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China Telecom Corporation Limited

中国电信股份有限公司

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

(Stock Code: 728)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Operating revenues of the Company amounted to RMB481.4 billion, representing an increase of 9.5% over last year. Service revenues amounted to RMB434.9 billion, representing an increase of 8.0% over last year. Excluding the revenue impact from the disposals of its subsidiaries in 2021, the year-on-year growth rate reached 8.1%. EBITDA amounted to RMB130.4 billion, representing an increase of 5.2% over last year. Net profit amounted to RMB27.6 billion, representing an increase of 6.3% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries in 2021, the year-on-year growth rate reached 12.5%. The basic earnings per share were RMB0.30
- In 2022, mobile communications service revenues amounted to RMB191.0 billion, representing an increase of 3.7% over the last year, maintaining favourable growth. The penetration rate of 5G package subscribers reached 68.5%
- Value contributions from Smart Family service continued to grow. Wireline and Smart Family service revenues amounted to RMB118.5 billion, representing an increase of 4.4% year-on-year. The penetration rate of Gigabit broadband reached 16.8%
- Revenue from Industrial Digitalisation reached RMB117.8 billion, representing an increase of 19.7% year-on-year on a comparable basis; revenue from China Telecom Cloud reached RMB57.9 billion, representing an increase of 107.5% over the last year while the revenue from network security services reached RMB4.7 billion, representing an increase of 23.5% year-on-year
- The Board of Directors has decided to recommend at the Annual General Meeting that a final dividend of 2022 of RMB0.076 per share (pre-tax) shall be declared. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full year dividend of 2022 amounts to RMB0.196 per share (pre-tax), and the aggregate amount of the full year dividend represents 65% of the profit attributable to equity holders of the Company for the year

I. CHAIRMAN'S STATEMENT

In 2022, the further advancement in the building of Digital China as well as the thriving development of digital economy brought new development opportunities to the industry. The Company implemented the new development principles completely, accurately and comprehensively based on the new development stage, while taking the initiative to serve and integrate into the new development pattern. The Company resolutely fulfilled its responsibilities in building Cyberpower and Digital China as well as safeguarding network and information security and fully implemented its Cloudification and Digital Transformation strategy. The Company further advanced the deployment of capabilities led by sci-tech innovation and leveraged deepened reforms to propel the unleashing of development momentum continuously. The Company's corporate governance system has been further optimised. The Company spared no effort in developing a service-oriented, technology-oriented and secured enterprise, while sharing the new achievements of its high-quality development with shareholders, customers and society.

1. OVERALL RESULTS

In 2022, the Company's operating revenues amounted to RMB481.4 billion, representing an increase of 9.5% year-on-year. Service revenues¹ amounted to RMB434.9 billion, representing an increase of 8.0% year-on-year. Excluding the revenue impact from the disposals of its subsidiaries in 2021², the year-on-year growth rate reached 8.1%. EBITDA³ amounted to RMB130.4 billion, representing an increase of 5.2% year-on-year. Net profit⁴ amounted to RMB27.6 billion, representing an increase of 6.3% year-on-year. Excluding the one-off after-tax gain from the disposals of its subsidiaries in 2021⁵, the year-on-year growth rate reached 12.5%. The basic earnings per share were RMB0.30. Capital expenditure was RMB92.5 billion and free cash flow⁶ reached RMB13.2 billion.

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 RMB206.9 billion, representing an increase of 6.0% year-on-year; wireline service revenues amounted to RMB228.0 billion, representing an increase of 9.8% year-on-year.

² Service revenues for 2021 excluded Internet Finance revenue prior to the disposal of E-surfing Pay Co., Ltd. which was completed in April 2021.

³ EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

⁴ Net profit represents profit attributable to equity holders of the Company.

⁵ 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.

⁶ 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.

The Company attaches great importance to shareholder returns and strives to enhance its profitability and cash flow generation capabilities, 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 a final dividend of 2022 of RMB0.076 per share (pre-tax) shall be declared. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full year dividend of 2022 amounts to RMB0.196 per share (pre-tax), and the aggregate amount of the full year dividend represents 65% of the profit attributable to equity holders of the Company for the year. Within the three years following the Company's 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, continuously creating more value to all shareholders.

2. FULLY IMPLEMENTING CLOUDIFICATION AND DIGITAL TRANSFORMATION STRATEGY, WHILE TAKING HIGH-QUALITY CORPORATE DEVELOPMENT TO A NEW LEVEL

In 2022, the Company comprehensively implemented its Cloudification and Digital Transformation strategy, and fully completed its deployment in the fields of businesses, capabilities, sci-tech innovation, cloud-network and reforms. The Company built new development momentum through cloud-, AI-, security- and platform-integrated initiatives and further enhanced its digital supply capabilities. The Company strived to develop an enterprise with “three orientations”⁷ while further advancing its high-quality development.

⁷ Enterprise with “three orientations”: service-oriented, technology-oriented and secured enterprise.

2.1 Further upgrade of integrated intelligent information products and services, with adherence to the customer-oriented approach

The Company further accelerated the transformation of its fundamental businesses, strengthened the promotion of digital products supply, and proactively expanded the new path featuring integrated development of Smart Family, Digital Village and Smart Community, enabling the whole society to enjoy a better digital life while promoting the steady growth of its fundamental businesses. The Company continued to strengthen its 5G network coverage, optimise network quality and enhance 5G user experience to promote mobile subscribers growth and value stabilisation. Leveraging the convergence of “5G + Gigabit broadband + Gigabit WiFi”, as well as the incorporation of digital elements such as AI, security, cloud, the Company promoted the application expansion and service upgrade of broadband subscribers. With the creation of an open and integrated digital life platform, the Company provided communities and villages with leading capabilities in connecting households, communities and government, as well as abundant solutions for grassroots governance. The Company also provided integrated scene-based applications such as Video Door Access Control, Community Management and Village Governance. In 2022, the Company’s mobile communications service revenues amounted to RMB191.0 billion, representing an increase of 3.7% year-on-year, maintaining favourable growth. The penetration rate of 5G package subscribers reached 68.5%. The value contributions from mobile value-added services and applications continued to grow, with mobile ARPU⁸ reaching RMB45.2, representing an increase of 0.4% year-on-year. Wireline and Smart Family service revenues amounted to RMB118.5 billion, representing an increase of 4.4% year-on-year. The penetration rate of Gigabit broadband reached 16.8%. The number of Whole-home WiFi and e-Surfing Webcam subscribers increased by 45.8% and 52.7% respectively. The value contributions from Smart Family service continued to grow. Broadband blended ARPU⁹ reached RMB46.3, representing an increase of 0.9% year-on-year. The Company’s overall customer satisfaction maintained an industry-leading position.

