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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)

THE THIRD QUARTER REPORT OF 2021

The board of directors (the “Board”) of China Telecom Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) hereby announces the results of the Group for the nine months ended 30 September 2021. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

IMPORTANT NOTICE

The Board, the Supervisory Committee, Directors, Supervisors and senior management personnel of the Company warrant that the information in this quarterly report is true, accurate, complete and contains no false record, misleading statement or material omission, and assume several and joint liabilities for the information contained herein.

The Company’s person-in-charge, the principal-in-charge of accounting and the person-in-charge of accounting department of the Company (the principal officer of accounting), hereby warrant that the financial statements contained in this quarterly report are true, accurate and complete.

Whether the Third Quarter Report of 2021 of the Company is audited

Yes No

I. KEY FINANCIAL DATA

Financial information set out in this announcement has been prepared in accordance with the International Financial Reporting Standards.

Amounts expressed in RMB million unless otherwise specified.

Item	For the	The year-on-	From the	The year-on-
	three months ended 30 September 2021 (the “reporting period”)	year increase/ decrease in the reporting period (%)	beginning of the year to the end of the reporting period	year increase/ decrease from the beginning of the year to the end of the reporting period (%)
Operating revenues	110,004	11.3	329,241	12.5
Profit attributable to equity holders of the Company	5,584	17.4	23,327	24.7
Basic earnings per share (RMB per share)	0.06	0.0	0.28	21.7
				Increase/ decrease as at the end of the reporting period as compared to the end of last year (%)
	As at the end of the reporting period		As at the end of last year	
Total assets	763,268		715,096	6.7
Equity attributable to equity holders of the Company	426,206		363,456	17.3

II. SHAREHOLDER INFORMATION

As of the end of the reporting period, total number of the Company's shareholders was 1,097,933 (including 1,096,291 A shareholders and 1,642 H shareholders) and there were no holders of preference shares with voting rights restored.

The top 10 shareholders as of the end of the reporting period are as follows:

Name of Shareholder	Nature of shareholder	Number of shares held	Shareholding percentage (%)	Number of restricted shares held	Unit: Share Status of shares pledged, marked or locked up	
					Status of shares	Number
China Telecommunications Corporation	State-owned legal person	57,377,053,317	62.70	57,377,053,317	None	-
HKSCC Nominees Limited	Foreign legal person	13,849,246,623	15.13	0	Unknown	-
Guangdong Rising Holdings Group Co., Ltd.	State-owned legal person	5,614,082,653	6.14	5,614,082,653	Unknown	-
Zhejiang Provincial Financial Development Co., Ltd	State-owned legal person	2,137,473,626	2.34	2,137,473,626	Unknown	-
Fujian Investment & Development Group Co., Ltd	State-owned legal person	969,317,182	1.06	969,317,182	Unknown	-
Jiangsu Guoxin Group Limited	State-owned legal person	957,031,543	1.05	957,031,543	Unknown	-
Suzhou High Speed Rail New Town Economic Development Co., Ltd	Unknown	662,251,000	0.72	662,251,000	Unknown	-
Chengdu Vanguard Capital Management Limited – Chengdu Major Industrialisation Project Phase I Equity Investment Fund Limited	Unknown	662,251,000	0.72	662,251,000	Unknown	-
China State-owned Enterprises Structural Adjustment Fund Co., Ltd	Unknown	551,876,000	0.60	551,876,000	Unknown	-
Yingda International Holdings Group Co., Ltd.	Unknown	441,501,000	0.48	441,501,000	Unknown	-

Note 1: The HKSCC Nominees Limited is the nominee shareholder of the H shares of the Company held by the non-registered shareholders.

Note 2: The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.

