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.

12 On 5 July 2021, a total of ten central government departments including the Ministry of Industry and Information Technology (MIIT) published the *"Raising the Sail" Action Plan for 5G Applications (2021-2023)*.

Competitiveness of e-Surfing Cloud continuously enhanced with its revenue doubling

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. This further strengthened its market competitiveness, allowing it to win several cloud and CDN service orders worth more than 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 stemming from the digital life of individuals and households. In 2021, revenue from e-Surfing Cloud doubled, reaching 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 data centres at scale and in an efficiently-centralised manner. Revenue from IDC reached RMB31.6 billion, with its market share continuing to rank first in the industry.

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

The Company continued to enhance its 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 comprising cloud, network, edge and terminal to cover 31 provinces and gradually achieve on-demand selection and flexible deployment of its 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 its security products and services, and built a network security protection platform by aggregating the advantages 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 ten thousand customers across more than ten industries, including finance, education, media, energy, and Internet, among others. 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, among others. Altogether, this enabled the Company to create the end-to-end composite security delivery capabilities and provide integrated and all-scene based security protection solutions for government and enterprise customers. Leveraging its 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 sci-tech innovations

The Company leveraged sci-tech innovations to power its development, continued to strengthen its sci-tech innovation capabilities and took substantial steps towards becoming a sci-tech company. The Company fully completed its deployment of sci-tech innovation and R&D system of RDO and is facilitating the penetration of key core technologies such as network, AI, 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, AI 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 findings, with 33 projects being fully transformed and implemented. More than 80 small and micro innovations achieved sharing and replication through the shared platform model. The Company led or jointly led the completion of 46 international standards throughout the year. The numbers of domestic invention patents and PCT applications increased by 2 times and 8 times respectively, further enhancing the Company's sci-tech influence. The Company widely carried out cooperative innovation among industry, academia, R&D institutes and customers. The Company carried out research and innovative cooperation of key technologies with universities, scientific research institutes and other institutions. The sci-tech team building of the Company further strengthened while sci-tech talents were being cultivated and recruited 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 the precise construction of its cloud-network based on user experience and business scenes, and strived to build the new information infrastructure featuring 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 development trend of cloud-network integration while steadily promoting "Network adaptive to cloud, Cloud and network as one"

The Company deepened the network co-building and co-sharing with China Unicom, with the number of 5G base stations in use reaching 690,000, while 5G network coverage being extended to all cities and counties across the country as well as some developed townships. The Company also continued the expansion of its 4G network consolidation and resource sharing and further enhanced its network quality and resource utilisation rate. The aggregate savings of network investment exceeded RMB210 billion while the savings of network operating costs reached RMB20 billion per year. 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 promoted IoT at high, medium and low speeds collaboratively and launched Tiantong IoT, offering its customers with intelligent integrated information services featuring "space and ground unification, satellites and network integration, and Internet of Everything". With the integration of its capabilities in cloud, network, AI and others, the Company built an e-Surfing Internet of Video Things platform with a "1+31+X" framework, creating standardised visual capabilities that cover 31 provinces. The Company also launched a number of 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 network resources in accordance with cloud needs, network scheduling with cloud, as well as integrated 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 the largest capacity in the world, 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-location 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 data centres, DCI network, computing power and e-Surfing Cloud on all fronts and carried out forward-looking deployment of computing power network. The Company had more than 700 IDC sites, while the number of cabinets serving customers reached 470,000 units, 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-Chongqing, forming a resource layout of "2+4+31+X+O", which is highly consistent with the layout of an integrated national big data centre. The Company built an industry-leading high-speed Internet network connecting data centres. Its CN2-DCI and the government and enterprise OTN cover all eight hub nodes and data centres in major cities nationwide. The bandwidth of its backbone network exceeded 300Tbps. The Company built an artery of multi-channel optical cable network covering four regions, six axles and eight hubs which reached a total length of 320,000 kilometres. The Company grasped the explosive growth momentum of computing power demands, deployed layer-based computing power nationwide, continuously uplift the scale of its computing power in "2+4 hub nodes" and 31 provinces. The Company continued to strengthen the near-field edge computing power as well as computing power at customer sites, with the total computing power reaching 2.1 EFLOPS. E-Surfing Cloud has been upgraded to a distributed cloud, achieving 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 the independent and self-controlled new generation cloud platform of 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 the 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 Full expansion of ecological cooperation