⁸ Mobile ARPU = monthly average revenues from mobile services / the average number of mobile subscribers.

⁹ Broadband blended ARPU = monthly average revenues from broadband access, e-Surfing HD and Smart Family applications and services / the average number of broadband subscribers.

The Company proactively seized the current opportunities brought by the demands from various industries in the economy and society for network-based, digitalised, and smart integrated information services and created a model for Industrial Digitalisation development that deeply integrates “cloud-network capability foundation + industry application platforms”, providing digital integrated solutions for numerous walks of life. China Telecom Cloud has entered into a stage of 4.0 with full commercialisation after more than ten years of development. The market share of China Telecom Cloud continued to increase, becoming the world’s largest carrier cloud and China’s largest hybrid cloud. It has grown to rank among the top-three in China’s public cloud IaaS market and public cloud IaaS+PaaS market, while maintaining its No.1 position in the dedicated cloud market in terms of market share. The Company supported the digital transformation of the national economy and society, achieving remarkable results in scale expansion in key areas of national economy and people’s livelihood. Focusing on 5G industry use cases, the cumulative number of 5G 2B commercial projects developed by the Company reached approximately 15,000, of which the number of newly added projects in 2022 exceeded 8,000. This fully unleashed new momentum of transformation for vertical industries. Meanwhile, emerging businesses, such as network security, Big Data, AI and digitalised platform, have gradually become new drivers for Industrial Digitalisation development. In 2022, revenue from Industrial Digitalisation of the Company amounted to RMB117.8 billion, representing a year-on-year growth of 19.7% on a comparable basis¹⁰. Revenue from China Telecom Cloud reached RMB57.9 billion, representing an increase of 107.5% year-on-year. Revenue from network security services amounted to RMB4.7 billion, representing an increase of 23.5% year-on-year.

¹⁰ Revenue for Industrial Digitalisation in 2021 has excluded the Internet Finance revenue before the disposal of E-surfing Pay Co., Ltd..

2.2 Seizing opportunities arising from the development of digital economy and bolstering the momentum of the second growth curve

The Company further deepened the forward-looking deployment of digital technologies to lay a solid foundation for the innovation and development of digital economy. The Company also built new development momentum through cloud-, AI-, security- and platform-integrated initiatives, and further advanced capability deployment of various emerging businesses. The Company promoted the rapid development of the second growth curve to empower the high-quality development of digital economy. The Company completed the upgrade to China Telecom Cloud 4.0 which is a distributed cloud with wide-area coverage, featuring the integration of “cloud, network, edge, terminal, data, intelligence and security” as a whole. A number of its proprietary core technologies in fundamental software and hardware of cloud computing, such as TeleCloudOS4.0 cloud operating system, CTyunOS server operating system, TeleDB database and Zijin DPU were fully launched and achieved scale commercialisation of products. This further consolidated the independent and controllable cloud foundation featuring polymorphism and multiple chip architectures in one cloud. The Company strengthened proprietary research and development (R&D) of AI core capabilities, built the industry’s first billion-parameter large-scale model for urban governance and promoted the expansion of large-scale models towards model hubs at the industry level. The Company strengthened the end-to-end supply of security products and services, completed the construction of “Cloud Dam” platform with full network coverage as well as a processing capacity of 10Tbps. The Company built an integrated security infrastructure platform, “Security Brain”, for industry customers. The Company accelerated the building of proprietary digital platform capabilities, and built the unified industry digitalised platform foundation. The Company enhanced the efficiency and quality of proprietary platform development, and promoted the development of Industry Digitalisation business. The number of Internet of Things (IoT) subscribers exceeded 400 million, achieving “IoT connections exceeding human connections”. e-Surfing Internet of Video Things (IoVT) achieved rapid development, with its number of subscribers exceeding 46 million. Use cases such as Kitchen Monitoring, Security Smart Eye, Smart Enterprise and e-Surfing Emergency Response achieved scale commercialisation.

2.3 Insisting on the leading role of sci-tech innovation while further advancing the industrialisation upgrade of technological capabilities

Adhering to “science and technology constitute a primary productive force”, the Company strove to develop a technology-oriented enterprise. The Company was credited with the honorary title of “Enterprise with Outstanding Contribution to Sci-tech Innovation” by the State-owned Assets Supervision and Administration Commission (SASAC). The Company fully completed the deployment of its R&D system for sci-tech innovation, RDO¹¹, and proactively explored a development path featuring productisation of technological capabilities and industrialisation of innovative achievements. The Company built a platform for high-level sci-tech innovation, strengthened the fundamental support for R&D, and proactively forged the source of original cloud computing technologies while undertaking the construction of innovation platforms such as cloud-network infrastructure. The Company established joint sci-tech research institutions with key laboratories, renowned universities and sci-tech research institutes for cutting-edge technologies such as 6G and next-generation network. The Company further strove for core technologies breakthroughs, with significant enhancement of capabilities in R&D of cloud-network technologies. The Company’s achieved breakthroughs in key technologies of cloud computing such as software and hardware integration, operating system as well as database. The Company’s computing power channeling of cloud storage and etc. has reached an advanced level within the industry. The computing power distribution network platform of China Telecom Cloud 4.0, “XiRang”, was successfully selected as one of the “2022 Top 10 Super Projects of Central Enterprises”. The Company also built China’s largest quantum metropolitan network, the “Hefei Quantum Metropolitan Network”. The Company further strengthened the industrialisation of application achievements, realising the application of AI large-scale models under a number of scenes such as digital life and smart manufacturing. The Company also rolled out scale commercialisation of products such as Security Brain, Cloud Computer and CDN. Domestic invention patents and PCT patent applications were 1.4 times and 2 times, respectively, of the same period of last year. The Company achieved scale expansion and quality enhancement of its tech talents, with the introduction of leading talents in areas of cloud computing, AI and Big Data, among others. The number of chief experts being newly recruited or renewed exceeded 10. The Company also innovated its talent development mechanism and introduced a chief technician system, along with honouring awards for tech talents and the promotion of special talent pool systems, altogether creating a conducive ecology for innovation.

¹¹ RDO: fundamental research (R), applied technological research and development (D) and operational development (O).