The top 10 shareholders of unrestricted tradable shares as of the end of the reporting period are as follows:

Name of Shareholder	Number of unrestricted tradable shares held	Type and number of shares	
		Type of shares	Number
HKSCC Nominees Limited	13,849,246,623	Overseas listed foreign shares	13,849,246,623
Zhang Ting	17,364,400	RMB ordinary shares	17,364,400
Kong Fan Xing	17,000,000	RMB ordinary shares	17,000,000
China Merchants Bank Co.,Ltd. – Hong De Rui Xing Three-Year Investment Fund	15,690,600	RMB ordinary shares	15,690,600
Gu Li Ming	15,224,700	RMB ordinary shares	15,224,700
Gu Jia Wei	15,205,700	RMB ordinary shares	15,205,700
Hua Rong Rong Da Futures – ICBC – Hua Xin Ying Xin No. 9 Asset Management Plan	8,810,700	RMB ordinary shares	8,810,700
Industrial and Commercial Bank of China Limited – Rong Tong Domestic Demand Driven Equity Fund	5,919,000	RMB ordinary shares	5,919,000
Liu Hui Hua	5,600,000	RMB ordinary shares	5,600,000
Li Ting Hu	5,003,500	RMB ordinary shares	5,003,500

Note 1: The HKSCC Nominees Limited is the nominee shareholder of the H shares of the Company held by the non-registered shareholders.

Note 2: The Company is not aware of any connected relationship among the aforementioned shareholders or whether they act in concert.

Note 3: As of the end of the reporting period, shareholder Kong Fan Xing (孔繁興) held 17,000,000 shares of the Company, all of which were held through credit securities accounts.

III. OTHER IMPORTANT INFORMATION

Other important information in relation to the operation of the Company of which investors should be aware

✓ Applicable Not applicable

	As at 30 September 2021/ For the period from 1 January 2021 to 30 September 2021	As at 30 September 2020/ For the period from 1 January 2020 to 30 September 2020
Mobile Subscribers (Million)	369.66	349.35
Net Add of Mobile Subscribers (Million)	18.64	13.78
5G Package Subscribers (Million)	155.54	64.80
Net Add of 5G Package Subscribers (Million)	69.04	60.19
Handset Data Traffic (kTB)	33,977.2	24,392.5
Wireline Broadband Subscribers (Million)	167.64	156.75
Net Add of Wireline Broadband Subscribers (Million)	9.11	3.62
Access Lines in Service (Million)	107.09	108.35
Net Increase/(Decrease) of Access Lines in Service (Million)	(0.79)	(2.50)

Note: Mobile subscribers and net add of mobile subscribers include 5G package subscribers and net add of 5G package subscribers.

In the first three quarters of 2021, the Company captured the period of strategic opportunities brought by the booming digital economy. Taking A-share IPO as an opportunity, the Company comprehensively deepened its “Cloudification and Digital Transformation” strategy, expanded integrated intelligent information services with customer-oriented approach, built core capabilities for sci-tech innovation, and constructed new information infrastructure featuring cloud-network integration. The Company also expanded the industry and capital ecologies with open cooperation, speeded up system and mechanism reforms, and reinforced the solid foundation of network and information security so as to advance its green development and achieve rapid growth of operating results.

For the first three quarters of 2021, operating revenues were RMB329,241 million, representing an increase of 12.5% over the same period of last year, of which service revenues¹ were RMB304,271 million, representing an increase of 8.3% over the same period of last year. The profit attributable to equity holders of the Company was RMB23,327 million, representing an increase of 24.7% over the same period of last year and an increase of 17.1% over the same period of last year excluding the one-off after-tax gain from the disposals of E-surfing Pay Co. Ltd and China Telecom Leasing Corporation Limited of RMB1,416 million. Basic earnings per share was RMB0.28, representing an increase of 21.7% over the same period of last year. EBITDA² was RMB96,348 million, representing an increase of 4.5% over the same period of last year. EBITDA margin³ was 31.7%, and free cash flow was RMB23,168 million, representing an increase of 19.6% over the same period of last year.

In the field of personal communication and information service, the Company continued to deepen co-building and co-sharing, leveraged the edge of deepened integration of 5G and e-Surfing Cloud to forge a high-quality service experience, while also comprehensively deployed the application and privilege portfolio for individual customers with an aim to establish the individual digital life covering entertainment, work and study, expand the potential value space for 5G, and propel enhancement in both scale and value of mobile subscribers. In the first three quarters of 2021, the revenues from mobile communications service amounted to RMB140,528 million, representing an increase of 6.3% over the same period of last year. The total number of mobile subscribers reached approximately 370 million with a net addition of 18.64 million, which continued to maintain an industry-leading position. The number of 5G package subscribers reached approximately 156 million with a net addition of 69.04 million, while the penetration rate reached 42.1%. The total handset data traffic increased by 39.3% year-on-year, and mobile ARPU amounted to RMB45.4, which continued to increase over the same period of last year.