The Company proactively built mutually beneficial ecosphere and transformed its development model and growth approach. The Company also strengthened strategic synergies and took A-share issuance as an opportunity to introduce 20 strategic investors. By doing so, the Company teamed up with upstream players with core capabilities and downstream industry application makers which cover the country's most economically affluent urban areas to carry out in-depth cooperation in areas of Research and Development (R&D), solutions, service and capital in the fields such as 5G industry applications, digital life, cross-region collaboration, network-cloud integration, and network and information security. The Company deepened the 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 technology, industry and terminal through the 5G Innovation Alliance, as well as joint innovation centres and open laboratories. China Telecom Cloud Technology Co., Ltd conducted equity diversification reforms. The Company signed a framework agreement to increase registered capital and shares with four large-scale state-owned enterprises (SOE), resulting in consolidation of ecological resources of cloud computing and further enhancement of its 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 and achieved 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 stimulated employees' vitality for pursuing innovation and development, established a market-oriented incentive mechanism and steered compensation towards the areas of sci-tech and Industrial Digitalisation. The Company amplified its efforts in recruiting talents and granted share appreciation rights to approximately 8,000 key personnel. The Company continued to deepen reforms of professional companies, established China Telecom Cloud Technology Co., Ltd, restructured its 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 its government and enterprise reforms, optimised its industry Business Group (BG) operation model, introduced an "open competition mechanism" for employment and innovated its 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 became significantly strengthened.

3.6 Implementing social responsibilities while optimising corporate governance

The Company insisted on the original aspiration and founding mission, 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 the 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-building and co-sharing network as well as a cloud with the largest scale among global operators. The Company successfully completed the assurance for key events as well as communications assurance tasks for 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 and expand the effective connection between the achievements of poverty alleviation and rural revitalisation and continued to promote universal service, achieving national commendations in national review and commendation for poverty alleviation, including the outstanding group, among others. The Company comprehensively forged a "China Telecom is trustworthy" reputation and image, maintaining the industry-leading position in terms of overall satisfaction with the lowest valid complaint rate in the industry. Insisting on the 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 services. With the help of 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 emission peak 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 its 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. At the same time, 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 have been 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. AI 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, putting all efforts into promoting high-quality development and jointly creating a new pattern for the information and communications industry.

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 important strategic opportunities, implement the "Cloudification and Digital Transformation" strategy on all fronts, strengthen its R&D and challenge-confronting 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 customer-oriented 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 upgrades of traditional industries. The Company will also extend 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!

Finally, on behalf of the Board of Directors, I would like to take this opportunity to express our sincere appreciation to all our shareholders and customers for their ongoing support. I would also like to express our sincere thanks to all our employees for their hard work and contributions. Furthermore, I would like to extend our gratitude towards Madam Zhu Min and Mr. Zhang Zhiyong for their outstanding contributions during their tenure as Director and Executive Vice President of the Company, respectively.

Ke Ruiwen
Chairman and Chief Executive Officer
Beijing, China

17 March 2022

II. FINANCIAL REVIEW

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 revenues[13] were RMB402,827 million, representing an increase of 7.8% from year 2020. Excluding the revenue impact from the disposals of its subsidiaries[14], the growth rate reached 8.1% year-on-year, 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 subsidiaries[15], the year-on-year growth was 17.7%. Basic earnings per share were RMB0.31. EBITDA[16] was RMB123,912 million, representing an increase of 4.2% from year 2020 and the EBITDA margin[17] was 30.8%.

13 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).

14 The Company completed the disposals of E-surfing Pay Co., Ltd and China Telecom Leasing Corporation Limited in April 2021.

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

16 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 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.

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

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.

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

(RMB million, except percentage data)	**For the year ended 31 December 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 year-on-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.

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 basis[18], 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.

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

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.

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

(RMB million, except percentage data)	**For the year ended 31 December** **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 sci-tech 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.

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 IPO 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 Corporation Limited, 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 subsidiaries[19].

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.

[19] The one-off after-tax gain from the disposals of E-surfing Pay Co., Ltd and China Telecom Leasing Corporation Limited was approximately RMB1,416 million.

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

(RMB million)	**For the year ended 31 December 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

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 Co., Ltd.

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 IPO.

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 indebtedness[20] decreased to RMB16,496 million from RMB53,342 million at the end of 2020. Gearing ratio[21] 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 debt	**2,821**	27,994
Long-term debt maturing within one year	**6,280**	1,126
Long-term debt	**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 IPO 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.

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

21 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.

III. CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(Amounts in million except for per share data)

	Notes	**2021** *RMB*	2020 *RMB*
Operating revenues	*4*	**439,552**	393,561
Operating expenses			
Depreciation and amortisation		**(92,965)**	(90,240)
Network operations and support		**(133,342)**	(119,517)
Selling, general and administrative		**(61,155)**	(55,059)
Personnel expenses		**(76,055)**	(65,989)
Other operating expenses		**(45,088)**	(29,074)
Impairment loss on property, plant and equipment		**–**	(5,042)
Total operating expenses		**(408,605)**	(364,921)
Operating profit		**30,947**	28,640
Net finance costs	*5*	**(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	*6*	**(7,716)**	(6,307)
Profit for the year		**26,148**	21,080