2.4 Expediting the promotion of cloud-network integration to consolidate the foundation of digital information infrastructure

The Company comprehensively advanced the overall planning and coordinated deployment of various digital elements such as “cloud, network, data, intelligence and security”. The Company also accelerated the transformation and upgrades of networks as well as the construction of 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. The Company further optimised the “2 + 4 + 31 + X + O” layout of its computing power and built proprietary multiple availability zones (AZs) capabilities of China Telecom Cloud 4.0 in central nodes of regions of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area and Chengdu-Chongqing. The number of cities covered by “One-City-One-Pool” exceeded 240, while the number of edge computing power nodes surpassing 800, providing customers with highly-efficient and efficiently-centralised distributed cloud service with ultra-low latency. In 2022, the newly added computing power of China Telecom Cloud was 1.7 EFLOPS, with its total computing power reaching 3.8 EFLOPS, representing an increase of 81% year-on-year. The Company built the four-level AI computing power comprising of “entire network-region-edge-terminal” with nationwide coverage. The Company also built an efficiently-centralised core platform for AI capabilities, achieving unified channeling of AI computing power, algorithms and data while aggregating more than 5,000 algorithms and over 100 scene-based solutions. The Company proactively responded to the national strategy of “East-to-West Computing Resource Transfer” and stepped up deployment with a focus on 8 hub nodes. The Company currently owns more than 700 IDC sites and over 3,000 edge DC, and the number of IDC cabinets amounted to 513,000 with a utilisation rate of over 70%. The Company has the greatest number and the most extensive distribution of IDC resources in China. Surrounding national datacentres, the Company built interconnection networks for datacentres with large bandwidth, high reliability, wide coverage and multiple layers. The latency between AZs was below 1ms. The Company built the largest Gigabit fibre network in scale, with the number of 10G PON ports exceeding 6.30 million, covering over 250 million family users in the Company’s service region. The Company achieved interconnection between the mobile network and the satellite network and realised multiple functions for one single card. The Company continued to give full play to its role in safeguarding network and information security, formed security infrastructure capabilities covering cloud, network, edge and terminal, and completed the construction of “Cloud Dam” platform with full network coverage. The Company’s security capability pools covered more than 150 cities. The Company’s new-generation cloud-network operating system was fully launched, realising the integrated management of cloud, network and security as well as the automatic activation of the whole business process for cloud-network integration. The Company fully promoted the green and low-carbon transformation of cloud-network

infrastructure, and adopted measures such as customised high-performance servers to enhance computing efficiency. The Company also applied various new energy-saving technologies to enhance the energy efficiency of datacentres and telecommunications equipment rooms, and sped up the energy-saving application of AI technologies to mobile base stations and old equipment rooms, with a power saving of over 600 million kWh per year. The Company and China Unicom further promoted 4G/5G co-building and co-sharing. The cumulative number of 5G base stations co-built and co-shared by the two parties exceeded one million while the number of co-shared 4G stations exceeding 1.1 million. The co-building and co-sharing achieved remarkable results. The cumulative investment savings in network construction for both parties amounted to over RMB270 billion, while the annualised savings of operating costs exceeded RMB30 billion, contributing key technologies in co-building and co-sharing as well as operation and management experiences to the global communications industry.

2.5. Continuing to unlock reform momentum to significantly bolster corporate development vitality

With the satisfaction of customers' digitalisation demands as the core and the enhancement of corporate core competitiveness as the target, the Company comprehensively promoted the reform of corporate organisations, processes, and market-oriented operation mechanisms. The Company continued to deepen its enterprise service reform, solidly advanced the development of industrial research institute, cloud core platform, as well as local integration teams to establish a cloud-centric main business process and a highly efficient operating system. The Company stepped up its efforts and accelerated the reform of professional companies, making substantial progress in diversifying the equity ownership of its cloud company. It also achieved corporate operation of Big Data and AI centre, rapidly enhancing its level of market-orientation. The Company's cloud, security and IoT companies were shortlisted by SASAC in its list of "Sci-tech Reform Demonstration Enterprises", with its core competitiveness in sci-tech innovation continuing to strengthen. The Company fully leveraged its massive data resources to build a distributed Big Data lake and develop a Big Data storage and processing model with cloud-edge coordination. While empowering the digital transformation of its customers, the Company also accelerated its internal digital transformation of products, sales, service, operation and management to continuously promote costs reduction and efficiency enhancement, while further uplifting its operating efficiency. With in-depth implementation of market-oriented operation mechanisms, the Company fully implemented a tenure system and contractual management at the managerial level. It also launched the "Talent Nurturing Programme" for the first time, while vigorously implementing incentive measures for talents such as special talent pools, expert incentives, equity and bonus sharing based on job positions. This continued to enhance employee vitality. The Company established a 4-in-1 integration system of "market insight, budget, assessment and incentive", with steady enhancement of the development as well as the value creation capability of various business units.

Adhering to the cooperation philosophy of “Broadest Scope, Best Service, Best Value, Farthest Growth”, the Company carried out greater, broader and deeper ecological cooperation with its partners. The Company signed strategic cooperation agreements with governments of various provinces and cities to comprehensively support governments’ informatisation construction. The Company expanded the informatisation service for the government affairs market, strengthened ecological cooperation with industry leaders, and opened up the digital platform of fundamental capabilities. The Company aggregated proprietary capabilities as well as capabilities from ecological cooperation to provide customers with integrated “cloud-network + data-intelligence” solutions. The Company continuously expanded 5G Industry Innovation Alliance to explore 5G innovative applications and build 5G industry ecology. The number of member units exceeded 400. The Company commenced extensive cooperation with partners from four areas including technology, application, channel and service. The Company created a cloud computing community and fully opened up to co-build the national cloud ecology. The Company also carried out in-depth cooperation with leading vendors to push forward the construction of a security capability pool that effectively aggregates capabilities of various parties, while creating an open security ecology. By vigorous promotion of industry and research cooperation in the field of AI with domestically well-known universities and sci-tech research institutions, the Company spared no effort to jointly build an innovation ecology of AI industry. The Company conducted deployment in the capital ecology with a focus on key areas, and promoted coordinated development with companies within the capital ecology to give full play to the multiplier effect of capital investment and bring new momentum for the Company’s value growth.