In the field of home communication and information services, with a focus on the digital life in all scenes, and leveraging the strengths in cloud-network integration, the Company created the high-quality “Triple-Gigabit” ubiquitous connectivity services, comprising 5G+Fibre Broadband+WiFi6. It also established E-surfing Digital Life Technology Co., Ltd. (天翼數字生活科技有限公司) to build a Smart Family platform that aggregates different industry ecologies such as content, applications and smart home devices, and to develop integrated information services covering Smart Family, smart community and

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

² EBITDA is calculated based on operating revenues minus operating expenses plus depreciation and amortisation.

³ EBITDA margin is calculated based on EBITDA divided by service revenues.

digital village. For the first three quarters of 2021, wireline and Smart Family service revenues of the Company amounted to RMB85,498 million, representing an increase of 4.7% year-on-year. The total number of wireline broadband subscribers reached approximately 168 million with a net increase of 9.11 million, while revenue from broadband access reached RMB56,896 million, representing a year-on-year growth of 6.8%. Broadband access ARPU reached RMB38.8, maintained the rebound momentum over the same period of last year. Revenue from Smart Family increased by 30.3% year-on-year, driving the broadband blended ARPU to RMB46.1, representing an increase of 4.5% year-on-year.

In the field of government and enterprise communication and information services, the Company deeply integrated the essential elements of the digital economy with emerging information technologies and repackaged its fundamental capabilities with 5G, e-Surfing Cloud and security as the core to foster the vigorous market demand. 5G business model had been evolving continuously with a series of benchmark projects widely replicated. E-surfing Cloud Technology Limited Company (天翼雲科技有限公 司) was set up officially and e-Surfing Cloud kept its industry leading position leveraging on its servicing capabilities of cloud polymorphism, including public cloud, private cloud, dedicated cloud and hybrid cloud, as well as its IDC resources, which are the greatest in number and widest in distribution in China. In the first three quarters of 2021, the Company's Industrial Digitalisation service maintained rapid growth and recorded revenue of RMB74,090 million, representing an increase of 16.8% over the same period of last year, maintaining the industry-leading position in terms of revenue and market share.

From January to September 2021, the Group's operating expenses were RMB300,987 million, representing an increase of 12.7% over the same period of last year. Depreciation and amortisation were RMB68,094 million, representing an increase of 2.3% over the same period of last year. Network operations and support expenses were RMB96,718 million, representing an increase of 12.7% over the same period of last year, mainly due to the Company's continuous improvement of network quality and capabilities to support the rapid development of 5G, government and enterprise business, and other emerging businesses. Selling, general and administrative expenses were RMB42,966 million, representing an increase of 6.7% over the same period of last year, mainly because the Company increased its investment in research and development while maintaining the necessary deployment in marketing resources to firmly seize the 5G development opportunity. Personnel expenses were RMB60,507 million, representing an increase of 10.5% over the same period of last year, mainly due to the appropriate increase in the introduction of technological talents and the incentives for high-performance teams. Other operating expenses were RMB32,702 million, representing an increase of 67.5%

over the same period of last year, mainly due to the substantial increase in sales of mobile terminal products such as 5G mobile phones. Net finance costs were RMB1,309 million, representing a decrease of 44.8% from the same period of last year. With the sound operating performance and cash flow, the issuance of A shares effectively guaranteed the capital needs of key investment projects while the scale of interest-bearing debts was effectively reduced.

Looking forward, while capturing the current important period of strategic opportunities, the Company will strive to transform its model of development and growth to become a service-oriented, technology-oriented and security-oriented enterprise. Taking A-share IPO as an opportunity, the Company will deepen its “Cloudification and Digital Transformation” strategy, expand its customer-oriented integrated intelligent information services, and pursue breakthroughs in key technologies and accumulation for the next generation technologies. The Company will also build core capabilities for sci-tech innovation, construct the green and low-carbon new information infrastructure featuring cloud-network integration and leverage its digitalised platform to empower the green development of numerous walks of life. Leveraging the synergies with strategic investors, the Company will build industry and capital ecologies with strong alliance and open cooperation. Through the implementation of system and mechanism reforms, the Company will stimulate corporate vitality and intrinsic motivation and reinforce the solid foundation of network and information security, striving to build the cornerstone for the development of digital economy. The Company will also facilitate the construction of Cyberpower and Digital China, safeguard network and information security and promote rural revitalisation, so as to create a better digital life for customers and share the results of high-quality development with shareholders.