	Notes	**2021**	2020
		RMB	*RMB*
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
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)	*7*	**0.31**	0.26
Diluted earnings per share (RMB)	*7*	**0.31**	0.26
Number of shares (in million)		**91,507**	80,932

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

(Amounts in million)

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

	Notes	**31 December 2021** *RMB*	31 December 2020 *RMB*
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		**2,821**	27,994
Current portion of long-term debts		**6,280**	1,126
Accounts payable	*10*	**114,895**	107,578
Accrued expenses and other payables		**55,765**	57,053
Contract liabilities		**70,914**	63,849
Income tax payable		**588**	350
Current portion of lease liabilities		**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		**7,395**	24,222
Lease liabilities		**28,593**	27,455
Deferred tax liabilities		**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		**91,507**	80,932
Reserves		**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

Notes:

1. BASIS OF PREPARATION

The Group's consolidated financial statements included in the Annual Report have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB"). These 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.

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.

1A. SIGNIFICANT EVENT IN THE CURRENT YEAR

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 Co. Ltd ("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 over-allotment) 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.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by 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. 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.

4. 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

	Notes	2021 RMB million	2020 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

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 data centre 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 communication 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.

5. NET FINANCE COSTS

	2021 RMB million	2020 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%

6. INCOME TAX

Income tax in the profit or loss comprises:

	2021 RMB million	2020 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

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

	Notes	2021 RMB million	2020 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 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.

7. 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.

8. 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.

9. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

		31 December	
		2021	2020
	Notes	***RMB million***	*RMB million*
Third parties		**25,067**	23,688
China Telecom Group	*(i)*	**1,889**	1,784
China Tower	*(ii)*	**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

Notes:

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

(ii) China Tower Corporation Limited, an associate of the Company, is referred to as "China Tower".

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.

10. 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

11. 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.

IV. DIFFERENCES BETWEEN CHINESE ACCOUNTING STANDARD ("CAS") AND IFRSs

	Net Assets as at 31 December 2021	**Profit for the year ended 31 December 2021**
	RMB million	*RMB million*
Amount attributable to the shareholders of the parent company stated in the financial statements prepared in accordance with CAS	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

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

VI. AUDIT COMMITTEE

The audit committee has reviewed the accounting principles and practices adopted by the Group with the management and the Company's external auditors and discussed risk management, internal control and financial reporting matters (including the review of the annual report of the Company for the year ended 31 December 2021).

VII. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company strives to maintain high level of corporate governance and has always 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 long-term interests of the Company and its shareholders as a whole.

The roles of Chairman and Chief Executive Officer of the Company were performed by the same individual for the year 2021. In the Company's opinion, through supervision by the Board of Directors and the Independent Non-Executive Directors, with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of Chairman and Chief Executive Officer can enhance the Company's efficiency in decision-making and execution and effectively capture business opportunities. Many leading international corporations around the world also have similar arrangements.

Save as stated above, in the year 2021, the Company was in compliance with all the code provisions under the *Corporate Governance Code* as set out in Appendix 14 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Listing Rules").

VIII. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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 Directors and Supervisors. Based on the written confirmations from the Directors and Supervisors, the Company's Directors and Supervisors have confirmed their compliance with the *Model Code for Securities Transactions by Directors of Listed Issuers* regarding the requirements in conducting securities transactions for the period from 1 January 2021 to 31 December 2021.

IX. DIVIDENDS

The Board of Directors proposes a final dividend for the year ended 31 December 2021 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 ended 31 December 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. 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 with specific adjustments to be announced separately. The dividend proposal will be submitted for consideration at the forthcoming Annual General Meeting for the year 2021 which will be held on Thursday, 19 May 2022. The proposed final dividends are expected to be paid on or before 18 July 2022 upon consideration and approval at the Annual General Meeting.

The Company will disclose further information regarding the proposed payment of final dividend including, among other things, the expected timetable and arrangements for closure of the H Share Register of Members of the Company in due course.

X. ANNUAL REPORT

The Annual Report for the year ended 31 December 2021 prepared in accordance with IFRSs will be despatched to holders of H shares of the Company and made available on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.chinatelecom-h.com) in due course.

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

Beijing, China, 17 March 2022

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement 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.

As at the date of this announcement, the Board of Directors of the Company consists of Mr. Ke Ruiwen (as the Chairman and Chief Executive Officer); Mr. Li Zhengmao (as the President and Chief Operating Officer); Mr. Shao Guanglu; Mr. Liu Guiqing (as the Executive Vice President); Mr. Chen Shengguang (as the Non-Executive Director); Mr. Tse Hau Yin, Aloysius, Mr. Xu Erming, Madam Wang Hsuehming and Mr. Yeung Chi Wai, Jason (all as the Independent Non-Executive Directors).