3. UNDERTOOK SOCIAL RESPONSIBILITIES WHILE OPTIMISING CORPORATE GOVERNANCE

The Company proactively fulfilled its social responsibilities, successfully completed communications assurance tasks for important scenes and spared no effort to establish network “lifelines” during times of natural disasters. The Company also proactively promoted green cloud-network construction and operation. In 2022, through co-building and co-sharing and various energy saving measures, the Company reduced its greenhouse gas emissions by more than 13 million tons, while greenhouse gas emissions per unit of information flow decreased by 20.6% year-on-year. It built the country’s first “zero-carbon datacentre” in Qinghai. The Company served rural revitalisation, promoted universal service and bridged the digital divide. The Company also proactively participated in social welfare, and provided informatised products for Covid-19 Epidemic (“Epidemic”) prevention such as e-Surfing Cloud Broadcasting, Cloud Conference, Cloud Computer, Cloud SaaS applications and Display of Caller Name Card, among others. The Company leveraged digital means to support sci-tech based Epidemic prevention and assisted small and medium-sized enterprises (SMEs) to overcome challenges. The Company strengthened employee care and promoted the mutual development of both employees and the Company.

Insisting on high-standard corporate governance while adhering to excellent, prudent and effective corporate governance principles, the Company continued to optimise its corporate governance system, standardise its corporate operations, strengthen its internal control system and implement refined governance and disclosure measures. In addition to the compliance and efficient operation of its Shareholders Meeting, Board of Directors and Supervisory Committee, the Company fully achieved the establishment of Board of Directors on various levels of its subsidiaries where appropriate. The Company further realised lean management and stable operation. The Company continued to optimise its internal control and comprehensive risk management to effectively ensure stable operation of the Company. The level of its corporate governance continued to strengthen to effectively protect the best and long-term interests of its shareholders.

In 2022, the Company received high affirmation and recognition from domestic and international capital markets and industry organisations. Of which, the Company was voted as the “Most Honoured Companies in Asia” for the 12th consecutive year by *Institutional Investor*. The Company also ranked No.1 in categories such as “Best Investor Relations”, “Best IR Team” and “Best Overall ESG”. In addition, the Company received a number of awarded such as “Asia’s Best Corporate Social Responsibility”, “Best Corporate Communications”, “Best Environmental Responsibility” and “Best Investor Relations Company” in the “Asian Excellence Award 2022” organised by *Corporate Governance Asia*, a renowned journal on corporate governance in Asia.

Moreover, the Company was voted as “Most Outstanding Company in China – Telecommunication Services Sector” in *Asiamoney*’s “Asia’s Outstanding Companies Poll 2022”. The Company was further awarded with the “Overall Most Outstanding Company in China” among all winners from different sectors in China. At the same time, the Company was also awarded with “Best Practice of Office of Board of Directors for Public Companies in 2022” as well as “Best Practice Award of 2021 Annual Results Briefing for Public Companies” by China Association for Public Companies.

4. OUTLOOK

The building of Digital China is an important driver for the advancement of Chinese modernisation in the digital era. The Company will firmly seize the valuable strategic development opportunities, proactively fulfill its responsibility in building Digital China and insist on seeking progress while maintaining stability. With high-quality development as the theme, digital transformation as the main line, reform, opening and innovation as the driving force, the Company will comprehensively and deeply implement the Cloudification and Digital Transformation strategy while further striving for breakthroughs in key core technologies of digitalisation. The Company will create the supply of digital products with a focus on customer demands, and strive to build a digital service platform that is open and co-shared. The Company will also speed up the construction of the digital information infrastructure, stimulate the potential of data elements and proactively promote reforms of organisations and mechanisms that are adaptable to digital transformation. The Company will tangibly enhance its core competitiveness and accelerate the building of a world-class enterprise.

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 care and support all along. I would also like to express our sincere thanks to all our employees for their hard work and contributions. Furthermore, I would like to express our heartfelt gratitude to Mr. Tse Hau Yin, Aloysius and Mr. Xu Erming for their outstanding contributions to the Company’s transformation and upgrades as well as continued development made during their tenure. At the same time, I would like to welcome Mr. Xia Bing, Mr. Li Yinghui, Mr. Ng, Kar Ling Johnny, and Mr. Chen Dongqi to our Board of Directors.

Ke Ruiwen

Chairman and Chief Executive Officer

Beijing, China

22 March 2023

II. FINANCIAL REVIEW

In 2022, adhering to the new development principles, the Company seized opportunities arising from the development of digital economy and comprehensively implemented the “Cloudification and Digital Transformation” strategy. The Company increased investment in key areas such as sci-tech innovation and Industrial Digitalisation. At the same time, the Company strengthened digital operation to reduce costs and enhance efficiency, further increased resource efficiency, and supported the long-term value creation of the Company. The Company achieved new results in high-quality development. In 2022, operating revenues were RMB481,448 million, representing an increase of 9.5% from year 2021¹². Service revenues¹³ were RMB434,928 million, representing an increase of 8.0% from year 2021. Excluding the revenue impact from the disposals of its subsidiaries in 2021¹⁴, the year-on-year growth rate reached 8.1%, maintaining continuous growth for ten consecutive years. Operating expenses were RMB448,021 million, representing an increase of 9.6% from year 2021. The Company continued to enhance its profitability. Profit attributable to equity holders of the Company was RMB27,593 million, representing an increase of 6.3% from year 2021. Excluding the one-off after-tax gain from the disposals of its subsidiaries in 2021¹⁵, the year-on-year growth rate reached 12.5%. Basic earnings per share were RMB0.30. EBITDA¹⁶ amounted to RMB130,359 million, representing an increase of 5.2% from year 2021. EBITDA margin¹⁷ was 30.0%.

¹² In 2022, the Group acquired Beeya (Shanghai) Technology Co., Ltd.. As a business combination under common control, comparative figures of the prior year have been restated.

¹³ Service revenues are calculated based on operating revenues minus sales of mobile terminals, sales of wireline equipment, and other non-service revenues.

¹⁴ Service revenues for 2021 excluded Internet Finance revenue prior to the disposal of E-surfing Pay Co., Ltd. which was completed 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 in 2021 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 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.

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

OPERATING REVENUES

In 2022, the Company leveraged its edges in cloud-network servicing capabilities, accelerated the development of Industrial Digitalisation service, further upgraded its integrated intelligent information products and services, and strengthened the new supply of digital products. As a result, its revenues continuously maintained favourable growth while its revenue structure further optimised. In 2022, operating revenues were RMB481,448 million, representing an increase of 9.5% from year 2021. Service revenues were RMB434,928 million, representing an increase of 8.0% from year 2021.