IV. QUARTERLY FINANCIAL STATEMENTS

(1) Type of audit opinion

Applicable Not applicable

(2) Financial statements

Financial statements prepared in accordance with International Financial Reporting Standards are set out in Appendix to this announcement.

(3) Adjustment to financial statements at the beginning of the year since 2021 due to application of the new lease accounting standard for the first time

Applicable Not applicable

This announcement has been prepared in Chinese and English. In case of discrepancy, the Chinese version shall prevail.

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

Beijing, China, 22 October 2021

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 and Madam Zhu Min (as the Chief Financial Officer) (all as the Executive Vice Presidents); 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).

**APPENDIX – FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)**

at 30 September 2021

(Amounts in million)

	30 September	31 December
	2021	2020
	RMB	RMB
ASSETS		
Non-current assets		
Property, plant and equipment, net	395,308	418,605
Construction in progress	64,822	48,425
Right-of-use assets	52,415	59,457
Goodwill	29,919	29,920
Intangible assets	17,117	18,508
Interests in associates	40,612	40,303
Financial assets at fair value through profit or loss	141	73
Equity instruments at fair value through other comprehensive income	912	1,073
Deferred tax assets	7,142	8,164
Other assets	5,860	6,552
Total non-current assets	614,248	631,080
Current assets		
Inventories	5,264	3,317
Income tax recoverable	58	334
Accounts receivable, net	32,868	21,502
Contract assets	1,257	604
Prepayments and other current assets	21,685	25,167
Short-term bank deposits and restricted cash	2,244	9,408
Cash and cash equivalents	85,644	23,684
Total current assets	149,020	84,016
Total assets	763,268	715,096

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED) (Continued)**

at 30 September 2021

(Amounts in million)

	30 September	31 December
	2021	2020
	RMB	RMB
LIABILITIES AND EQUITY		
Current liabilities		
Short-term debt	4,883	27,994
Current portion of long-term debt	6,133	1,126
Accounts payable	125,019	107,578
Accrued expenses and other payables	62,406	57,053
Contract liabilities	61,198	63,849
Income tax payable	5,181	350
Current portion of lease liabilities	11,505	13,192
Total current liabilities	276,325	271,142
Net current liabilities	(127,305)	(187,126)
Total assets less current liabilities	486,943	443,954
Non-current liabilities		
Long-term debt	7,362	24,222
Lease liabilities	22,793	27,455
Deferred tax liabilities	24,842	24,208
Other non-current liabilities	3,272	1,894
Total non-current liabilities	58,269	77,779
Total liabilities	334,594	348,921
Equity		
Share capital	91,507	80,932
Reserves	334,699	282,524
Total equity attributable to equity holders of the Company	426,206	363,456
Non-controlling interests	2,468	2,719
Total equity	428,674	366,175
Total liabilities and equity	763,268	715,096

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

for the nine-month period ended 30 September 2021

(Amounts in million except per share data)

	Nine-month period ended	
	30 September	
	2021	2020
	<i>RMB</i>	<i>RMB</i>
Operating revenues	329,241	292,614
Operating expenses		
Depreciation and amortisation	(68,094)	(66,574)
Network operations and support	(96,718)	(85,847)
Selling, general and administrative	(42,966)	(40,251)
Personnel expenses	(60,507)	(54,782)
Other operating expenses	(32,702)	(19,524)
Total operating expenses	(300,987)	(266,978)
Operating profit	28,254	25,636
Net finance costs	(1,309)	(2,370)
Investment income and others	2,238	58
Share of profits of associates	1,304	1,148
Profit before taxation	30,487	24,472
Income tax	(7,051)	(5,580)
Profit for the period	23,436	18,892
Other comprehensive income for the period		
<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	(128)	(304)
Deferred tax on change in fair value of investments in equity instruments at fair value through other comprehensive income	36	76
	(92)	(228)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED) (Continued)**

for the nine-month period ended 30 September 2021

(Amounts in million except per share data)