The following table sets forth a breakdown of the operating revenues for year 2022 and 2021, together with their respective rates of change:

<i>(RMB million, except percentage data)</i>	For the year ended		Rates of change
	2022	2021 (Restated)	
Service revenues	434,928	402,828	8.0%
Of which: Mobile communications service revenues	191,026	184,158	3.7%
Wireline and Smart Family service revenues	118,534	113,522	4.4%
Industrial Digitalisation service revenues	117,756	98,945	19.0%
Other service revenues	7,612	6,203	22.7%
Revenues from sales of goods and others	46,520	36,725	26.7%
Total operating revenues	481,448	439,553	9.5%

Mobile communications service revenues

In 2022, the Company continued to strengthen its 5G network coverage, optimise network quality and enhance 5G user experience to promote mobile subscribers growth and value stabilisation as well as the stable growth of fundamental businesses. In 2022, revenues from mobile communications services were RMB191,026 million, representing an increase of 3.7% over the same period of last year and accounting for 39.7% of operating revenues.

Wireline and Smart Family service revenues

In 2022, leveraging the convergence of “5G + Gigabit broadband + Gigabit WiFi”, the Company promoted the speed upgrade of broadband subscribers as well as the upgrade from Whole-home Intelligence to family DICT. The value contribution from Smart Family services continued to grow, with broadband blended ARPU maintaining favourable growth. In 2022, the Company’s wireline and Smart Family service revenues were RMB118,534 million, representing an increase of 4.4% over the same period of last year and accounting for 24.6% of operating revenues.

Industrial Digitalisation service revenues

In 2022, the Company proactively seized the current opportunities brought by the demands from various industries in the economy and society for network-based, digitalised, and smart integrated information services. Leveraging its own resources in whole process and whole network, the Company empowered the digital transformation of numerous walks of life and promoted “the cloud migration, the use of data and intelligence injection” for more enterprises. In 2022, the Company’s Industrial Digitalisation service revenues were RMB117,756 million, representing an increase of 19.0% over last year and accounting for 24.5% of operating revenues.

Other service revenues

In 2022, revenues from other services amounted to RMB7,612 million, representing an increase of 22.7% from year 2021, mainly due to the increase in revenues from property rental.

Revenues from sales of goods and others

In 2022, revenues from sales of goods and others amounted to RMB46,520 million, representing an increase of 26.7% from year 2021, mainly due to the rapid growth in the sales volume of mobile terminals, such as 5G mobile phones.

OPERATING EXPENSES

Seizing the opportunities arising from the development of digital economy, the Company increased investment in key areas such as sci-tech innovation and Industrial Digitalisation. At the same time, the Company strengthened digital operation to reduce costs and enhance efficiency, further increased resource efficiency, and supported the high-quality development and long-term value creation of the Company. In 2022, operating expenses were RMB448,021 million, representing an increase of 9.6% from year 2021. Operating expenses accounted for 93.1% of operating revenues.

The following table sets forth a breakdown of the operating expenses in 2022 and 2021 and their respective rates of change:

<i>(RMB million, except percentage data)</i>	For the year ended		
	31 December		
	2022	2021	Rates of change
		(Restated)	
Depreciation and amortisation	96,932	92,966	4.3%
Network operations and support	147,589	133,340	10.7%
Selling, general and administrative	64,277	61,154	5.1%
Personnel expenses	84,772	76,057	11.5%
Other operating expenses	54,451	45,088	20.8%
Total operating expenses	448,021	408,605	9.6%

Depreciation and amortisation

In 2022, the Company further promoted 5G co-building and co-sharing as well as 4G network co-sharing. At the same time, in order to support the construction of 5G network at scale and expand the deployment of new infrastructure such as datacentres and cloud, the Company continued its capital expenditure input. Depreciation and amortisation amounted to RMB96,932 million, representing an increase of 4.3% from year 2021 and accounting for 20.1% of operating revenues.

Network operations and support

In 2022, the Company proactively supported the rapid development of 5G, Industrial Digitalisation service and Smart Family services, and appropriately increased investment in capabilities build-up. At the same time, with the continuous expansion of the Company's network, operating costs such as electricity charge and tower rental fees increased accordingly. Network operations and support expenses amounted to RMB147,589 million, representing an increase of 10.7% from year 2021 and accounting for 30.7% of operating revenues.

Selling, general and administrative

In 2022, selling, general and administrative expenses amounted to RMB64,277 million, representing an increase of 5.1% from year 2021 and accounting for 13.4% of operating revenues. The Company firmly seized the development opportunities of 5G and maintained the necessary input in marketing resources. At the same time, the Company deepened channel transformation and upgrades, accelerated the construction of a new digital marketing service channel system, and strengthened online and offline coordination. The Company also stepped up precision marketing and enhanced the efficiency of selling expenses. In 2022, selling expenses were RMB50,486 million, representing an increase of 3.9% from year 2021. The Company proactively promoted sci-tech innovation to accelerate the transformation as a technology-oriented enterprise, with appropriate increase in R&D initiatives. In 2022, general and administrative expenses amounted to RMB13,791 million, representing an increase of 9.8% from year 2021.

Personnel expenses

The Company firmly seized the opportunities arising from the development of the digital economy, boosted sci-tech innovation, strengthened the recruitment of high-tech talents and increased incentives for frontline employees and high-performance team. Inputs in personnel expenses were aligned with the development direction of the Company to transform itself to be a technology-oriented enterprise in the future. In 2022, personnel expenses amounted to RMB84,772 million, representing an increase of 11.5% from year 2021 and accounting for 17.6% of operating revenues.

Other operating expenses

In 2022, other operating expenses amounted to RMB54,451 million, representing an increase of 20.8% from year 2021 and accounting for 11.3% of operating revenues. The increase was mainly due to the increase in the sales volume of mobile terminals, such as 5G mobile phones.

Net finance costs

In 2022, net finance costs amounted to RMB7 million, representing a decrease of 99.4% from year 2021, 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 taxes

The Company's statutory income tax rate is 25%. In 2022, income tax expenses were RMB8,038 million while the effective tax rate was 22.5%, representing a decrease of 0.3 percentage point from last year. The reasons for the effective tax rate being lower than the statutory tax rate were because income from investment in the associate company, China Tower Corporation Limited ("China Tower"), was not subject to tax during the period of the investment held, the application of preferential policies such as additional tax deduction from research and development expenses, 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 enhance quality and efficiency, resulting in a significant increase in profit attributable to equity holders. In 2022, the profit attributable to equity holders of the Company was RMB27,593 million, representing an increase of 6.3% from year 2021. Excluding the one-off after-tax gain of disposals of its subsidiaries in 2021¹⁸, the year-on-year growth rate was 12.5%.

¹⁸ The one-off after-tax gain from the disposals of E-surfing Pay Co., Ltd. and China Telecom Leasing Corporation Limited in 2021 was approximately RMB1,416 million.