	Nine-month period ended	
	30 September	
	2021	2020
	RMB	RMB
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of financial statements of subsidiaries outside mainland China	(60)	(37)
Share of other comprehensive income of associates	—	(4)
	<u>(60)</u>	<u>(41)</u>
Other comprehensive income for the period, net of tax	<u>(152)</u>	<u>(269)</u>
Total comprehensive income for the period	<u>23,284</u>	<u>18,623</u>
Profit attributable to		
Equity holders of the Company	23,327	18,706
Non-controlling interests	109	186
	<u>23,436</u>	<u>18,892</u>
Profit for the period	<u>23,436</u>	<u>18,892</u>
Total comprehensive income attributable to		
Equity holders of the Company	23,175	18,437
Non-controlling interests	109	186
	<u>23,284</u>	<u>18,623</u>
Total comprehensive income for the period	<u>23,284</u>	<u>18,623</u>
Basic earnings per share	<u>0.28</u>	<u>0.23</u>
Number of shares (in million)	<u>91,507</u>	<u>80,932</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the nine-month period ended 30 September 2021

(Amounts in million)

	<i>Notes</i>	Nine-month period ended 30 September	
		2021	2020
		RMB	RMB
Net cash from operating activities	<i>(a)</i>	119,930	98,153
Cash flows used in investing activities			
Capital expenditure		(57,105)	(45,172)
Purchase of investments		(106)	(74)
Payments for right-of-use assets		(12)	(110)
Proceeds from disposal of property, plant and equipment		501	296
Proceeds from disposal of right-of-use assets		48	10
Proceeds from disposal of investments		37	36
Net cash inflow from disposal of subsidiaries		3,764	–
Payments for equity instruments at fair value through other comprehensive income		(93)	–
Purchase of short-term bank deposits		(7,844)	(4,713)
Maturity of short-term bank deposits		9,135	4,003
Net cash used in investing activities		(51,675)	(45,724)
Cash flows used in financing activities			
Proceeds from A Shares Offering, net of issuing expenses		47,518	–
Repayments of principal of lease liabilities		(8,607)	(8,215)
Proceeds from bank and other loans		30,583	43,285
Repayments of bank and other loans		(64,031)	(66,988)
Payment of dividends		(8,439)	(9,262)
Distribution to non-controlling interests		–	(5)
Contribution from non-controlling interests		79	–
Net deposits with Finance Company		(3,131)	36
Increase in statutory reserve deposits placed by Finance Company		(220)	(655)
Net cash used in financing activities		(6,248)	(41,804)
Net increase in cash and cash equivalents		62,007	10,625
Cash and cash equivalents at 1 January		23,684	20,791
Effect of changes in foreign exchange rate		(47)	(38)
Cash and cash equivalents at 30 September		85,644	31,378

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(Continued)

for the nine-month period ended 30 September 2021

(Amounts in million)

(a) Reconciliation of profit before taxation to net cash from operating activities

	Nine-month period ended	
	30 September	
	2021	2020
	RMB	RMB
Profit before taxation	30,487	24,472
Adjustment for:		
Depreciation and amortisation	68,094	66,574
Impairment losses for financial assets and other items, net of reversal	2,316	2,229
Write down of inventories, net of reversal	30	(10)
Investment income and others	(2,238)	(58)
Share of profits of associates	(1,304)	(1,148)
Interest income	(579)	(386)
Interest expense	1,938	2,633
Net foreign exchange (gain)/loss	(50)	123
Net loss on retirement and disposal of long-lived assets	3,812	2,691
Operating profit before changes in working capital	102,506	97,120
Increase in accounts receivable	(14,262)	(13,141)
Increase in contract assets	(662)	(392)
Increase in inventories	(1,978)	(724)
Increase in prepayments and other current assets	(248)	(1,086)
Decrease in restricted cash	123	390
(Increase)/Decrease in other assets	(631)	850
Increase in accounts payable	21,100	7,807
Increase in accrued expenses and other payables	19,316	10,034
Decrease in contract liabilities	(2,620)	(302)
(Decrease)/Increase in deferred revenues	(22)	236
Cash generated from operations	122,622	100,792
Interest received	634	391
Interest paid	(1,745)	(2,737)
Investment income received	860	582
Income tax paid	(2,441)	(875)
Net cash from operating activities	119,930	98,153