CAPITAL EXPENDITURE AND CASH FLOWS

Capital expenditure

In 2022, in order to support the construction of 5G network at scale and strengthen its network competitive advantages, the Company proactively expanded the deployments of new infrastructure such as datacentres and cloud, built the intelligent integrated digital information infrastructure, and expedited the construction of cloud-network foundation in the computing power era. At the same time, the Company further promoted 5G network co-building and co-sharing as well as 4G network co-sharing with China Unicom. Capital expenditure for the year was RMB92,528 million, representing an increase of 6.7% from year 2021.

Cash flows

The net decrease in cash and cash equivalents for year 2022 was RMB1,270 million.

The following table sets forth the cash flow position in 2022 and 2021:

<i>(RMB million)</i>	For the year ended	
	31 December	
	2022	2021 (Restated)
Net cash flow from operating activities	136,432	137,533
Net cash used in investing activities	(96,796)	(80,288)
Net cash used in financing activities	(40,906)	(7,518)
Net (decrease)/increase in cash and cash equivalents	<u>(1,270)</u>	<u>49,727</u>

In 2022, the net cash inflow from operating activities was RMB136,432 million, representing a decrease of 0.8% from year 2021, mainly due to the increase in accounts receivable and the decrease in user prepaid service fees for the year as a result of the change in business structure.

In 2022, the net cash outflow used in investing activities was RMB96,796 million, representing an increase of 20.6% from year 2021, mainly due to the increase in capital expenditure of the Company, as well as the increase in loans granted by its finance company.

In 2022, the net cash outflow used in financing activities was RMB40,906 million, representing an increase of 444.1% from year 2021, mainly due to the impact of the proceeds from the Company's A-share IPO last year.

WORKING CAPITAL

The Company consistently upheld stable and prudent financial principles and stringent fund management policies. At the end of 2022, the working capital (total current assets minus total current liabilities) deficit was RMB140,665 million, representing an increase in deficit of RMB2,957 million compared to the end of 2021. As at 31 December 2022, the unutilised credit facilities were RMB233,639 million (2021: RMB276,483 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 2022, cash and cash equivalents amounted to RMB72,465 million, among which cash and cash equivalents denominated in Renminbi accounted for 94.3% (2021: 89.6%).

ASSETS AND LIABILITIES

In 2022, the Company continued to maintain a solid financial position. At the end of 2022, the total assets increased by 6.0% from RMB762,239 million as at the end of 2021 to RMB807,698 million. Total indebtedness¹⁹ decreased to RMB10,484 million from RMB16,496 million at the end of 2021. Debt to asset ratio as at the end of 2022 was 46.0%.

¹⁹ Total indebtedness refers to interest-bearing debts excluding lease liabilities.

Indebtedness

The indebtedness analysis as at the end of 2022 and 2021 is as follows:

<i>(RMB million)</i>	For the year ended	
	31 December	
	2022	2021
Short-term debts	2,840	2,821
Current portion of long-term debts	3,160	6,280
Long-term debts	4,484	7,395
Total indebtedness	<u>10,484</u>	<u>16,496</u>

As at the end of 2022, the total indebtedness was RMB10,484 million, representing a decrease of RMB6,012 million from the end of 2021, which was mainly due to the impact of the Company's listing in A-share market, as the proceeds 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 97.4% (2021: 98.2%), 1.7% (2021: 1.1%) and 0.9% (2021: 0.7%), respectively. 95.8% (2021: 95.9%) of the indebtedness were loans with fixed interest rates while the remaining portion of the indebtedness represented loans with floating interest rates.

As at 31 December 2022, neither the Company nor any of its subsidiaries pledged any assets as collateral for debt (2021: 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.

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

China Telecom Corporation Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 extracted from the audited consolidated financial statements of the Group as set out in its 2022 Annual Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Amounts in million except for per share data)

	<i>Notes</i>	2022 RMB	2021 RMB (restated)
Operating revenues	4	481,448	439,553
Operating expenses			
Depreciation and amortisation		(96,932)	(92,966)
Network operations and support		(147,589)	(133,340)
Selling, general and administrative		(64,277)	(61,154)
Personnel expenses		(84,772)	(76,057)
Other operating expenses		(54,451)	(45,088)
Total operating expenses		(448,021)	(408,605)
Operating profit		33,427	30,948
Net finance costs	5	(7)	(1,293)
Investment income and others		243	2,244
Share of profits of associates and joint ventures		2,051	1,966
Profit before taxation		35,714	33,865
Income tax	6	(8,038)	(7,716)
Profit for the year		27,676	26,149

	<i>Notes</i>	2022 RMB	2021 RMB (restated)
Other comprehensive income for the year			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of investments in equity instruments at fair value through other comprehensive income		(222)	20
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income		50	(15)
		<u>(172)</u>	<u>5</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of financial statements of subsidiaries outside mainland China		712	(233)
		<u>712</u>	<u>(233)</u>
Other comprehensive income for the year, net of tax		<u>540</u>	<u>(228)</u>
Total comprehensive income for the year		<u>28,216</u>	<u>25,921</u>
Profit attributable to			
Equity holders of the Company		27,593	25,949
Non-controlling interests		83	200
Profit for the year		<u>27,676</u>	<u>26,149</u>
Total comprehensive income attributable to			
Equity holders of the Company		28,133	25,721
Non-controlling interests		83	200
Total comprehensive income for the year		<u>28,216</u>	<u>25,921</u>
Basic earnings per share (RMB)	7	<u>0.30</u>	<u>0.31</u>
Diluted earnings per share (RMB)	7	<u>0.30</u>	<u>0.31</u>
Number of shares (in million)		<u>91,507</u>	<u>91,507</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2022

(Amounts in million)

	31 December 2022	31 December 2021
<i>Note</i>	<i>RMB</i>	<i>RMB</i> (restated)
ASSETS		
Non-current assets		
Property, plant and equipment, net	413,963	415,981
Construction in progress	58,443	51,457
Right-of-use assets	87,055	61,187
Goodwill	29,922	29,919
Intangible assets	20,780	19,753
Interests in associates and joint ventures	42,220	41,166
Financial assets at fair value through profit or loss	402	248
Equity instruments at fair value through other comprehensive income	885	1,216
Deferred tax assets	3,821	6,688
Other assets	9,135	7,261
	<u>666,626</u>	<u>634,876</u>
Total non-current assets		
Current assets		
Inventories	3,513	3,827
Income tax recoverable	154	437
Accounts receivable, net	9 24,312	22,389
Contract assets	3,042	912
Prepayments and other current assets	33,751	24,585
Short-term bank deposits and restricted cash	3,835	1,929
Cash and cash equivalents	72,465	73,284
	<u>141,072</u>	<u>127,363</u>
Total current assets		
	<u>807,698</u>	<u>762,239</u>
Total assets		

		31 December	31 December
		2022	2021
	<i>Note</i>	RMB	RMB
			(restated)
LIABILITIES AND EQUITY			
Current liabilities			
Short-term debts		2,840	2,821
Current portion of long-term debts		3,160	6,280
Accounts payable	10	127,260	114,893
Accrued expenses and other payables		65,229	55,765
Contract liabilities		67,841	70,914
Income tax payable		919	588
Current portion of lease liabilities		14,488	13,810
		<u>281,737</u>	<u>265,071</u>
Total current liabilities		281,737	265,071
		<u>(140,665)</u>	<u>(137,708)</u>
Net current liabilities		(140,665)	(137,708)
		<u>525,961</u>	<u>497,168</u>
Total assets less current liabilities		525,961	497,168
Non-current liabilities			
Long-term debts		4,484	7,395
Lease liabilities		52,408	28,594
Deferred tax liabilities		27,945	26,677
Other non-current liabilities		4,697	3,329
		<u>89,534</u>	<u>65,995</u>
Total non-current liabilities		89,534	65,995
		<u>371,271</u>	<u>331,066</u>
Total liabilities		371,271	331,066
Equity			
Share capital		91,507	91,507
Reserves		340,582	337,171
		<u>432,089</u>	<u>428,678</u>
Total equity attributable to equity holders of the Company		432,089	428,678
Non-controlling interests		4,338	2,495
		<u>436,427</u>	<u>431,173</u>
Total equity		436,427	431,173
		<u>807,698</u>	<u>762,239</u>
Total liabilities and equity		807,698	762,239

Notes:

1. BASIS OF PRESENTATION

The Group's consolidated financial statements included in the Annual Report have been prepared in accordance with International Financial Reporting Standards ("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 2022, the total current liabilities of the Group had exceeded the total current assets by RMB140,665 million (31 December 2021: RMB137,708 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 RMB233,639 million (31 December 2021: RMB276,483 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 2022 has been prepared on a going concern basis.

In December 2022, China Telecom Intelligent Network Technology Co., Ltd., a subsidiary of the Company, acquired equity interest in Beeya (Shanghai) Technology Co., Ltd. (the "Acquired Company") from Tianyi Technology Venture Capital Co., Ltd., a wholly-owned subsidiary of China Telecommunications Corporation, and Shanghai Yizhiying Intelligent Technology Partnership (Limited Partnership), a wholly-owned subsidiary of Shanghai Yizhichuang Management Consulting Co., Ltd., a holding subsidiary of Tianyi Technology Venture Capital Co., Ltd., at total purchase prices of RMB2 million and RMB1 million respectively.

Since the Group and the Acquired Company are under common control of China Telecommunications Corporation, the Group's acquisition of the Acquired Company has been accounted for as a combination of entities under common control. Accordingly, the Acquired Company is stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the Acquired Company acquired had always been part of the Group. As a result, the Group has restated the 2021 comparative amounts of the consolidated statement of comprehensive income by including the operating results of the Acquired Company and eliminating its transactions with the Acquired Company. The consolidated statement of financial position of the Group as at 31 December 2021 was restated to include the assets and liabilities of the Acquired Company. For the years presented, all significant transactions and balances between the Group and the Acquired Company have been eliminated on combination.

1A. SIGNIFICANT EVENT IN THE CURRENT YEAR

The Company filed a Form 15F with the U.S. Securities and Exchange Commission (the “SEC”) on 25 February 2022 to deregister the American Depositary Shares (the “ADSs”) and terminate its reporting obligation under the U.S. Securities Exchange Act of 1934, as amended (the “U.S. Exchange Act”). The deregistration and termination of reporting obligation therefore became effective 90 days after the filing as the application was neither withdrawn by the Company nor objected to by the SEC.

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 IAS 16, IFRS 3, IAS 37 and “Annual Improvements to IFRS Standards 2018-2020”

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

Disaggregation of revenue

	<i>Notes</i>	2022 <i>RMB million</i>	2021 <i>RMB million</i> (restated)
Type of goods or services			
Service revenues		434,928	402,828
Mobile communications service revenues	<i>(i)</i>	191,026	184,158
Wireline and Smart Family service revenues	<i>(ii)</i>	118,534	113,522
Industrial Digitalisation service revenues	<i>(iii)</i>	117,756	98,945
Other service revenues	<i>(iv)</i>	7,612	6,203
Sales of goods and others	<i>(v)</i>	46,520	36,725
Total operating revenues		481,448	439,553
Revenue from customer contracts		472,952	431,911
Revenue from other sources and others		8,496	7,642
Total operating revenues		481,448	439,553
Timing of revenue recognition			
A point in time		40,039	31,332
Over time		441,409	408,221
Total operating revenues		481,448	439,553

Notes:

- (i) Represent primarily the aggregate amount of mobile communications service fees, mobile Internet access service fees, caller ID service fees, and short messaging service fees, etc., charged to customers for the provision of mobile services.
- (ii) Represent primarily the aggregate amount of wireline communications service fees, broadband Internet access service fees, e-Surfing HD service fees and Smart Family applications service fees, etc., charged to customers for the provision of wireline services.
- (iii) Represent primarily the aggregate amount of fees charged to customers for the provision of Internet datacentre services, cloud services, digital platform services, dedicated Internet access services, etc.
- (iv) Represent primarily 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 grants.

As at 31 December 2022 and 2021, 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 services are provided over the contract terms over the next 1 to 3 years.

5. NET FINANCE COSTS

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Interest expense on lease liabilities	1,425	1,399
Interest expense on short-term and long-term debts	556	1,110
Less: Interest expense capitalised*	<u>(100)</u>	<u>(105)</u>
Net interest expense	1,881	2,404
Interest income	(1,808)	(1,104)
Net foreign exchange gain or loss and others	<u>(66)</u>	<u>(7)</u>
	<u>7</u>	<u>1,293</u>
*Interest expense was capitalised in construction in progress at the following rates per annum	<u>3.4%-3.6%</u>	<u>3.0%-4.5%</u>

6. INCOME TAX

Income tax in the profit or loss comprises:

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Provision for PRC income tax	3,676	3,606
Provision for income tax in other tax jurisdictions	177	215
Deferred taxation	<u>4,185</u>	<u>3,895</u>
	<u>8,038</u>	<u>7,716</u>

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

	<i>Notes</i>	2022 RMB million	2021 RMB million (restated)
Profit before taxation		<u>35,714</u>	<u>33,865</u>
Expected income tax expense at statutory tax rate of 25%	<i>(i)</i>	8,929	8,466
Impact of tax incentives and reduction including additional deduction for qualified research and development costs		(1,061)	(738)
Differential tax rate on mainland China subsidiaries' and branches' income	<i>(i)</i>	(764)	(495)
Differential tax rate on other subsidiaries' income	<i>(ii)</i>	(54)	(70)
Non-deductible expenses	<i>(iii)</i>	821	1,036
Non-taxable income	<i>(iv)</i>	(568)	(522)
Tax effect of deductible temporary difference and deductible tax loss for which no deferred tax asset was recognized		803	245
Others	<i>(v)</i>	<u>(68)</u>	<u>(206)</u>
Income tax expense		<u>8,038</u>	<u>7,716</u>

Notes:

- (i) Except for certain subsidiaries and branches which are mainly taxed at the preferential rate of 15%, the provision for mainland China income tax is based on a statutory rate of 25% of the assessable income of the Company, its mainland China subsidiaries and branches as determined in accordance with the relevant income tax rules and regulations of mainland China.
- (ii) Income tax provisions of the Company's subsidiaries in Hong Kong and Macau Special Administrative Regions of the PRC, and in other countries are based on the subsidiaries' assessable income and income tax rates applicable in the respective tax jurisdictions which range from 8% 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) Amounts primarily represent settlement of tax filing differences of prior year annual tax return and other tax benefits.

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2022 and 2021 is based on the profit attributable to equity holders of the Company of RMB27,593 million and RMB25,949 million, respectively, divided by the weighted average number of 91,507,138,699 shares and 84,442,405,521 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 22 March 2023, a final dividend of RMB0.076 per share (pre-tax) totalling approximately RMB6,955 million for the year ended 31 December 2022 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 2022.

Pursuant to a resolution at the Board of Directors' meeting on 16 August 2022, an interim dividend of RMB0.120 (equivalent to HK\$0.139523) per share (pre-tax) totalling approximately RMB10,981 million in respect of the six-month period ended 30 June 2022 was declared. The dividend of RMB9,316 million for A shares was paid on 8 September 2022, and the dividend of RMB1,665 million for H shares was paid on 14 October 2022.

Pursuant to the shareholders' approval at the Annual General Meeting held on 19 May 2022, a final dividend of RMB0.170 (equivalent to HK\$0.197211) per share (pre-tax) totalling approximately RMB15,556 million in respect of the year ended 31 December 2021 was declared. The dividend of RMB13,197 million for A shares was paid on 8 June 2022, and the dividend of RMB2,359 million for H shares was paid on 18 July 2022.

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.

9. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, are analysed as follows:

		31 December	
		2022	2021
	Notes	RMB million	RMB million
Third parties		27,714	25,067
China Telecom Group	(i)	2,073	1,889
China Tower	(ii)	23	9
Other telecommunications operators in the PRC		619	475
		<u>30,429</u>	<u>27,440</u>
Less: Allowance for credit losses		<u>(6,117)</u>	<u>(5,051)</u>
		<u>24,312</u>	<u>22,389</u>

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 2022 and 2021, the gross carrying amounts of accounts receivable from contracts with customers amounted to RMB30,350 million, and RMB27,339 million.

Ageing analysis of accounts receivable from telephone and Internet subscribers based on the billing dates is as follows:

	31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Current, within 1 month	6,405	7,164
1 to 3 months	2,040	1,683
4 to 6 months	807	692
7 to 12 months	1,234	928
Over 12 months	1,317	1,079
	11,803	11,546
Less: Allowance for credit losses	(3,335)	(2,690)
	8,468	8,856

Ageing analysis of accounts receivable from other telecommunications operators and enterprise customers based on dates of rendering of services is as follows:

	31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
1 to 6 months	11,817	10,581
7 to 12 months	3,537	1,909
1 to 2 years	1,709	2,012
2 to 3 years	677	563
Over 3 years	886	829
	18,626	15,894
Less: Allowance for credit losses	(2,782)	(2,361)
	15,844	13,533

As at 31 December 2022 and 2021, included in the net balance of the Group’s accounts receivable are debtors with an aggregate carrying amount of RMB2,142 million and RMB1,790 million, respectively, which are past due as at the reporting date.

10. ACCOUNTS PAYABLE

Accounts payable are analysed as follows:

	31 December	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i> (restated)
Third parties	98,076	89,299
China Telecom Group	23,971	21,013
China Tower	4,340	3,914
Other telecommunications operators in the PRC	873	667
	127,260	114,893

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	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i> (restated)
Due within 1 month or on demand	22,078	20,291
Due after 1 month but within 3 months	28,308	23,965
Due after 3 months but within 6 months	33,280	36,338
Due after 6 months	43,594	34,299
	127,260	114,893

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

V. 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 and the audited consolidated financial statements of the Company for the year ended 31 December 2022).

The figures in respect of the Group's consolidated results for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's external auditors, PricewaterhouseCoopers, to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2022.

VI. 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 2022. 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 2022, 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").

VII. 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 2022 to 31 December 2022.

VIII. DIVIDENDS

The Board of Directors proposes a final dividend of RMB0.076 per share (pre-tax) in an aggregate amount of RMB6,955 million calculated based on 91,507 million shares, being the total number of issued share capital of the Company as at the end of 2022. Together with the 2022 interim dividend of RMB0.120 per share (pre-tax) which has been distributed, the full-year dividend of 2022 amounts to RMB0.196 per share (pre-tax) in an aggregate amount of RMB17,935 million which represents 65% of the profit attributable to equity holders of the Company for the year 2022. 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 dividend proposal will be submitted for consideration at the forthcoming Annual General Meeting for the year 2022 which will be held on Tuesday, 23 May 2023. The proposed final dividends are expected to be paid on or before 21 July 2023 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.

IX. ANNUAL REPORT

The Annual Report for the year ended 31 December 2022 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, 22 March 2023

FORWARD-LOOKING STATEMENTS

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

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. Shao Guanglu (as the President and Chief Operating Officer); Mr. Liu Guiqing, Mr. Tang Ke, Mr. Xia Bing and Mr. Li Yinghui (as the Chief Financial Officer) (all as the Executive Vice Presidents); Mr. Chen Shengguang (as the Non-Executive Director); Mr. Ng, Kar Ling Johnny, Madam Wang Hsuehming, Mr. Yeung Chi Wai, Jason and Mr. Chen Dongqi (all as the Independent Non-Executive Directors).